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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 2018

HIGHLIGHTS

| | For the six months ended 30 June 2018 HK\$ million | For the six months ended 30 June 2017 HK\$ million | 1H 2018 vs 1H 2017 Change |
|---|---|---|------------------------------------|
| Revenue | 4,021 | 3,117 | +29% |
| Service revenue | 1,843 | 1,944 | -5% |
| Hardware revenue | 2,178 | 1,173 | +86% |
| EBITDA | 601 | 644 | -7% |
| EBIT | 195 | 215 | -9% |
| Profit attributable to shareholders from continuing operations | 198 | 112 | +77% |
| Earnings per share from continuing operations (in HK cents) | 4.11 | 2.32 | +77% |
| Interim dividend per share (in HK cents) | 3.10 | 3.90 | -21% |

- Revenue increased 29% to HK\$4,021 million, mainly as a result of increase in hardware revenue.
- EBITDA decreased 7% to HK\$601 million. The decrease was mainly as a result of lower local service margin in a competitive environment. This was partially offset by lower overall operating expenses with capitalisation of certain variable costs, after adoption of the IFRS 15 accounting standard⁽¹⁾ from the beginning of 2018.
- Profit attributable to shareholders from continuing operations increased 77% to HK\$198 million mainly because of the above mentioned reasons together with savings in fixed assets depreciation expense following an accelerated depreciation exercise in 2017 plus higher interest income from cash proceeds in October 2017, subsequent to disposal of the fixed-line business.
- Earnings per share from continuing operations was 4.11 HK cents.
- Interim dividend per share is 3.10 HK cents.

Note 1: The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. In previous reporting periods, the incremental costs of obtaining telecommunications service contracts were recognised in the consolidated income statement when incurred. Under IFRS 15, certain of these incremental costs are required to be capitalised as an asset when incurred, and amortised over the contract period. Please refer to Note 4 of this announcement for further details.

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 stabilised 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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Highlights

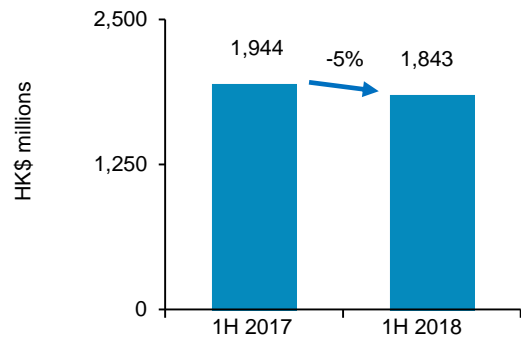
| | For the six months ended 30 June 2018 HK\$ million | For the six months ended 30 June 2017 HK\$ million | Favourable/ (unfavourable) Change |
|---|---|---|---|
| Revenue | 4,021 | 3,117 | +29% |
| - Net customer service revenue | 1,843 | 1,944 | -5% |
| - Local service revenue | 1,494 | 1,615 | -7% |
| - Roaming service revenue | 349 | 329 | +6% |
| - Hardware revenue | 2,178 | 1,173 | +86% |
| - Bundled sales revenue | 339 | 339 | - |
| - Standalone handset sales revenue | 1,839 | 834 | +121% |
| Net customer service margin | 1,681 | 1,815 | -7% |
| <i>Net customer service margin %</i> | <i>91%</i> | <i>93%</i> | <i>-2% points</i> |
| Standalone handset sales margin | 22 | 17 | +29% |
| Total CACs | (412) | (468) | +12% |
| Less: Bundled sales revenue | <u>339</u> | <u>339</u> | - |
| Total CACs (net of handset revenue) | (73) | (129) | +43% |
| Operating expenses and staff costs | (1,065) | (1,090) | +2% |
| <i>Operating expenses and staff costs as a % of net customer service margin</i> | <i>63%</i> | <i>60%</i> | <i>-3% points</i> |
| EBITDA | 601 | 644 | -7% |
| Service EBITDA | 579 | 627 | -8% |
| <i>Service EBITDA margin %</i> | <i>31%</i> | <i>32%</i> | <i>-1% point</i> |
| Depreciation and amortisation | (381) | (407) | +6% |
| EBIT | 195 | 215 | -9% |
| Service EBIT | 173 | 198 | -13% |
| CAPEX | (282) | (197) | -43% |
| EBITDA less CAPEX | 319 | 447 | -29% |

Revenue for the first half of 2018 was HK\$4,021 million, a 29% increase compared with HK\$3,117 million for the same period in 2017. This was attributable to higher hardware revenue generated by greater demand for new smartphones rolling over from the last quarter of 2017. Service revenue for the first half of 2018 was HK\$1,843 million, a 5% decrease compared with HK\$1,944 million in the first half of the previous year. Local service revenue for the first half of 2018 recorded a decrease of 7% at a time of intense market competition. Roaming revenue rallied in the first half of 2018 and improved 6% compared with that of the first half of 2017, following launch of innovative roaming packages during the period.

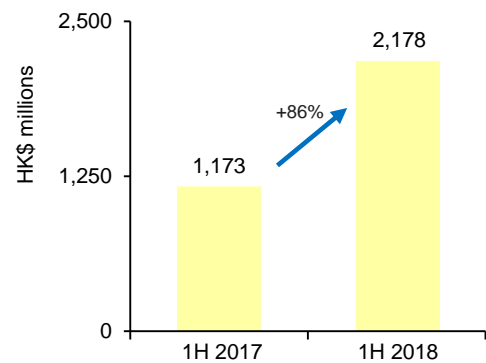
Hardware revenue for the first half of 2018 was HK\$2,178 million, an increase of 86% from HK\$1,173 million in the first half of 2017, resulting from greater demand for the latest smartphones rolling over from the last quarter of 2017.

Total CACs, staff costs and other operating expenses for the first half of 2018 amounted to HK\$1,300 million, a decrease of 4% from HK\$1,348 million in the first half of 2017. The decrease was mainly a result of capitalisation of certain variable costs after adoption of IFRS 15 as well as continued efficiency enhancement and stringent expenditure control.

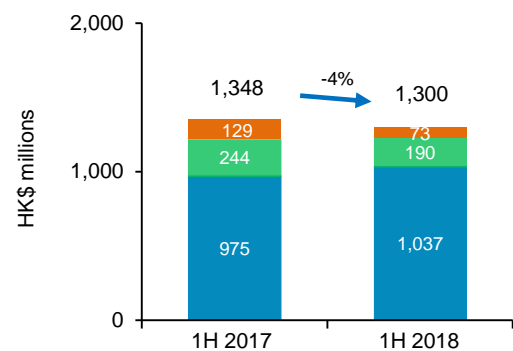
Service revenue



Hardware revenue

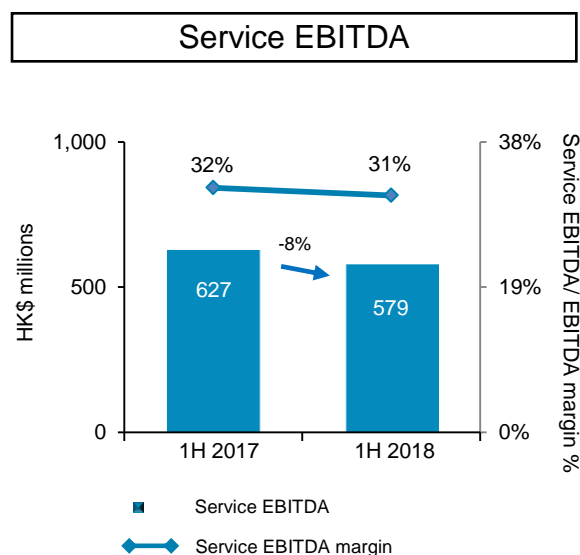


Key cost items



- CACs
- Staff costs
- Other operating expenses

Service EBITDA for the first half of 2018 was HK\$579 million, an 8% decrease compared with HK\$627 million for the same period in 2017. This reflected keen market competition in local data tariff packages. Service EBITDA margin was 31%.



Depreciation and amortisation for the first half of 2018 amounted to HK\$381 million compared with HK\$407 million in the first half of 2017. This decrease was mainly the result of savings of HK\$137 million from depreciation of mobile fixed assets after an accelerated depreciation exercise involving certain 2G and 3G fixed assets in 2017, partially offset by additional amortisation charges of capitalised variable costs after adoption of the IFRS 15 accounting standard.

EBIT for the first half of 2018 was HK\$195 million, 9% lower than the HK\$215 million reported for the first half of 2017.

Key performance indicators

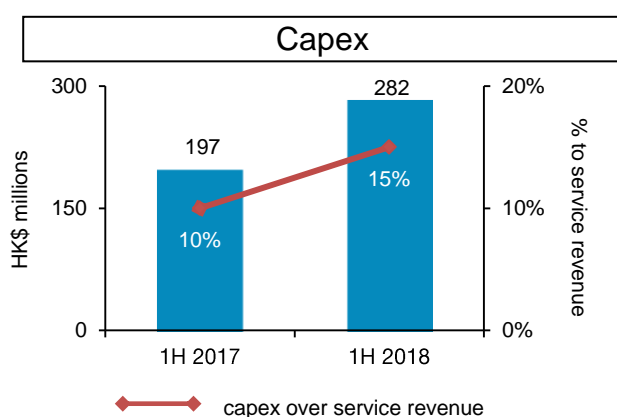
| | For the six months ended 30 June 2018 | For the six months ended 30 June 2017 | Favourable/ (unfavourable) Change |
|--|---------------------------------------|---------------------------------------|-----------------------------------|
| Number of postpaid customers ('000) | 1,499 | 1,486 | +1% |
| Number of prepaid customers ('000) | <u>1,915</u> | <u>1,782</u> | +7% |
| Total customers ('000) | 3,414 | 3,268 | +4% |
| Postpaid customers to the total customer base (%) | 44% | 45% | -1% point |
| Postpaid customers' contribution to the net customer service revenue (%) | 91% | 91% | - |
| Monthly churn rate of postpaid customers (%) | 1.2% | 1.2% | - |
| Postpaid gross ARPU (HK\$) | 222 | 232 | -4% |
| Postpaid net ARPU (HK\$) | 188 | 198 | -5% |
| Postpaid net AMPU (HK\$) | 172 | 184 | -7% |

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.

Net interest and other finance income

Net interest and other finance income amounted to HK\$79 million for the first half of 2018 compared with expenses of HK\$37 million for the same period in 2017. The increase in net interest and other finance income was the result of interest income generated from the cash proceeds subsequent to disposal of the fixed-line business together with savings from interest and other finance costs after repayment of bank borrowings in early 2018. As of 30 June 2018, the Group recorded a net cash position of HK\$9,491 million.

Capital expenditure



| 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 | 28.8 MHz | 2023 |
| 2100 MHz | 10 MHz | 2023 |

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

Capital expenditure on property, plant and equipment for the first half of 2018 amounted to HK\$282 million (1H 2017: HK\$197 million), focusing on long-term investment in quality enhancement and capacity expansion on our advanced 4.5G mobile network. Expenditure during the first half of 2018 accounted for 15% (1H 2017: 10%) of service revenue. The Group scrutinises capital expenditure carefully to ensure all spending is revenue driven.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Note | Unaudited 2018 HK\$ millions | (Restated) (Note 2) Unaudited 2017 HK\$ millions |
|--|------|------------------------------------|--|
| Continuing operations | | | |
| Revenue | 5 | 4,021 | 3,117 |
| Cost of inventories sold | | (2,156) | (1,156) |
| Staff costs | | (190) | (244) |
| Expensed customer acquisition and retention costs | | (73) | (129) |
| Depreciation and amortisation | | (381) | (407) |
| Other operating expenses | | (1,037) | (975) |
| | | <u>184</u> | <u>206</u> |
| Interest and other finance income | 7 | 89 | 15 |
| Interest and other finance costs | 7 | (10) | (52) |
| Share of result of a joint venture | | (2) | (3) |
| | | <u>261</u> | <u>166</u> |
| Profit before taxation | | | |
| Taxation | 8 | (42) | (35) |
| | | <u>219</u> | <u>131</u> |
| Discontinued operations | | | |
| Profit for the period from discontinued operations | 9 | - | 212 |
| | | <u>219</u> | <u>343</u> |
| Profit for the period | | | |
| | | <u>219</u> | <u>343</u> |
| Attributable to: | | | |
| Shareholders of the Company | | 198 | 324 |
| Non-controlling interests | | 21 | 19 |
| | | <u>219</u> | <u>343</u> |
| Profit attributable to shareholders of the Company arises from: | | | |
| Continuing operations | | 198 | 112 |
| Discontinued operations | | - | 212 |
| | | <u>198</u> | <u>324</u> |
| Earnings per share attributable to shareholders of the Company (expressed in HK cents per share): | | | |
| - Basic earnings per share arises from | | | |
| Continuing operations | 10 | 4.11 | 2.32 |
| Discontinued operations | | - | 4.40 |
| | | <u>4.11</u> | <u>6.72</u> |
| - Diluted earnings per share arises from | | | |
| Continuing operations | 10 | 4.11 | 2.32 |
| Discontinued operations | | - | 4.40 |
| | | <u>4.11</u> | <u>6.72</u> |

Details of interim dividend payable to shareholders of the Company are set out in Note 11.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

| | Unaudited 2018 HK\$ millions | (Restated) (Note 2) Unaudited 2017 HK\$ millions |
|--|------------------------------------|--|
| Profit for the period | 219 | 343 |
| Other comprehensive income | | |
| Item that may be reclassified subsequently to income statement in subsequent periods: | | |
| - Currency translation differences | - | 1 |
| | <u>219</u> | <u>344</u> |
| Total comprehensive income for the period, net of tax | <u><u>219</u></u> | <u><u>344</u></u> |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 198 | 325 |
| Non-controlling interests | 21 | 19 |
| | <u>219</u> | <u>344</u> |
| Total comprehensive income attributable to shareholders of the Company arises from: | | |
| Continuing operations | 198 | 112 |
| Discontinued operations | - | 213 |
| | <u>198</u> | <u>325</u> |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018**

| | Note | Unaudited 30 June 2018 HK\$ millions | Audited 31 December 2017 HK\$ millions |
|--|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,134 | 2,017 |
| Goodwill | | 2,155 | 2,155 |
| Telecommunications licences | | 2,416 | 2,542 |
| Customer acquisition and retention costs | | 141 | - |
| Contract assets | | 186 | - |
| Other non-current assets | | 251 | 214 |
| Deferred tax assets | | 276 | 338 |
| Investment in a joint venture | | 421 | 434 |
| Total non-current assets | | 7,980 | 7,700 |
| Current assets | | | |
| Cash and cash equivalents | 12 | 9,491 | 13,717 |
| Trade receivables and other current assets | 13 | 535 | 950 |
| Contract assets | | 221 | - |
| Inventories | | 104 | 125 |
| Total current assets | | 10,351 | 14,792 |
| Current liabilities | | | |
| Borrowings | | - | 3,900 |
| Trade and other payables | 14 | 1,774 | 2,304 |
| Contract liabilities | | 136 | - |
| Current income tax liabilities | | 7 | 3 |
| Total current liabilities | | 1,917 | 6,207 |
| Non-current liabilities | | | |
| Other non-current liabilities | | 332 | 330 |
| Total non-current liabilities | | 332 | 330 |
| Net assets | | 16,082 | 15,955 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 1,205 | 1,205 |
| Reserves | | 14,714 | 14,639 |
| Total shareholders' funds | | 15,919 | 15,844 |
| Non-controlling interests | | 163 | 111 |
| Total equity | | 16,082 | 15,955 |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Unaudited | | | | | | | | |
|--|---|--------------------------------|------------------------------------|---|----------------------------------|---------------------------------|------------------------|--|-------------------------------|
| | Attributable to shareholders of the Company | | | | | | | | |
| | Share capital HK\$ millions | Share premium HK\$ millions | Retained earnings 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 2018, previously reported | 1,205 | 11,185 | 3,310 | 2 | 138 | 4 | 15,844 | 111 | 15,955 |
| Changes in accounting policies (Note 4) | - | - | 96 | - | - | - | 96 | 31 | 127 |
| At 1 January 2018, restated | 1,205 | 11,185 | 3,406 | 2 | 138 | 4 | 15,940 | 142 | 16,082 |
| Profit for the period | - | - | 198 | - | - | - | 198 | 21 | 219 |
| Dividend relating to 2017 paid in 2018 (Note 11) | - | - | (219) | - | - | - | (219) | - | (219) |
| At 30 June 2018 | 1,205 | 11,185 | 3,385 | 2 | 138 | 4 | 15,919 | 163 | 16,082 |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | 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 | 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 11) | - | - | (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 CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

| | Note | Unaudited 2018 HK\$ millions | Unaudited 2017 HK\$ millions |
|---|------|------------------------------------|------------------------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | | 147 | 1,098 |
| Interest and other finance costs paid | | (4) | (87) |
| Tax paid | | - | (2) |
| | | <u>143</u> | <u>1,009</u> |
| Net cash generated from operating activities | | | |
| | | <u>143</u> | <u>1,009</u> |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (282) | (424) |
| Additions to other non-current assets | | - | (1) |
| Interest received | | 74 | - |
| Loan to a joint venture | | (42) | (46) |
| | | <u>(250)</u> | <u>(471)</u> |
| Net cash used in investing activities | | | |
| | | <u>(250)</u> | <u>(471)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 800 |
| Repayment of borrowings | | (3,900) | (400) |
| Repayment of loan from a fellow subsidiary | | - | (543) |
| Dividend paid to the shareholders of the Company | 11 | (219) | (332) |
| Dividend paid to non-controlling interests | | - | (61) |
| | | <u>(4,119)</u> | <u>(536)</u> |
| Net cash used in financing activities | | | |
| | | <u>(4,119)</u> | <u>(536)</u> |
| (Decrease)/increase in cash and cash equivalents | | (4,226) | 2 |
| Cash and cash equivalents at 1 January | | 13,717 | 357 |
| | | <u>9,491</u> | <u>359</u> |
| Cash and cash equivalents at 30 June | | <u>9,491</u> | <u>359</u> |

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. Its registered office address is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Group used to be engaged in mobile and fixed-line businesses. After the disposal of its fixed-line business in October 2017, the Group is now principally engaged in the mobile business in Hong Kong and Macau. The shares of the Company are listed on the Main Board of the Stock Exchange.

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 2018.

2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards.

These interim financial statements have been prepared under the historical cost convention and on a going concern basis.

On 3 October 2017, the Group completed its disposal of the entire interests in subsidiaries which operate the fixed-line business to Asia Cube Global Communications Limited, a company wholly-owned by a fund managed by I Squared Capital. Since then, the Group is principally engaged in the mobile business in Hong Kong and Macau. These interim financial statements and the comparative figures have been prepared to reflect the results of the discontinued operations separately.

3 Significant Accounting Policies

The accounting policies applied and methods of computation used in the preparation of these interim financial statements are consistent with those used in 2017 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 2018. Save as disclosed in Note 4, the effect of the adoption of other new or revised standards, amendments and interpretations was not material to the results of operations or financial position of the Group.

4 Changes in Accounting Policies

This note discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods, and also explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's interim financial statements.

(a) IFRS 9 *Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 does not have material impact to the Group, except for the methodology of impairment of financial assets. The new accounting policies in relation to impairment of financial assets are set out in below.

Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables from the provision of mobile telecommunications services and from the provision of bundled transactions under contract (Note 4(b)(iii));
- contract assets relating to bundled transactions under contract (Note 4(b)(v)); and
- other financial assets at amortised cost.

The Group is required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected provision for doubtful debts for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group considers the lifetime expected loss for contract assets relating to unbilled bundled transactions under contract to be substantially the same as the trade receivables.

4 Changes in Accounting Policies (Continued)

(a) IFRS 9 *Financial Instruments* (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include loan to a joint venture and other receivables. Applying the expected credit risk model resulted in immaterial impact on the provision for doubtful debts for these financial assets.

(b) IFRS 15 *Revenue from Contracts with Customers*

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply the new standard only to contracts that are not completed contracts at 1 January 2018.

Accounting policies

(i) Sales of services

The Group provides mobile telecommunications and other service to customers. Revenue is recognised in the accounting period in which the services are rendered.

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms.

(ii) Sales of hardware

The Group sells telecommunications hardware to customers. Revenue is recognised upon delivery of hardware to customers and the payment is due immediately.

(iii) Bundled transactions under contracts comprising provision of mobile telecommunications services and sale of a handset device

The amount of revenue recognised for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset device element provided within the bundled contracts.

4 Changes in Accounting Policies (Continued)

(b) IFRS 15 *Revenue from Contracts with Customers* (Continued)

(iv) Customer acquisition and retention costs eligible for capitalisation

The incremental costs of obtaining telecommunications service contracts are those costs that would not have been incurred if the contract had not been obtained. These incremental costs are required to be capitalised as an asset when incurred, and amortised on a straight-line basis in the consolidated income statement over the minimum enforceable contractual period.

Acquisition costs related to contracts with durations less than one year are expensed as incurred.

In previous reporting periods, incremental costs of obtaining telecommunications services contracts were recognised in the consolidated income statement as incurred.

(v) Contract assets

Contract assets relating to bundled transaction under contracts are recognised when the Group has performed the service or transferred the hardware to the customer before the customer pays consideration or before payment is due.

(vi) Contract liabilities

The Group recognises contract liabilities when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group performs a service or transfers a hardware to the customer.

4 Changes in Accounting Policies (Continued)

(c) Impact of adoption to the interim financial statements

The following tables illustrate the amount by each financial statements line items affected in current period by the application of IFRS 15 as compared to IAS 18 and IAS 11 that were previously in effect before the adoption of IFRS 15 as follows:

| Condensed Consolidated Income Statement | Six months ended 30 June 2018 | | |
|--|---|---------------------------------------|---|
| | Reported under current accounting policies HK\$ millions | Effect of IFRS 15 HK\$ millions | Balance without the adoption of IFRS 15 HK\$ millions |
| Revenue | 4,021 | - | 4,021 |
| Cost of inventories sold | (2,156) | - | (2,156) |
| Staff costs | (190) | (29) | (219) |
| Expensed customer acquisition and retention costs | (73) | (51) | (124) |
| Depreciation and amortisation | (381) | 90 | (291) |
| Other operating expenses | (1,037) | - | (1,037) |
| | <u>184</u> | <u>10</u> | <u>194</u> |
| Interest and other finance income | 89 | - | 89 |
| Interest and other finance costs | (10) | - | (10) |
| Share of result of a joint venture | (2) | - | (2) |
| | <u>261</u> | <u>10</u> | <u>271</u> |
| Taxation | (42) | (2) | (44) |
| | <u>219</u> | <u>8</u> | <u>227</u> |
| Profit for the period | 219 | 8 | 227 |
| Attributable to: | | | |
| Shareholders of the Company | 198 | 6 | 204 |
| Non-controlling interests | 21 | 2 | 23 |
| | <u>219</u> | <u>8</u> | <u>227</u> |

4 Changes in Accounting Policies (Continued)

(c) Impact of adoption to the interim financial statements (Continued)

| Condensed Consolidated Statement of Financial Position | At 30 June 2018 | | Balance without the adoption of IFRS 15 HK\$ millions |
|---|--|--|---|
| | Reported under current accounting policies HK\$ millions | Effect under IFRS 15 HK\$ millions | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2,134 | - | 2,134 |
| Goodwill | 2,155 | - | 2,155 |
| Telecommunications licences | 2,416 | - | 2,416 |
| Customer acquisition and retention costs | 141 | (141) | - |
| Contract assets | 186 | (186) | - |
| Other non-current assets | 251 | - | 251 |
| Deferred tax assets | 276 | 22 | 298 |
| Investment in a joint venture | 421 | - | 421 |
| Total non-current assets | 7,980 | (305) | 7,675 |
| Current assets | | | |
| Cash and cash equivalents | 9,491 | - | 9,491 |
| Trade receivables and other current assets | 535 | 407 | 942 |
| Contract assets | 221 | (221) | - |
| Inventories | 104 | - | 104 |
| Total current assets | 10,351 | 186 | 10,537 |
| Current liabilities | | | |
| Trade and other payables | 1,774 | 136 | 1,910 |
| Contract liabilities | 136 | (136) | - |
| Current income tax liabilities | 7 | - | 7 |
| Total current liabilities | 1,917 | - | 1,917 |
| Non-current liabilities | | | |
| Other non-current liabilities | 332 | - | 332 |
| Total non-current liabilities | 332 | - | 332 |
| Net assets | 16,082 | (119) | 15,963 |
| CAPITAL AND RESERVES | | | |
| Share capital | 1,205 | - | 1,205 |
| Reserves | 14,714 | (90) | 14,624 |
| Total shareholders' funds | 15,919 | (90) | 15,829 |
| Non-controlling interests | 163 | (29) | 134 |
| Total equity | 16,082 | (119) | 15,963 |

4 Changes in Accounting Policies (Continued)

(c) Impact of adoption to the interim financial statements (Continued)

| Condensed Consolidated Statement of Financial Position | 31 December 2017 | Effect under IFRS 15 | 1 January 2018 |
|---|--|-------------------------|-------------------|
| | As previously reported HK\$ millions | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2,017 | - | 2,017 |
| Goodwill | 2,155 | - | 2,155 |
| Telecommunications licences | 2,542 | - | 2,542 |
| Customer acquisition and retention costs | - | 151 | 151 |
| Contract assets | - | 157 | 157 |
| Other non-current assets | 214 | - | 214 |
| Deferred tax assets | 338 | (24) | 314 |
| Investment in a joint venture | 434 | - | 434 |
| Total non-current assets | 7,700 | 284 | 7,984 |
| Current assets | | | |
| Cash and cash equivalents | 13,717 | - | 13,717 |
| Trade receivables and other current assets | 950 | (337) | 613 |
| Contract assets | - | 180 | 180 |
| Inventories | 125 | - | 125 |
| Total current assets | 14,792 | (157) | 14,635 |
| Current liabilities | | | |
| Borrowings | 3,900 | - | 3,900 |
| Trade and other payables | 2,304 | (162) | 2,142 |
| Contract liabilities | - | 162 | 162 |
| Current income tax liabilities | 3 | - | 3 |
| Total current liabilities | 6,207 | - | 6,207 |
| Non-current liabilities | | | |
| Other non-current liabilities | 330 | - | 330 |
| Total non-current liabilities | 330 | - | 330 |
| Net assets | 15,955 | 127 | 16,082 |
| CAPITAL AND RESERVES | | | |
| Share capital | 1,205 | - | 1,205 |
| Reserves | 14,639 | 96 | 14,735 |
| Total shareholders' funds | 15,844 | 96 | 15,940 |
| Non-controlling interests | 111 | 31 | 142 |
| Total equity | 15,955 | 127 | 16,082 |

5 Revenue

Revenue comprises revenues from provision of mobile telecommunications and other service as well as sales of telecommunications hardware. An analysis of revenue is as follows:

| | Six months ended 30 June (Restated) | |
|---|--|-----------------------|
| | 2018 HK\$ millions | 2017 HK\$ millions |
| Mobile telecommunications and other service | 1,843 | 1,944 |
| Telecommunications hardware | 2,178 | 1,173 |
| | <u>4,021</u> | <u>3,117</u> |
| Timing of revenue recognition: | | |
| Over time | 1,843 | 1,944 |
| At a point in time | 2,178 | 1,173 |
| | <u>4,021</u> | <u>3,117</u> |

6 Segment Information

No segmental information for the six months ended 30 June 2018 is presented as the Group's revenue and operation results for the period were generated solely from its mobile business. The Group's chief operating decision maker reviews the consolidated profit before taxation of the Group for the purposes of resource allocation and performance assessment.

7 Interest and Other Finance Income/(Costs), Net

| | Six months ended 30 June (Restated) | |
|--|--|-----------------------|
| | 2018 HK\$ millions | 2017 HK\$ millions |
| Interest and other finance income: | | |
| Bank interest income | 79 | - |
| Interest income from a joint venture | 10 | 8 |
| Interest and other finance income from discontinued operations | - | 7 |
| | <u>89</u> | <u>15</u> |
| | ----- | ----- |
| Interest and other finance costs: | | |
| Bank loans | (1) | (35) |
| Notional non-cash interest accretion ^(a) | (6) | (6) |
| Guarantee and other finance fees | (3) | (13) |
| | <u>(10)</u> | <u>(54)</u> |
| Less: Amounts capitalised on qualifying assets | - | 2 |
| | <u>(10)</u> | <u>(52)</u> |
| | ----- | ----- |
| Interest and other finance income/(costs), net | <u>79</u> | <u>(37)</u> |
| | ===== | ===== |

(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.*

8 Taxation

| | Six months ended 30 June | | | | | |
|-------------------|--------------------------------------|---------------------------------------|------------------------|--------------------------------------|---------------------------------------|------------------------|
| | 2018 | | | 2017 (Restated) | | |
| | Current taxation HK\$ millions | Deferred taxation HK\$ millions | Total HK\$ millions | Current taxation HK\$ millions | Deferred taxation HK\$ millions | Total HK\$ millions |
| Hong Kong | 3 | 39 | 42 | - | 34 | 34 |
| Outside Hong Kong | 1 | (1) | - | 1 | - | 1 |
| | <u>4</u> | <u>38</u> | <u>42</u> | <u>1</u> | <u>34</u> | <u>35</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2017: 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.

9 Discontinued Operations

Upon the completion of the Disposal, the Group continues to be engaged in the mobile business in Hong Kong and Macau. As the business disposed of was considered as a separate major line of business, the corresponding operations had been presented as discontinued operations.

- (a) Analysis of the results of discontinued operations is as follows:

| | Six months ended 30 June 2017 HK\$ millions |
|--|---|
| Discontinued operations | |
| Revenue | 1,952 |
| Staff costs | (199) |
| Expensed customer acquisition and retention costs | (47) |
| Depreciation and amortisation | (385) |
| Other operating expenses | (1,050) |
| | <u>271</u> |
| Interest and other finance costs, net | (12) |
| | <u>259</u> |
| Profit before taxation from discontinued operations | |
| Taxation | (47) |
| | <u>212</u> |
| Profit for the period from discontinued operations | <u><u>212</u></u> |

9 Discontinued Operations (Continued)

(b) Analysis of the cash flows of discontinued operations is as follows:

| | Six months ended 30 June 2017 HK\$ millions |
|---|---|
| Net cash inflow from operating activities | 525 |
| Net cash outflow from investing activities | (230) |
| Net cash outflow from financing activities | (332) |
| | <u> </u> |
| Net cash outflow from discontinued operations | <u><u>(37)</u></u> |

10 Earnings per Share

| | Six months ended 30 June (Restated) | |
|--|--|-----------------------|
| | 2018 HK\$ millions | 2017 HK\$ millions |
| Profit attributable to shareholders of the Company arises from: | | |
| - Continuing operations | 198 | 112 |
| - Discontinued operations | - | 212 |
| | <u> </u> | <u> </u> |
| | <u><u>198</u></u> | <u><u>324</u></u> |

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company and on the weighted average number of ordinary shares in issue during the period as follows:

| | Six months ended 30 June (Restated) | |
|--|--|-----------------------------|
| | 2018 | 2017 |
| Weighted average number of ordinary shares in issue | <u><u>4,818,896,208</u></u> | <u><u>4,818,896,208</u></u> |
| Basic earnings per share (HK cents): | | |
| - Continuing operations | 4.11 | 2.32 |
| - Discontinued operations | - | 4.40 |
| | <u> </u> | <u> </u> |
| | <u><u>4.11</u></u> | <u><u>6.72</u></u> |

10 Earnings per Share (Continued)

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue with the weighted average number of ordinary shares deemed to be issued assuming the exercise of the share options as follows:

| | Six months ended 30 June (Restated) | |
|---|--|----------------------|
| | 2018 | 2017 |
| Weighted average number of ordinary shares in issue | 4,818,896,208 | 4,818,896,208 |
| Adjustments on share options | 131,973 | 117,695 |
| | <u>4,819,028,181</u> | <u>4,819,013,903</u> |
| Diluted earnings per share (HK cents): | | |
| - Continuing operations | 4.11 | 2.32 |
| - Discontinued operations | - | 4.40 |
| | <u>4.11</u> | <u>6.72</u> |

11 Dividend

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|-------------|
| | 2018 | 2017 |
| Interim dividend (HK\$ millions) | 149 | 188 |
| Interim dividend per share (HK cents) | <u>3.10</u> | <u>3.90</u> |

In addition, final dividend in respect of year 2017 of 4.55 HK cents per share (30 June 2017: 6.90 HK cents per share) totalling HK\$219 million (30 June 2017: HK\$332 million) was approved and paid during the six months ended 30 June 2018.

12 Cash and Cash Equivalents

| | 30 June 2018 | 31 December 2017 |
|---------------------------|-----------------|---------------------|
| | HK\$ millions | HK\$ millions |
| Cash at banks and in hand | 146 | 134 |
| Short-term bank deposits | 9,345 | 13,583 |
| | <u>9,491</u> | <u>13,717</u> |

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

13 Trade Receivables and Other Current Assets

| | 30 June 2018 HK\$ millions | 31 December 2017 HK\$ millions |
|--|----------------------------------|--------------------------------------|
| Trade receivables | 299 | 620 |
| Less: Provision for doubtful debts | (42) | (47) |
| | <u>257</u> | <u>573</u> |
| Trade receivables, net of provision ^(a) | 257 | 573 |
| Other receivables | 152 | 253 |
| Prepayments and deposits | 126 | 124 |
| | <u>535</u> | <u>950</u> |

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 2018 HK\$ millions | 31 December 2017 HK\$ millions |
|--|----------------------------------|--------------------------------------|
| The ageing analysis of trade receivables, net of provision for doubtful debts is as follows: | | |
| 0 - 30 days | 137 | 480 |
| 31 - 60 days | 39 | 35 |
| 61 - 90 days | 22 | 10 |
| Over 90 days | 59 | 48 |
| | <u>257</u> | <u>573</u> |

14 Trade and Other Payables

| | 30 June 2018 HK\$ millions | 31 December 2017 HK\$ millions |
|---|----------------------------------|--------------------------------------|
| Trade payables ^(a) | 250 | 406 |
| Other payables and accruals | 1,310 | 1,537 |
| Deferred revenue | 157 | 305 |
| Current portion of licence fees liabilities | 57 | 56 |
| | <u>1,774</u> | <u>2,304</u> |

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

(a) Trade payables

| | 30 June 2018 HK\$ millions | 31 December 2017 HK\$ millions |
|--|----------------------------------|--------------------------------------|
|--|----------------------------------|--------------------------------------|

The ageing analysis of trade payables is as follows:

| | | |
|--------------|------------|------------|
| 0 - 30 days | 214 | 374 |
| 31 - 60 days | 12 | 5 |
| 61 - 90 days | 3 | 3 |
| Over 90 days | 21 | 24 |
| | <u>250</u> | <u>406</u> |

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.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is mainly derived from operating income to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall cash position and determines when external source of finance is needed.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. 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 share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Debt

As at 30 June 2018, the Group recorded share capital of HK\$1,205 million and total equity of HK\$16,082 million.

The cash and cash equivalents of the Group amounted to HK\$9,491 million as at 30 June 2018 (31 December 2017: HK\$13,717 million), 99% of which were denominated in Hong Kong dollars with remaining in various other currencies. The bank loan of HK\$3,900 million under loan facilities maturing in 2019 was fully prepaid in January 2018.

As at 30 June 2018, the consolidated net cash of the Group was HK\$9,491 million (31 December 2017: HK\$9,817 million).

Charges on Group Assets

As at 30 June 2018 and 31 December 2017, 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

The Group has no committed borrowing facilities as at 30 June 2018 (31 December 2017: HK\$900 million available but not drawn).

Contingent Liabilities

As at 30 June 2018, the Group provided performance and other guarantees of HK\$5 million (31 December 2017: HK\$5 million).

Commitments

As at 30 June 2018, the Group had total capital commitments of property, plant and equipment amounting to HK\$266 million (31 December 2017: HK\$444 million).

As at 30 June 2018, the Group had total operating lease commitments for building and other assets amounting to HK\$264 million (31 December 2017: HK\$335 million).

A subsidiary of the Group 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. The licence fee for certain spectrum bands was charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), 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 objectives 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 presented 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.

Human Resources

As at 30 June 2018, the Group employed 1,158 (31 December 2017: 1,099) full-time mobile staff members and on average 1,165 (30 June 2017: 1,308) mobile staff members during the six months ended 30 June 2018. Staff costs during the six months ended 30 June 2018, including directors' emoluments, totalled HK\$190 million (30 June 2017: HK\$244 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.

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 through 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 interim financial statements of the Group for the six months ended 30 June 2018 have 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 interim financial statements of the Group for the six months ended 30 June 2018 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 Thursday, 23 August 2018. In order to qualify for the interim dividend payable on Monday, 3 September 2018, 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 Thursday, 23 August 2018.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities 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 an effective corporate governance framework is 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 2018 with all 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 the 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 standard 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 HTHKH Securities Code in their securities transactions throughout the six months ended 30 June 2018.

DEFINITIONS

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

| | |
|----------------------|---|
| “Board” | the Board of Directors of the Company |
| “CACs” | expensed customer acquisition and retention costs in the income statement |
| “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) |
| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the entire interests in subsidiaries operating the fixed-line business by the Group to Asia Cube Global Communications Limited, a company wholly-owned by a fund managed by I Squared Capital, on 3 October 2017 |
| “EBIT” | earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT |
| “EBITDA” | earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation as well as after capitalisation of certain variable costs subsequent to adoption of IFRS 15, adjusted to include the Group's proportionate share of joint venture's EBITDA |
| “fixed-line” | fixed-line telecommunications business |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HK” or “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 |
| “IFRS” | International Financial Reporting Standards |
| “interim financial statements” | unaudited condensed consolidated interim financial statements |
| “IoT” | Internet-of-Things |
| “IT” | Information Technology |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “mobile” | mobile telecommunications business |
| “net customer service margin” | net customer service revenue less direct variable costs (including interconnection charges and roaming costs) |
| “Postpaid gross ARPU” | monthly average spending per postpaid user including a customer’s contribution to mobile devices in a bundled plan |
| “Postpaid net AMPU” | average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs) |
| “Postpaid net ARPU” | monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model |
| “service EBITDA” | EBITDA excluding standalone handset sales margin |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

As at the date of this announcement, the Directors 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