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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)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that HTCL, a 75.9%-owned subsidiary of the Company, was successful in its bid for acquiring the Re-auctioned Spectrum and has been announced by the Communications Authority on 18 December 2018 as the provisional successful bidder for the Re-auctioned Spectrum, which in turn will become the successful bidder upon HTCL's compliance of various grant stage procedures (including provision of the irrevocable standby letter of credit as mentioned below).

Acquisition of the Re-auctioned Spectrum allows HTCL the right to utilise the Re-auctioned Spectrum for the provision of mobile telecommunications services in Hong Kong for a 15-year term commencing from 12 January 2021 (for Frequency Band B1) and 30 September 2021 (for Frequency Band A4). The SUF and the estimated aggregate annual licence fee payable by HTCL for the Re-auctioned Spectrum to the Communications Authority are HK\$960 million and HK\$85 million respectively.

As one or more of the relevant percentage ratios in connection with the Transaction is or are more than 5% but all are less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the notification and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

HTCL, a 75.9%-owned subsidiary of the Company, currently is the holder of the Existing Spectrum, the assignments of which are due to expire on 11 January 2021 (for the frequency spectrum in 900 MHz band) and on 29 September 2021 (for the frequency spectrum in 1800 MHz band). As announced by the Company on 10 September 2018, HTCL, being one of the four incumbent mobile network operators in Hong Kong, exercised a right of first refusal offered by the Communications Authority and was re-assigned the RFR Spectrum for the provision of mobile telecommunications services in Hong Kong for a 15-year term commencing from 30 September 2021.

The Communications Authority issued a notice on 21 September 2018 announcing the auction in relation to a total of 120 MHz of radio spectrum in the 900 MHz band and 1800 MHz band, namely Frequency Band A1, Frequency Band A2, Frequency Band A3, Frequency Band A4, Frequency Band B1, Frequency Band B2, Frequency Band B3, Frequency Band B4 and Frequency Band B5. The new spectrum assignment period for all the spectrum in the 900 MHz band will be aligned to commence on 12 January 2021 for a 15-year period until 11 January 2036 and that for all the spectrum in the 1800 MHz band will commence on 30 September 2021 for a 15-year period until 29 September 2036.

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CONDITIONS FOR THE GRANT OF THE RE-AUCTIONED SPECTRUM

Consideration

The SUF for the Re-auctioned Spectrum as determined at the Auction is HK\$960 million. HTCL may choose to pay the SUF in full as a lump sum payment upfront (by 12 November 2020 for Frequency Band B1 and by 30 July 2021 for Frequency Band A4) or annually in 15 instalments with the first instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%. The SUF is currently intended to be satisfied by a combination of internal resources of the Group and external debt financing.

If HTCL chooses to pay the SUF by annual instalments, it is required to maintain at all times throughout the whole new assignment period a rolling performance bond to guarantee payment of the SUF payable in the ensuing five years, or the SUF payable for the remaining duration of the new assignment term if it is less than five years.

An annual licence fee, which is to be calculated by the Communications Authority based on, among others, the quantity of customer connections, the number of subscribers, base stations and frequencies assigned, will be payable by HTCL with respect to the Re-auctioned Spectrum during the 15-year licence period.

The estimated aggregate licence fee for the 15-year assignment of the Re-auctioned Spectrum in the sum of approximately HK\$85 million is to be satisfied by internal resources of the Group.

Irrevocable standby letter of credit

As a condition for HTCL becoming the successful bidder for the Re-auctioned Spectrum, HTCL is required to provide to the Communications Authority, within 60 business days after the Communications Authority's publication of the provisional successful bidder notice on 18 December 2018, an irrevocable standby letter of credit issued by a Qualifying Bank in the full amount of the SUF to secure the payment obligation of the SUF on the part of HTCL.

In the event of failure to pay the required amount of SUF in respect of the Re-auctioned Spectrum by 12 November 2020 for Frequency Band B1 and by 30 July 2021 for Frequency Band A4, the Communications Authority has stated that the right of HTCL to be assigned the Re-auctioned Spectrum would be revoked and a claim might be made for the SUF under the standby letter of credit as liquidated damages.

Performance Bond

As a condition to the grant of the Re-auctioned Spectrum, HTCL is required to provide to the Communications Authority a performance bond issued by a Qualifying Bank in the sum of HK\$100 million to ensure the compliance of the network and service rollout requirement with respect to the Re-auctioned Spectrum to achieve, within five years from the issue of the licence, minimum network and service coverage to an area where at least 90% of the population of Hong Kong live from time to time. The Performance Bond is required to be provided by 12 November 2020 for Frequency Band B1 and by 30 July 2021 for Frequency Band A4.

REASONS FOR, AND THE BENEFITS OF, THE ACQUISITION OF RE-AUCTIONED SPECTRUM

As a provider of mobile telecommunications services in Hong Kong, HTCL offers an array of advanced mobile device and a rich portfolio of data services and applications. In order to continue to meet the demand for mobile data services in Hong Kong, HTCL strives to maximise the value and usage of radio spectrum, which by its nature is a limited and scarce resource. The Board is of the view that the Re-auctioned Spectrum, is an indispensable part of the mobile telecommunications business of HTCL for meeting customers' communication needs.

The Board considers the terms of the Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The Group is a provider of mobile telecommunications services in Hong Kong and Macau.

The Communications Authority is an independent statutory body established under the CAO on 1 April 2012 to act as the regulator of the broadcasting and telecommunications industries in Hong Kong in accordance with the Broadcasting Ordinance (Chapter 562 of the Laws of Hong Kong), the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), the CAO, the Unsolicited Electronic Messages Ordinance (Chapter 593 of the Laws of Hong Kong), and the Broadcasting (Miscellaneous Provisions) Ordinance (Chapter 391 of the Laws of Hong Kong). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Communications Authority is a third party independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios in connection with the Transaction is or are more than 5% but all are less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the Company's compliance with the notification and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"ADSs"	American depository share(s) issued by the depository namely Citibank N.A., each representing ownership of 15 shares of HK\$0.25 each in the capital of the Company;
"Auction"	the auction of the Re-auctioned Spectrum in which HTCL has participated for bidding;
"Board"	the board of Directors;
"CAO"	the Communications Authority Ordinance (Chapter 616 of the Laws of Hong Kong);
"Communications Authority"	Communications Authority of Hong Kong;
"Company"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215) and whose ADSs are eligible for trading in the United States of America only in the over-the-counter market;
"connected person"	has the meaning ascribed to such term in the Listing Rules;
"Directors"	directors of the Company;
"Existing Spectrum"	the 2 x 8.3 MHz of spectrum in the 900 MHz band and 2 x 11.6 MHz of spectrum in the 1800 MHz band, or a total of 39.8 MHz of frequency spectrum in the 900 MHz and 1800 MHz bands;
"Frequency Band A1"	the radio frequency band specified in the form of 1710 - 1720 MHz paired with 1805 - 1815 MHz, 20 MHz in total;
"Frequency Band A2"	the radio frequency band specified in the form of 1730 - 1740 MHz paired with 1825 - 1835 MHz, 20 MHz in total;
"Frequency Band A3"	the radio frequency band specified in the form of 1770 - 1780 MHz paired with 1865 - 1875 MHz, 20 MHz in total;
"Frequency Band A4"	the radio frequency band specified in the form of 1780 - 1785 MHz paired with 1875 - 1880 MHz, 10 MHz in total;
"Frequency Band B1"	the radio frequency band specified in the form of 890 - 895 MHz paired with 935 - 940 MHz, 10 MHz in total;
"Frequency Band B2"	the radio frequency band specified in the form of 895 - 900 MHz paired with 940 - 945 MHz, 10 MHz in total;
"Frequency Band B3"	the radio frequency band specified in the form of 900 - 905 MHz paired with 945 - 950 MHz, 10 MHz in total;

“Frequency Band B4”	the radio frequency band specified in the form of 905 - 910 MHz paired with 950 - 955 MHz, 10 MHz in total;
“Frequency Band B5”	the radio frequency band specified in the form of 910 - 915 MHz paired with 955 - 960 MHz, 10 MHz in total;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HTCL”	Hutchison Telephone Company Limited, a limited liability company incorporated in Hong Kong and a 75.9%-owned subsidiary of the Company;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“MHz”	megahertz or million hertz;
“Qualifying Bank”	an institution holding a full banking licence under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) which long term issuer rating is no less than (a) one or more of the following: (i) Moody’s A2; (ii) Standard & Poor’s A; (iii) Fitch Ratings’ A; or (b) a rating of a body other than a body listed in (a) above which the Communications Authority confirms in writing that it considers to be no less than one or more of the ratings in (a) above;
“Re-auctioned Spectrum”	Frequency Band A4 and Frequency Band B1;
“RFR Spectrum”	the 2 x 10 MHz of spectrum in the frequency ranges of 1760 - 1770 MHz paired with 1855 - 1865 MHz;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to such term in Listing Rules;
“SUF”	spectrum utilisation fee;
“Transaction”	the acquisition of the Re-auctioned Spectrum; and
“%”	per cent.

By Order of the Board

Edith SHIH

Non-executive Director and Company Secretary

Hong Kong, 18 December 2018

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

Chairman and Non-executive Director:

Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and

Non-executive Directors:

Mr LUI Dennis Pok Man

Mr WOO Chiu Man, Cliff

Executive Director:

Mr KOO Sing Fai

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