Hutchison Telecom
Hong Kong Holdings

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 2016

HIGHLIGHTS

	For the six months ended 30 June 2016 HK$ millions	For the six months ended 31 December 2015 HK$ millions	For the six months ended 30 June 2015 HK$ millions	1H 2016 vs 2H 2015 Change	1H 2016 vs 1H 2015 Change
Consolidated revenue	5,324	11,022	11,020	-52%	-52%
Consolidated service revenue	3,826	3,804	3,870	+1%	-1%
Consolidated hardware revenue	1,498	7,218	7,150	-79%	-79%
Consolidated EBITDA(1)	1,253	1,332	1,456	-6%	-14%
Consolidated service EBITDA(2)	1,233	1,202	1,281	+3%	-4%
Consolidated EBIT(3)	556	641	789	-13%	-30%
Consolidated service EBIT	536	511	614	+5%	-13%
Profit attributable to shareholders	376	407	508	-8%	-26%
Earnings per share (in HK cents)	7.80	8.45	10.54	-8%	-26%
Interim dividend per share (in HK cents)	4.00	N/A	5.20	N/A	-23%

The revenue of the Group was significantly affected by lower hardware revenue in the first half of 2016 as a result of the lack of popular smartphones being available in the market during the period. This in turn impacted adversely on the financial results of the Group for the first half of 2016. In order to provide a better understanding of the business development and performance of the Group since the end of 2015, comparisons with both the results for the first and second halves of 2015 have been made with the latter being more relevant. As noted in the comparison with the second half of 2015, underlying operational performance for the first half of 2016 has seen improvement.

Comparison against the First Half of 2015

- Consolidated service revenue decreased by 1% to HK$3,826 million.
- Consolidated service EBITDA decreased by 4% to HK$1,233 million mainly as a result of lower mobile roaming revenue.
- Profit attributable to shareholders decreased by 26% to HK$376 million.
- Interim dividend per share is 4.00 HK cents.

Comparison against the Second Half of 2015

- Consolidated service revenue was HK$3,826 million, slightly increased by 1% as a result of improved fixed-line service revenue, partially offset by a drop in mobile roaming revenue.
- Consolidated hardware revenue declined significantly from the second half of 2015 of HK$7,218 million.
- Consolidated service EBITDA was HK$1,233 million, increased by 3% as a result of improvement to service operations, as well as a sharp focus on operational efficiency.

Note 1: EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.
Note 2: Service EBITDA is defined as EBITDA excluding standalone handset sales margin.
Note 3: EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of joint ventures.

CHAIRMAN'S STATEMENT

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are pleased to report the 2016 interim results achieved in a market with continued downward trend in roaming and hardware revenue. Efforts have been made to maintain the service revenue by focusing on competitive offerings, customer service and maintaining quality integrated self-owned network infrastructure.

Results

Compared with the first half of 2015, consolidated revenue decreased by 52% from HK$11,020 million to HK$5,324 million in the first half of 2016. Over 99% of the decline was due to a decrease in hardware revenue because of the lack of popular smartphones being available in the market during the period. Consolidated EBITDA and EBIT for the first half of 2016 were HK$1,253 million and HK$556 million respectively, compared with HK$1,456 million and HK$789 million respectively for the first half of 2015. Profit attributable to shareholders for the first half of 2016 amounted to HK$376 million, a decrease of 26% compared with HK$508 million for the first half of 2015.

Compared with the second half of 2015, consolidated revenue decreased by 52% to HK$5,324 million in the first half of 2016, while consolidated service revenue was HK$3,826 million, a 1% increase from HK$3,804 million in the second half of 2015. This was mainly the result of improvement to fixed-line service revenue, partially offset by a decrease in mobile roaming revenue. Profit attributable to shareholders was 8% lower than HK$407 million in the second half of 2015.

Basic earnings per share in the first half of 2016 were 7.80 HK cents compared with 10.54 HK cents for the same period in 2015.

Dividends

The Board of Directors (the "Board") has declared payment of an interim dividend of 4.00 HK cents (30 June 2015: 5.20 HK cents) per share for the first half of 2016, payable on Friday, 9 September 2016 to those persons registered as shareholders of the Company on Wednesday, 31 August 2016, being the record date for determining shareholder 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 in the first half of 2016 was HK$3,472 million, a decrease of 62% compared with HK$9,242 million in the first half of 2015. Hardware revenue decreased significantly from HK$7,150 million in the first half of 2015 to HK$1,499 million in the first half of 2016, as a result of the lack of popular smartphones being available in the market during the period. Mobile net customer service revenue in the first half of 2016 was HK$1,973 million, a 6% decline compared with HK$2,092 million in the first half of 2015, mainly as a result of a HK$87 million or 19% decline in roaming revenue. Nevertheless, strenuous efforts to reduce direct roaming costs helped maintain the net customer service margin percentage at 93% in the first half of 2016. Excluding the roaming factor in both periods, local net customer service margin in the first half of 2016, after deducting direct variable cost, was in line with that of the first half of 2015. This was the result of better local postpaid net ARPU[(1)] with enhanced customer profile.

Note 1: Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model.

EBITDA and EBIT for the first half of 2016 were HK$665 million and HK$314 million respectively, a decrease of 24% and 43% respectively compared with the first half of 2015. Service EBITDA[(2)] in the first half of 2016 was 7% lower than that of the first half of 2015 mainly due to a decline in roaming revenue as mentioned before. Corresponding service EBITDA margin percentage[(2)] was maintained at 33% as a result of continued efforts to improve operational efficiency.

Compared with the second half of 2015, mobile business performance was adversely affected by a 79% drop in handset revenue, mobile service revenue decreased marginally by 2% mainly as a result of a milder HK$22 million or 6% reduction in roaming revenue, while the net customer service margin percentage was 93%. Excluding the roaming factor in both periods, local net service margin of the first half of 2016 was in line with that of the second half of 2015. Data usage increased during the period as a result of the launch of various infotainment content and related data plans, together with better customer acquisition achievements since the second half of 2015. Excluding the negative effect of hardware performance, service EBITDA improved by HK$11 million or 2%, while service EBIT was in line with that of the second half of 2015. Corresponding service EBITDA margin percentage improved by 2% points from 31% in the second half of 2015, as a result of enhanced customer profile and improved operational efficiency.

As at 30 June 2016, the Group was serving approximately 3.1 million customers in Hong Kong and Macau (31 December 2015: 3.0 million), of which the number of postpaid customers was approximately 1.5 million (31 December 2015: 1.5 million). Churn among postpaid customers in Hong Kong and Macau in the first half of 2016 was substantially lower at 1.3% (1H 2015: 1.9%; 2H 2015: 1.6%).

The launch of various infotainment content and related data plans led to positive customer response with acquisition of more data-centric customers, and blended local postpaid net ARPU for the first half of 2016 increased to HK$168. This represented an increase of 6% compared with HK$158 for the first half of 2015. Blended local postpaid net AMPU[(3)] improved 7% to HK$161 compared with HK$151 in the first half of 2015.

The Group refarmed part of the existing 900MHz spectrum for 4G LTE service in the first half of 2016 in order to enhance indoor coverage. Meanwhile, construction of a time division duplexing network is about to complete and is expected to be launched in the second half of 2016 after further optimisation. The second half of 2016 will see small-cell technology deployed to enhance coverage in areas of heavy traffic. The Group's commitment to meeting growing data demand is supported by an extensive and sophisticated Wi-Fi network. The Group, as a customer-orientated operator, will continue improving customer service and network quality.

Fixed-line business

Fixed-line service revenue in the first half of 2016 was HK$2,067 million, an increase of 4% compared with HK$1,984 million in the first half of 2015. This improvement was mainly the result of an increase in revenue from the international and local carrier market driven by growing data demand from Over-the-Top ("OTT") applications and Internet-of-Things ("IoT") related devices. Another contributor was an increase in revenue from the corporate and business market after expansion into various market segments with sophisticated business solution requirements. This was partially offset by a decrease in residential market revenue resulting from a fiercely-competitive environment. EBITDA for the first half of 2016 was HK$647 million, broadly in line with that of the same period last year. EBIT for the first half of 2016 was HK$301 million, 2% lower than that of the first half of 2015.

Note 2: Service EBITDA represents EBITDA excluding standalone handset sales margin. Service EBITDA margin percentage is service EBITDA as a percentage of net customer service revenue.

Note 3: Local postpaid net AMPU represents average net margin per postpaid user. Local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges).

Compared with the second half of 2015, fixed-line service revenue increased by 4% mainly as a result of increased revenue recorded in the carrier market as well as the corporate and business market after further penetration into various market segments. EBITDA and EBIT improved by 5% and 11% respectively, compared with those of the second half of 2015. EBITDA margin percentage was maintained at 31%.

Demand for sophisticated telecommunications network solutions has increased in carrier, corporate and business markets. At the same time, the Group is making attractive bundled offers available to the residential market to satisfy a growing appetite for infotainment. Presiding over state-of-the-art fibre network infrastructure and one of the largest Wi-Fi presence in Hong Kong places the Group in a commanding position to capitalise on even greater demand for data services, as well as opportunities arising from growing popularity of OTT applications and IoT offerings.

Outlook

The Group is planning ahead cautiously in the face of economic uncertainty locally and globally, after developing into a multi-play telecommunications service provider that launches a diversity of products and services to meet changing customer demand. Growing popularity of IoT devices and OTT applications has prompted the Group to shape up to a new era of infotainment in which increasingly more people desire of viewing content on smart devices. The Group serves customers at home, on the move and in the workplace by integrating mobile, fixed-line, Wi-Fi and content network solutions. At the same time, the Group is committed to further raising customer service levels through sophisticated and automated means of customer service and operating efficiency which help enhance shareholder value.

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

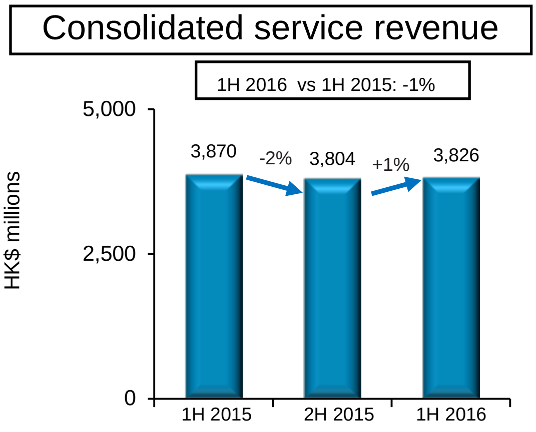
Hong Kong, 2 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

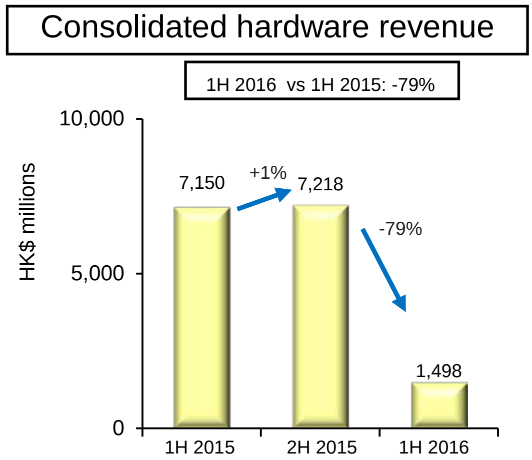
Consolidated service revenue for the first half of 2016 was HK$3,826 million, a reduction of 1% compared with HK$3,870 million in the first half of 2015. This was the result of a 6% decrease in mobile service revenue, partially offset by a 4% increase in fixed-line service revenue.

Compared with the second half of 2015, consolidated service revenue grew 1% as a result of improved fixed-line service revenue, partially offset by decrease in mobile roaming revenue.



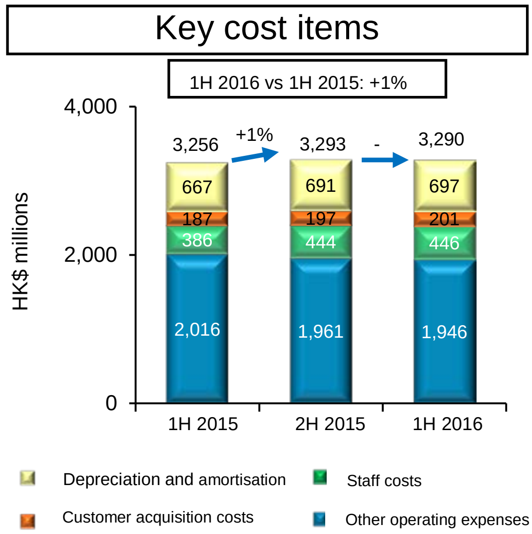
Consolidated hardware revenue was HK$1,498 million in the first half of 2016, a decrease of 79% from HK$7,150 million in the first half of 2015. This was resulted from the lack of popular smartphones being available in the market during the period.

Compared with the second half of 2015, consolidated hardware revenue recorded a decrease of 79% from HK$7,218 million as a result of the above mentioned reason.



Total operating expenses, excluding cost of inventories sold, amounted to HK$3,290 million for the first half of 2016, and were broadly in line with the first half of 2015 of HK$3,256 million. This was because of continued focus on enhancing operational efficiency.

Compared with the second half of 2015, total operating expenses, excluding cost of inventories sold, were in line as a result of the above mentioned reason.



Consolidated service EBITDA for the first half of 2016 was HK$1,233 million, a decrease of 4% compared with HK$1,281 million for the first half of 2015. Service EBITDA margin percentage was 32% in the first half of 2016.

Depreciation and amortisation amounted to HK$697 million in the first half of 2016 compared with HK$667 million in the first half of 2015. This represented a slight increase resulting from enhancement of the 4G LTE network infrastructure of the Group.

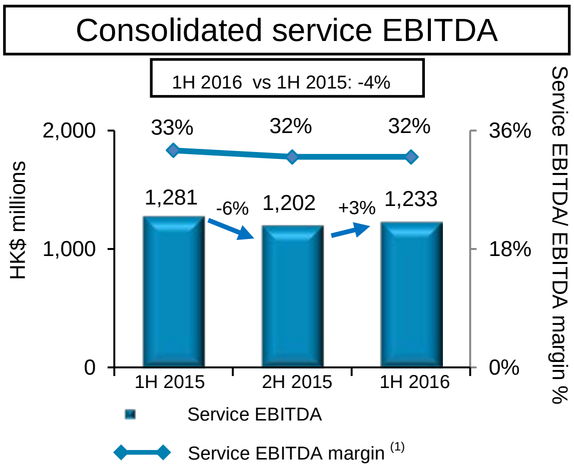
Consolidated service EBIT was HK$536 million for the first half of 2016, a decrease of 13% compared with the first half of 2015.

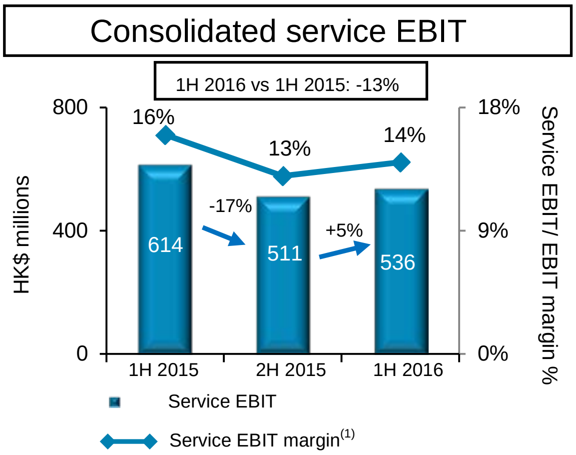
Compared with the second half of 2015, consolidated service EBITDA showed a HK$31 million or 3% increase and consolidated service EBIT showed a HK$25 million or 5% increase as a result of improvement to service operations as well as a sharp focus on operational efficiency.

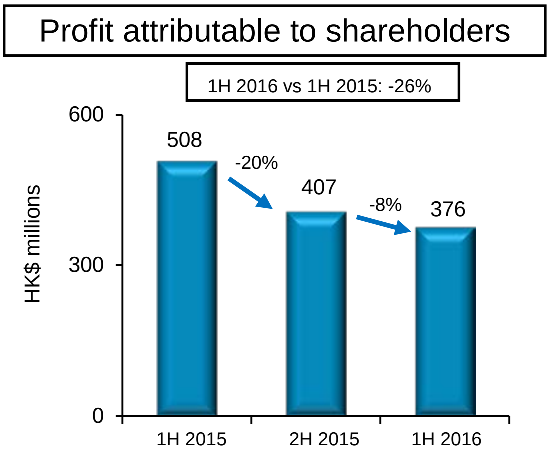
Net interest and other finance costs amounted to HK$49 million in the first half of 2016, representing a reduction of 4% and 6% compared with HK$51 million in the first half of 2015 and HK$52 million in the second half of 2015 respectively. The reduction was due to lower notional finance charge on decreasing licence fee liabilities. Gearing ratio as of 30 June 2016, calculated by dividing net debt by net total capital, was 18% (31 December 2015: 20%) as a result of lower net debt.

Share of losses of joint ventures in the first half of 2016 decreased to HK$14 million compared with a HK$18 million loss in the first half of 2015 and a HK$16 million loss in the second half of 2015, during which the data centre business of the Group was under development.

Overall, profit attributable to shareholders of the Company for the first half of 2016 was HK$376 million, a decrease of 26% compared with HK$508 million in the first half of 2015 and a decrease of 8% compared with HK$407 million for the second half of 2015.







Note 1: Service EBITDA margin percentage or service EBIT margin percentage represents EBITDA or EBIT excluding standalone handset sales margin as a percentage of total service revenue.

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 2016 HK$ million	For the six months ended 31 December 2015 HK$ million	For the six months ended 30 June 2015 HK$ million	Favourable (unfavourable) change 1H 2016 vs 2H 2015	Favourable (unfavourable) change 1H 2016 vs 1H 2015
Total revenue	3,472	9,235	9,242	-62%	-62%
- Net customer service revenue	1,973	2,014	2,092	-2%	-6%
- Hardware revenue	1,499	7,221	7,150	-79%	-79%
- Bundled sales revenue	294	399	416	-26%	-29%
- Standalone handset sales revenue	1,205	6,822	6,734	-82%	-82%
Net customer service margin (2)	1,829	1,878	1,945	-3%	-6%
Net customer service margin %	*93%*	*93%*	*93%*	-	-
Standalone handset sales margin	20	133	175	-85%	-89%
Total CACs (3)	(443)	(537)	(548)	+18%	+19%
Less: Bundled sales revenue	294	399	416	-26%	-29%
Total CACs (net of handset revenue)	(149)	(138)	(132)	-8%	-13%
Operating expenses	(1,035)	(1,106)	(1,118)	+6%	+7%
Opex as a % of net customer service revenue	*52%*	*55%*	*53%*	*-3% points*	*-1% point*
EBITDA	665	767	870	-13%	-24%
Service EBITDA (4)	645	634	695	+2%	-7%
Service EBITDA margin %	*33%*	*31%*	*33%*	*+2% points*	-
Depreciation and amortisation	(351)	(343)	(318)	-2%	-10%
EBIT	314	424	552	-26%	-43%
CAPEX (excluding licence)	(198)	(414)	(160)	+52%	-24%
EBITDA less CAPEX	467	353	710	+32%	-34%
Licence	(1)	(2)	(1)	+50%	-

Mobile business revenue in the first half of 2016 was HK$3,472 million, a decrease of 62% compared with HK$9,242 million in the first half of 2015 mainly as a result of a lack of popular smartphones being available in the market during the period and thus the mobile hardware revenue recorded a significant decrease from HK$7,150 million in the first half of 2015 to HK$1,499 million in the first half of 2016. Mobile net customer service revenue in the first half of 2016 was HK$1,973 million, a 6% decline compared with HK$2,092 million in the first half of 2015 mainly as a result of a HK$87 million or 19% decline in roaming revenue. Nevertheless, strenuous efforts to reduce direct roaming cost helped maintain the net customer service margin percentage at 93% in the first half of 2016. Excluding the roaming factor in both periods, local net customer service margin in the first half of 2016, after deducting direct variable cost, was in line with that of the first half of 2015. This was the result of better local postpaid net ARPU(5) with enhanced customer profile.

Note 2: Net customer service margin is defined as net customer service revenue less direct variable costs (including interconnection charges and roaming costs).
Note 3: CACs represents customer acquisition costs.
Note 4: Service EBITDA is defined as EBITDA less standalone handset sales margin.
Note 5: Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model.

Compared with the second half of 2015, mobile business performance was adversely affected by a 79% drop in handset revenue, mobile service revenue decreased marginally by 2% mainly as a result of a milder HK$22 million or 6% reduction in roaming revenue, while the net customer service margin percentage maintained at 93%. Excluding the roaming factor in both periods, local net customer service margin of the first half of 2016 was in line with that of the second half of 2015. Data usage increased during the period as a result of the launch of various infotainment content and related data plans, together with better customer acquisition achievements since the second half of 2015. Excluding the negative effect of hardware performance, service EBITDA improved HK$11 million or 2%, while service EBIT was in line with that of the second half of 2015. Corresponding EBITDA margin percentage improved by 2% points from 31% in the second half of 2015, as a result of enhanced customer profile and improved operational efficiency.

As at 30 June 2016, the Group was serving approximately 3.1 million customers in Hong Kong and Macau (31 December 2015: 3.0 million), of which the number of postpaid customers was approximately 1.5 million (31 December 2015: 1.5 million). Churn among postpaid customers in Hong Kong and Macau in the first half of 2016 was substantially reduced to 1.3% (1H 2015: 1.9%, 2H 2015: 1.6%).

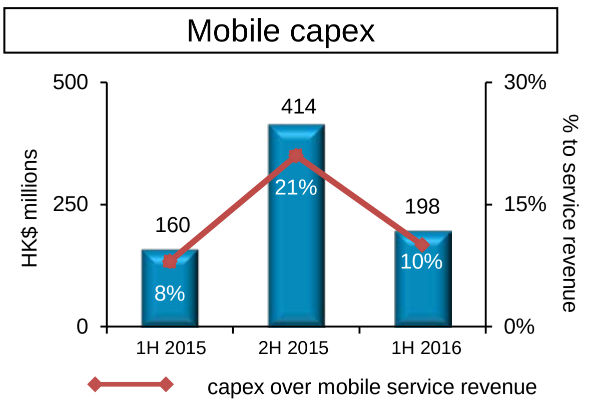
The launch of various infotainment content and related data plans led to positive customer response with acquisition of more data-centric customers, and blended local postpaid net ARPU for the first half of 2016 increased to HK$168. This represented an increase of 6% compared with HK$158 for the first half of 2015. Blended local postpaid net AMPU(6) improved 7% to HK$161 compared with HK$151 in the first half of 2015.

Note 6: Local postpaid net AMPU represents average net margin per postpaid user. Local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges).

Key performance indicators for mobile business

	For the six months ended 30 June 2016	For the six months ended 31 December 2015	For the six months ended 30 June 2015	Favourable/ (unfavourable) change 1H 2016 vs 2H 2015	Favourable/ (unfavourable) change 1H 2016 vs 1H 2015
Number of postpaid customers ('000)	1,481	1,484	1,542	-	-4%
Number of prepaid customers ('000)	1,597	1,547	1,327	+3%	+20%
Total customers ('000)	3,078	3,031	2,869	+2%	+7%
Postpaid customers to the total customer base (%)	48%	49%	54%	-1% point	-6% points
Postpaid customers' contribution to the net customer service revenue (%)	93%	93%	93%	-	-
Monthly postpaid churn rate (%)	1.3%	1.6%	1.9%	+0.3% point	+0.6% point
Local postpaid gross ARPU[7] (HK$)	212	214	209	-1%	+1%
Local postpaid net ARPU (HK$)	168	165	158	+2%	+6%
Local postpaid net AMPU (HK$)	161	157	151	+3%	+7%

Capital expenditure on property, plant and equipment in the first half 2016 amounted to HK$198 million (1H 2015: HK$160 million; 2H 2015: HK$414 million), accounting for 10% (1H 2015: 8%; 2H 2015: 21%) of mobile service revenue.



Summary of spectrum investment as of 30 June 2016		
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	34.6 MHz	2016 [8]
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 7: Local postpaid gross ARPU is defined as monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan, excluding roaming revenue.
Note 8: Related licence will be extended to year 2031 for the spectrum with a total bandwidth of 29.6MHz.

Fixed-line business highlights

	For the six months ended 30 June 2016 HK$ millions	For the six months ended 31 December 2015 HK$ millions	For the six months ended 30 June 2015 HK$ millions	Favourable/ (unfavourable) change 1H 2016 vs 2H 2015	Favourable/ (unfavourable) change 1H 2016 vs 1H 2015
Revenue	2,067	1,989	1,984	+4%	+4%
Total CACs and Operating expenses	(1,420)	(1,371)	(1,328)	-4%	-7%
Total CACs and Opex as % of revenue	*69%*	*69%*	*67%*	-	*-2% points*
EBITDA	647	618	656	+5%	-1%
EBITDA margin %	*31%*	*31%*	*33%*	-	*-2% points*
Depreciation and amortisation	(346)	(348)	(349)	+1%	+1%
EBIT	301	270	307	+11%	-2%
CAPEX (excluding licence)	(231)	(292)	(193)	+21%	-20%
EBITDA less CAPEX	416	326	463	+28%	-10%

Fixed-line service revenue in the first half of 2016 was HK$2,067 million, an increase of 4% compared with HK$1,984 million in the first half of 2015. This improvement was mainly the result of increase in revenue from international and local carrier market driven by growing data demand from Over-the-Top ("OTT") applications and Internet-of-Things ("IoT") related devices. Another contributor was an increase in revenue from the corporate and business market after expansion into various market segments with sophisticated business solution requirements. This was partially offset by a decrease in residential market revenue resulting from a fiercely-competitive environment.

EBITDA and EBIT in the first half of 2016 were HK$647 million and HK$301 million respectively.

Compared with the second half of 2015, fixed-line service revenue increased by 4% mainly as a result of increased revenue recorded in corporate and business market after further penetration into various market segments. EBITDA and EBIT improved by 5% and 11% respectively, compared with those of the second half of 2015. EBITDA margin percentage was maintained at 31%.

Fixed-line service revenue

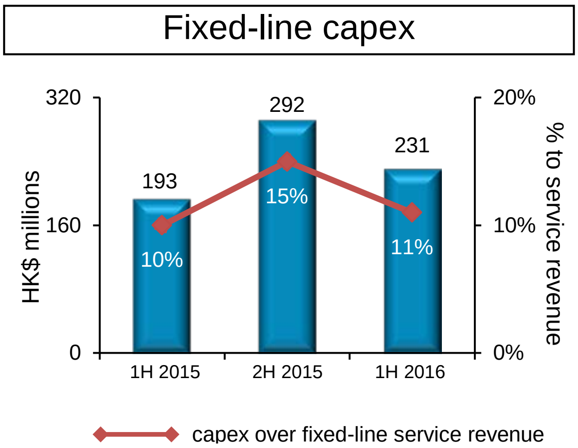
1H 2015:
HK$1,984 million

2H 2015:
HK$1,989 million

1H 2016:
HK$2,067 million

Note 9: "Others" includes revenue from interconnection charges and others.

Capital expenditure on property, plant and equipment in the first half of 2016 amounted to HK$231 million (1H 2015: HK$193 million; 2H 2015: HK$292 million), representing 11% (1H 2015: 10%; 2H 2015: 15%) of fixed-line service revenue.



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited 2016 HK$ millions	Unaudited 2015 HK$ millions
Revenue	4	5,324	11,020
Cost of inventories sold		(1,478)	(6,975)
Staff costs		(446)	(386)
Customer acquisition costs		(201)	(187)
Depreciation and amortisation		(697)	(667)
Other operating expenses		(1,946)	(2,016)
		556	789
Interest income	6	9	9
Interest and other finance costs	6	(58)	(60)
Share of results of joint ventures		(14)	(18)
Profit before taxation		493	720
Taxation	7	(78)	(120)
Profit for the period		415	600
Attributable to:			
Shareholders of the Company		376	508
Non-controlling interests		39	92
		415	600
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	7.80	10.54
- diluted	8	7.80	10.54

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 2016

	Unaudited 2016 HK$ millions	Unaudited 2015 HK$ millions
Profit for the period	415	600
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
- Remeasurements of defined benefit plans	-	10
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	414	609
Total comprehensive income attributable to:		
Shareholders of the Company	375	517
Non-controlling interests	39	92
	414	609

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	Note	Unaudited 30 June 2016 HK$ millions	Audited 31 December 2015 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		10,530	10,656
Goodwill		4,503	4,503
Telecommunications licences		1,124	1,207
Other non-current assets		818	858
Deferred tax assets		94	128
Investments in joint ventures		510	493
Total non-current assets		17,579	17,845
Current assets			
Cash and cash equivalents	10	1,362	1,021
Trade receivables and other current assets	11	1,705	1,817
Inventories		116	591
Total current assets		3,183	3,429
Current liabilities			
Trade and other payables	12	3,704	4,200
Current income tax liabilities		14	11
Total current liabilities		3,718	4,211
Non-current liabilities			
Deferred tax liabilities		537	497
Borrowings		3,967	3,962
Other non-current liabilities		526	513
Total non-current liabilities		5,030	4,972
Net assets		12,014	12,091
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		10,259	10,317
Total shareholders' funds		11,464	11,522
Non-controlling interests		550	569
Total equity		12,014	12,091

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
Profit for the period	-	-	376	-	-	-	376	39	415
Other comprehensive income									
Currency translation differences	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income, net of tax	-	-	376	(1)	-	-	375	39	414
Dividend relating to 2015 paid in 2016 (Note 9)	-	-	(433)	-	-	-	(433)	-	(433)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(58)	(58)
At 30 June 2016	1,205	11,185	(981)	(8)	46	17	11,464	550	12,014

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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 2015	1,205	11,185	(1,169)	(3)	58	17	11,293	416	11,709
Profit for the period	-	-	508	-	-	-	508	92	600
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	10	-	10	-	10
Currency translation differences	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income, net of tax	-	-	508	(1)	10	-	517	92	609
Dividend relating to 2014 paid in 2015 (Note 9)	-	-	(419)	-	-	-	(419)	-	(419)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
At 30 June 2015	1,205	11,185	(1,080)	(4)	68	17	11,391	499	11,890

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Unaudited 2016 HK$ millions	Unaudited 2015 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,385	1,673
Interest and other finance costs paid		(37)	(36)
Tax paid		(1)	(3)
Net cash generated from operating activities		1,347	1,634
Cash flows from investing activities			
Purchases of property, plant and equipment		(427)	(349)
Additions to other non-current assets		(22)	(2)
Proceeds on disposals of property, plant and equipment		5	-
Payment relating to investment in a joint venture		(71)	(67)
Net cash used in investing activities		(515)	(418)
Cash flows from financing activities			
Dividend paid to the shareholders of the Company	9	(433)	(419)
Dividend paid to non-controlling interests		(58)	(9)
Net cash used in financing activities		(491)	(428)
Increase in cash and cash equivalents		341	788
Cash and cash equivalents at 1 January		1,021	359
Cash and cash equivalents at 30 June		1,362	1,147

NOTES

1 General Information

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the "Group") 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 of Hong Kong Limited 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.

This unaudited condensed consolidated interim financial report (the "interim financial report") is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This interim financial report was approved for issuance by the Board of Directors on 2 August 2016.

2 Basis of Preparation

This interim financial report for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2016, the current liabilities of the Group exceeded its current assets by approximately HK$535 million. Included in the current liabilities were non-refundable customer prepayments of HK$737 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$202 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, this interim financial report has been prepared on a going concern basis.

3 Significant Accounting Policies

This interim financial report has been prepared under the historical cost convention. The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in 2015 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 2016. 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	
	2016	2015
	HK$ millions	HK$ millions
Mobile telecommunications services	1,957	2,083
Fixed-line telecommunications services	1,869	1,787
Telecommunications hardware	1,498	7,150
	5,324	11,020

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 this interim financial report. As such, no reconciliation between the segment information and the aggregate information in this interim financial report is presented.

	Six months ended 30 June 2016				
	Mobile	Fixed-line	Others	Elimination	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Revenue - service	1,973	2,067	-	(214)	3,826
Revenue - hardware	1,499	-	-	(1)	1,498
	3,472	2,067	-	(215)	5,324
Operating costs	(2,807)	(1,420)	(59)	215	(4,017)
EBITDA/(LBITDA)	665	647	(59)	-	1,253
Depreciation and amortisation	(351)	(346)	-	-	(697)
EBIT/(LBIT)	314	301	(59)	-	556
Other information:					
Additions to property, plant and equipment	198	231	-	-	429
Additions to telecommunications licences	1	-	-	-	1

5 Segment Information (Continued)

	Six months ended 30 June 2015				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	2,092	1,984	-	(206)	3,870
Revenue - hardware	7,150	-	-	-	7,150
	9,242	1,984	-	(206)	11,020
Operating costs	(8,372)	(1,328)	(70)	206	(9,564)
EBITDA/(LBITDA)	870	656	(70)	-	1,456
Depreciation and amortisation	(318)	(349)	-	-	(667)
EBIT/(LBIT)	552	307	(70)	-	789
Other information:					
Additions to property, plant and equipment	160	193	-	-	353
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 2016 HK$ millions	Six months ended 30 June 2015 HK$ millions
Interest income:		
Interest income from a joint venture	9	9
Interest and other finance costs:		
Bank loans	(29)	(28)
Notional non-cash interest accretion [(a)]	(19)	(24)
Guarantee and other finance fees	(13)	(13)
	(61)	(65)
Less: Amounts capitalised on qualifying assets	3	5
	(58)	(60)
Interest and other finance costs, net	(49)	(51)

(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					
	2016			2015		
	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	73	74	1	113	114
Outside Hong Kong	3	1	4	5	1	6
	4	74	78	6	114	120

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2015: 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$376 million (30 June 2015: HK$508 million) and on the weighted average number of 4,818,896,208 (30 June 2015: Same) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2016 is calculated by adjusting the weighted average number of 4,818,896,208 (30 June 2015: Same) ordinary shares in issue with the weighted average number of 123,372 (30 June 2015: 142,693) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June	
	2016	2015
Interim dividend (HK$ millions)	193	251
Interim dividend per share (HK cents)	4.00	5.20

In addition, final dividend in respect of year 2015 of 9.00 HK cents per share (30 June 2015: 8.70 HK cents per share) totalling HK$433 million (30 June 2015: HK$419 million) was approved and paid during the six months ended 30 June 2016.

10 Cash and Cash Equivalents

	30 June 2016 HK$ millions	31 December 2015 HK$ millions
Cash at banks and in hand	205	290
Short-term bank deposits	1,157	731
	1,362	1,021

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

11 Trade Receivables and Other Current Assets

	30 June 2016 HK$ millions	31 December 2015 HK$ millions
Trade receivables	1,408	1,661
Less: Provision for doubtful debts	(121)	(110)
Trade receivables, net of provision [(a)]	1,287	1,551
Other receivables	91	95
Prepayments and deposits	327	171
	1,705	1,817

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 2016 HK$ millions	31 December 2015 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	804	1,039
31 - 60 days	200	208
61 - 90 days	104	115
Over 90 days	179	189
	1,287	1,551

12 Trade and Other Payables

	30 June 2016 HK$ millions	31 December 2015 HK$ millions
Trade payables [(a)]	857	1,041
Other payables and accruals	1,907	2,217
Deferred revenue	737	751
Current portion of licence fees liabilities	203	191
	3,704	4,200

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

(a) Trade payables

	30 June 2016 HK$ millions	31 December 2015 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	482	477
31 - 60 days	68	137
61 - 90 days	67	101
Over 90 days	240	326
	857	1,041

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 2016, the Group recorded share capital of HK$1,205 million and total equity of HK$12,014 million.

The cash and cash equivalents of the Group amounted to HK$1,362 million as at 30 June 2016 (31 December 2015: HK$1,021 million), 84% of which were denominated in Hong Kong dollars, 7% in United States dollars, 5% in Macau Patacas, with remaining in various other currencies. The Group's carrying amount of bank borrowings amounted to HK$3,967 million at 30 June 2016 (31 December 2015: HK$3,962 million), which were denominated in Hong Kong dollars and repayable in November 2019.

As at 30 June 2016, the consolidated net debt of the Group was HK$2,605 million (31 December 2015: HK$2,941 million). The Group's net debt to net total capital ratio at 30 June 2016 was 18% (31 December 2015: 20%).

Charges on Group Assets

As at 30 June 2016 and 31 December 2015, 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 2016 amounted to HK$1,000 million (31 December 2015: HK$1,000 million).

Contingent Liabilities

As at 30 June 2016, the Group provided performance and other guarantees of HK$631 million (31 December 2015: HK$326 million).

Commitments

As at 30 June 2016, the Group had total capital commitments of property, plant and equipment amounting to HK$702 million (31 December 2015: HK$748 million) and telecommunications licences of HK$1,777 million (31 December 2015: HK$1,777 million).

As at 30 June 2016, the Group had total operating lease commitments for building and other assets amounting to HK$547 million (31 December 2015: HK$575 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 2016, the Group employed 2,251 (31 December 2015: 2,355) full-time staff members. Staff costs during the six months ended 30 June 2016, including directors' emoluments, totalled HK$446 million (30 June 2015: HK$386 million) as a result of insourcing of certain functions, e.g. IT and network management, to enhance governance and operational efficiency as reflected in savings of other operating expenses.

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 Report

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2016 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 report of the Group for the six months ended 30 June 2016 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, 31 August 2016.

In order to qualify for the entitlement to interim dividend payable on Friday, 9 September 2016, 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 p.m. on Wednesday, 31 August 2016.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the period.

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 safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the six months ended 30 June 2016 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, deliberates on 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 the existing Directors. In addition, the Board as a whole is responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director.

Compliance with the Model Code for Securities Transactions by Directors of the Company

The Board has adopted its own Model Code for Securities Transactions by Directors (the "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 the HTHKH Securities Code in their securities transactions throughout the six months ended 30 June 2016.

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 WONG King Fai, Peter

Non-executive Directors:
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
(also Alternate to Mr Frank John SIXT)
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