



Hutchison Telecom  
Hong Kong Holdings

# Keep Growing

2017 Annual Results Presentation

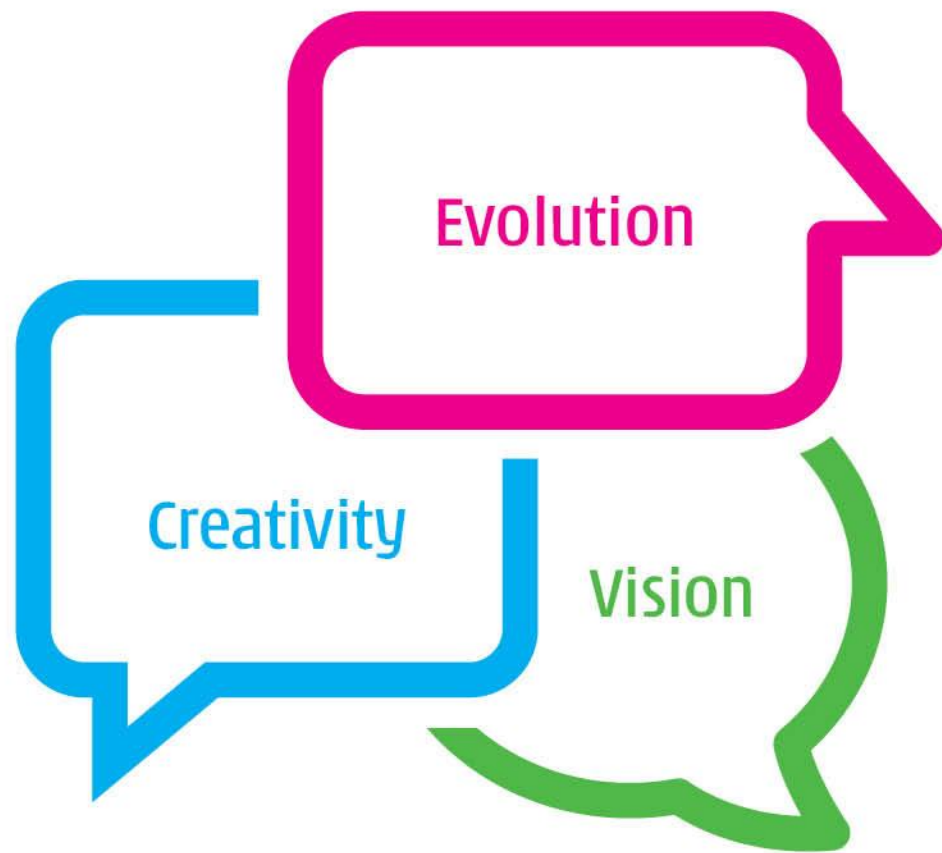
26 February 2018

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)



# Disclaimer

Potential investors and shareholders (the "Potential Investors and Shareholders") of Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") are reminded that information contained in this Presentation comprises extracts of operational data and financial information of the Company and its subsidiaries ("the Group") for the year ended 31 December 2017. The information included is solely for the use in this Presentation and certain information has not been independently verified. No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions presented or contained in this Presentation. Potential Investors and Shareholders should refer to the 2017 Annual Report for the results of the Group which are published in accordance with the listing rules of The Stock Exchange of Hong Kong Limited.

The performance and the results of operations of the Group contained within this Presentation are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Presentation 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 Presentation; 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.

Potential Investors and Shareholders should exercise caution when investing in or dealing in the securities of the Company.



Hutchison Telecom  
Hong Kong Holdings

# Business Performance



NB-  
IoT



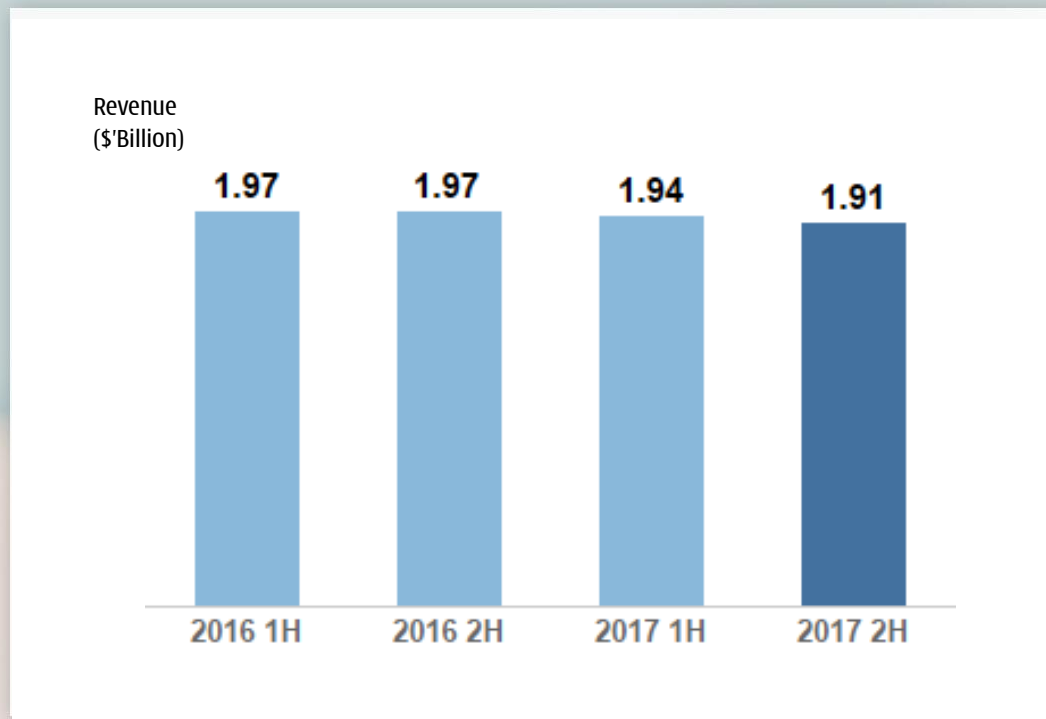
# Remarkable achievements

---

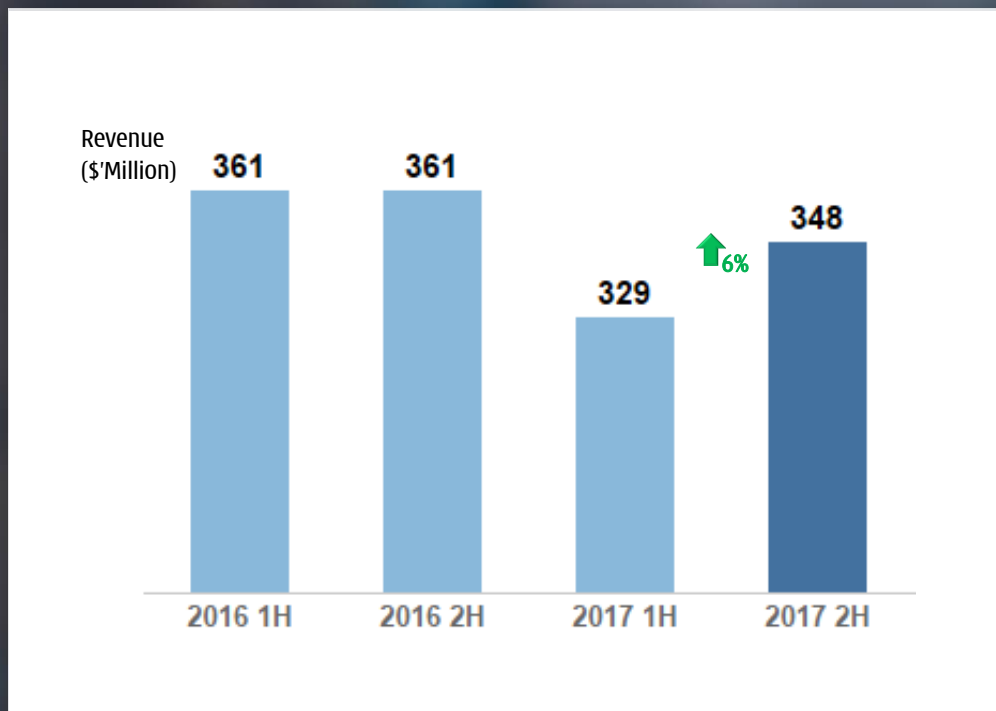
- Stable customer service revenue in a very competitive market
- Mobile customer number increased 3% YoY
- Roaming revenue increased 6% (2H17 vs 1H17)
- Profit attributable to shareholder was HK\$4,766 million, increased ~6 times vs 2016
- Cash proceeds of HK\$14.5 billion from disposal of the fixed-line business
- Solid financial position with net cash of HK\$9.8 billion as at end of 2017
- Evaluate various opportunities to utilise the cash proceeds with the aim to enhance shareholder value
- Sustainable dividend policy of 75% of recurring NPAT
  - Final dividend of 4.55 cents per share
  - Full year dividend of 8.45 cents per share



# Steady mobile service revenue amid fierce competition



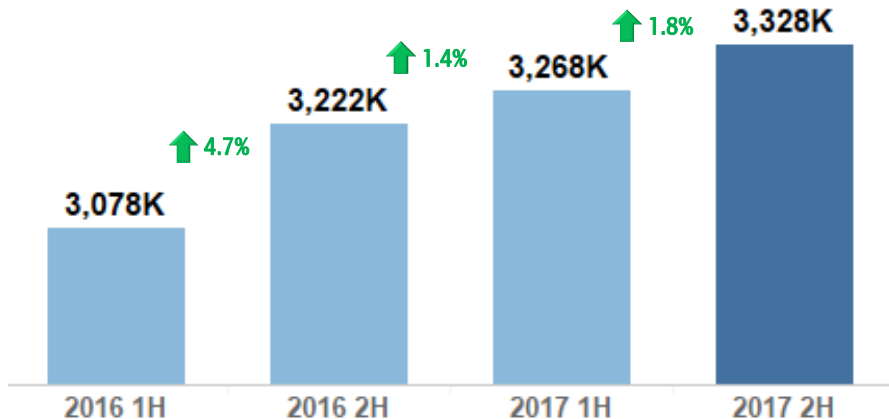
# Roaming revenue with signs of turnaround



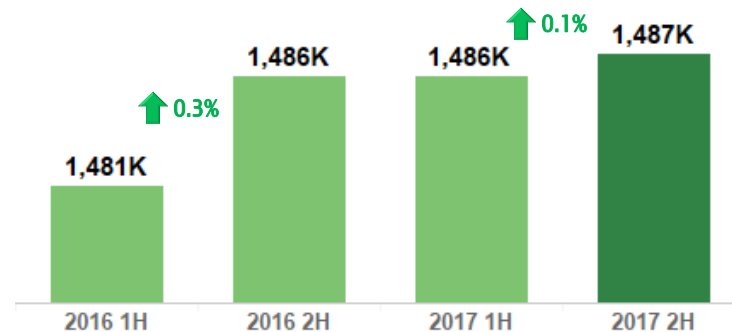
# Steadily growing customer base

Customer no. YOY +3% (2017 vs 2016)

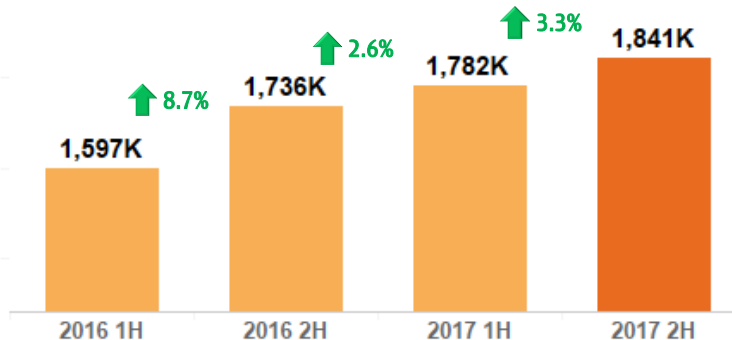
## Postpaid & Prepaid



## Postpaid

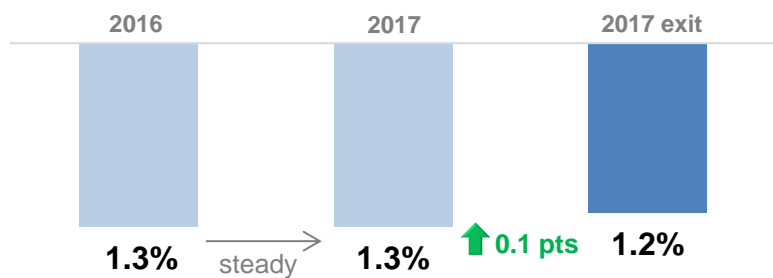


## Prepaid

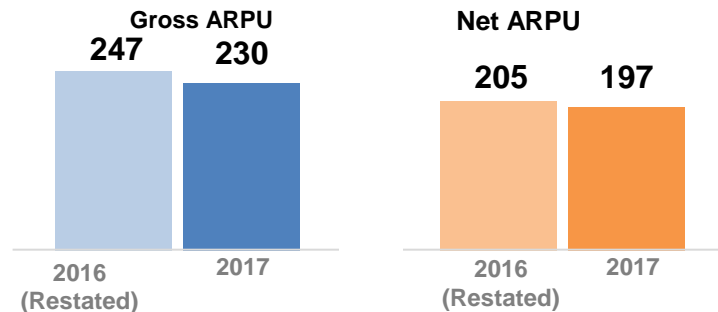


# Mobile KPIs

## Postpaid Churn



## Blended postpaid gross ARPU<sup>(1)</sup> and net ARPU<sup>(1)</sup>



### Note 1

Postpaid Gross ARPU = monthly average spending per postpaid user including handset contribution for bundled plan.

Postpaid Net ARPU = monthly average spending per postpaid user excluding handset contribution for bundled plan.

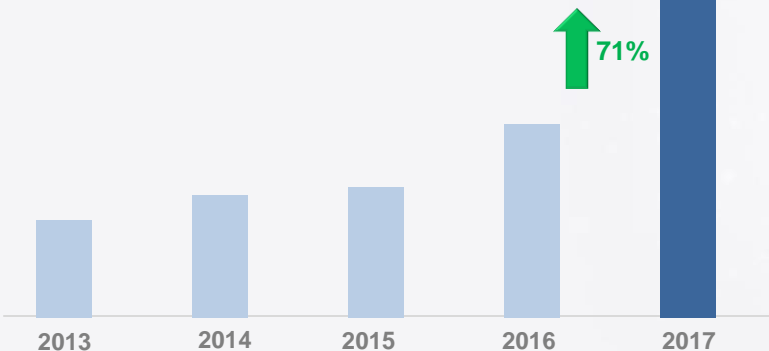
ARPU info in 2016 were restated to exclude the mobile MVNO revenue.



# Significant data growth on a super stable 4.5G network

Data usage per active 4G customers

TB/year



Hutchison Telecom  
Hong Kong Holdings

# Forward looking technology development

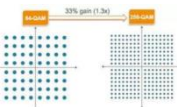
## 2100MHz RAN Modernisation

Unified RAN equipment

Radio Base Station (multi-modes, multi-bands)	
900M	1800M
2100M	2300M

## 256QAM (Quadrature Amplitude Modulation)

Deployed to enhance overall speed by upto 30%



## 4x4 & Massive MIMO

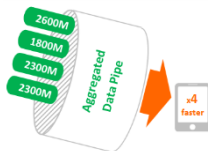
Deployment at critical LTE sites



## 4CC Carrier Aggregation (FDD + TDD)

Activated network-wide

LTE1800 + LTE2600 + LTE2300 + LTE2300



## 4G sectorization and LTE2600 integration

Deployment at majority of key MTR stations



## Digitalisation

Personalized and cognitive engagement with customers

## New unified Mobile App “My3”

A single unified interface to improve loyalty and enrich overall customer experiences



## New design of [three.com.hk](http://three.com.hk) website

Revitalize website for remarkable experiences on Acquisition and Brand Loyalty Building



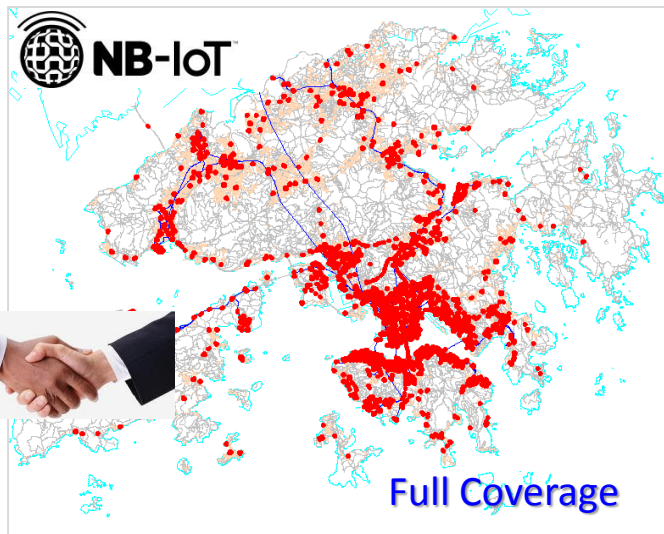
## Digital Transformation

Accelerating transformation of business strategies, processes and Omni-channel operations by fully leverage digital technologies to create new business models and enable growth



Hutchison Telecom  
Hong Kong Holdings

# Leadership in IoT for wider scope of revenue streams



## Commercialized NB-IoT network deployment

- 900 MHz licensed spectrum band
- Territory-wide deep coverage

## 3InnoCity (incubation program)

- Develop and promote together
- Innovative products & solutions based on NB-IoT
- Accelerate HK's development as a leading smart city



Develop and Promote Together

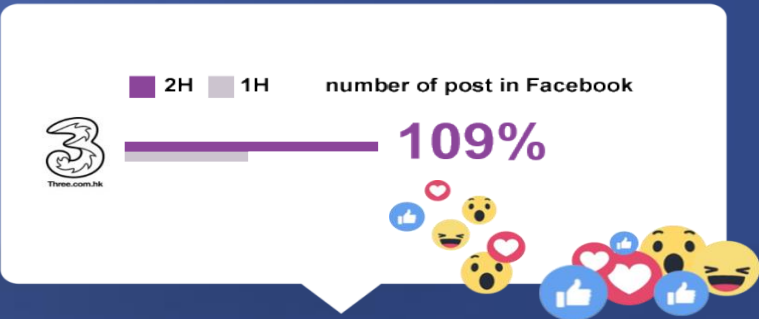


Hutchison Telecom  
Hong Kong Holdings



# Innovative marketing channels

## Facebook Performance



Reach 1M

Video view 1.2M

全新3Rewards 客戶年年賞

【這個月的伴侶，你一定都他，都睇得佢】

## Social Media Campaign

- No. 1 Online video in 3HK history (viewership)
- No. 1 Online video in 2017\* (viewership)
- No. 1 Top post in Jul 2017\*
- 30% growth in no. of redemption for birthday offer
- Strengthen 3 Hong Kong's brand image proven by increase of Net Promotion Score (NPS) and Net Sentiment Rate (NSR)
- Bronze Award in 2017 CAHK STAR Awards, Digital Marketing

# No.1

\*among telecom industry



Hutchison Telecom  
Hong Kong Holdings

# Financial Performance



NB-  
IoT



# Financials highlights

	For the year ended 31 December 2017 HK\$ million	For the year ended 31 December 2016 HK\$ million (Restated)	FY 2017 vs FY 2016 Change
Service revenue	3,853	3,946	-2%
Hardware revenue	2,899	4,386	-34%
<b>Mobile EBITDA (with JV)</b>	1,339	1,397	-4%
<b>Mobile service EBITDA (with JV)</b>	1,281	1,324	-3%
Profit attributable to shareholders before one-off items <sup>(1)</sup>	543	682	-20%
Gain on disposal of subsidiaries	5,614	-	N/A
Accelerated depreciation charges	(1,391)	-	N/A
<b>Profit attributable to shareholders</b>	4,766	682	+599%
<b>Earnings per share exclude one-off items (in HK cents)</b>	11.27	14.15	-20%
<b>Earnings per share (in HK cents)</b>	98.9	14.15	+599%
<b>Final dividend per share (in HK cents)</b>	4.55	6.90	-34%
<b>Full year dividend per share (in HK cents)</b>	8.45	10.90	-22%



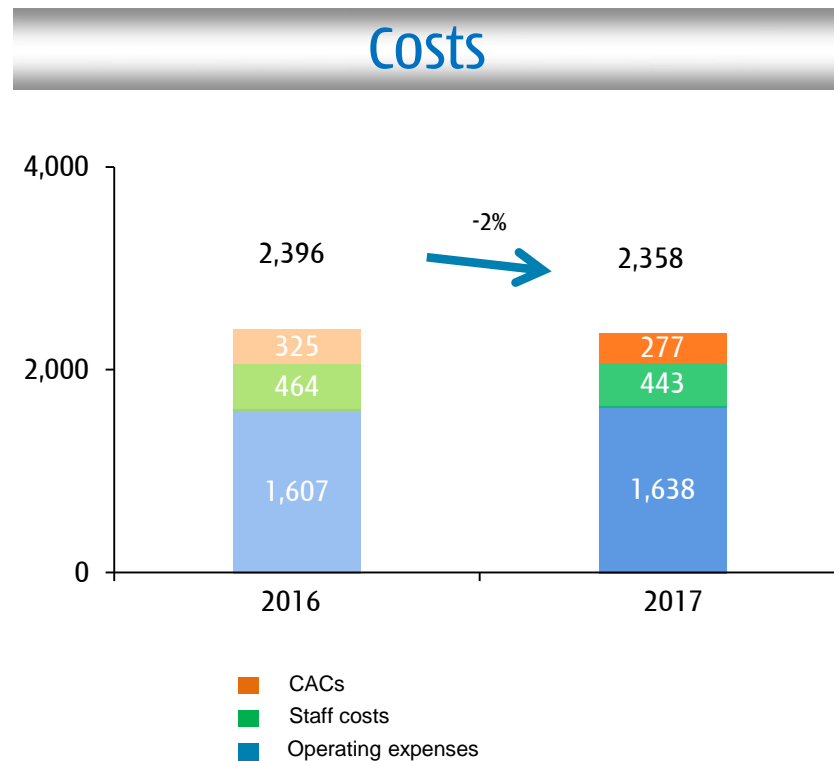
# Mobile business

	2017 HK\$ million	2016 HK\$ million	Favourable/ (unfavourable) Change
<b>Total mobile revenue</b>	6,752	8,332	-19%
- Net customer service revenue	3,853	3,946	-2%
- Local service revenue	3,176	3,224	-1%
- Roaming service revenue	677	722	-6%
- Hardware revenue	2,899	4,386	-34%
Net customer service margin	3,573	3,656	-2%
Net customer service margin %	93%	93%	-
Standalone handset sales margin	58	73	-21%
Total CACs (net of handset revenue)	(277)	(325)	+15%
Operating expenses and staff costs	(2,081)	(2,071)	-
Opex and staff costs as a % of net customer service margin	58%	57%	-1% point
<b>Mobile EBITDA (with JV)</b>	1,339	1,397	-4%
<b>Mobile Service EBITDA (with JV)</b>	1,281	1,324	-3%
Service EBITDA margin %	33.2%	33.6%	-0.4% point
Depreciation and amortisation (before one-off charges)	(822)	(733)	-12%
<b>Mobile EBIT (with JV before one-off charges)</b>	470	620	-24%



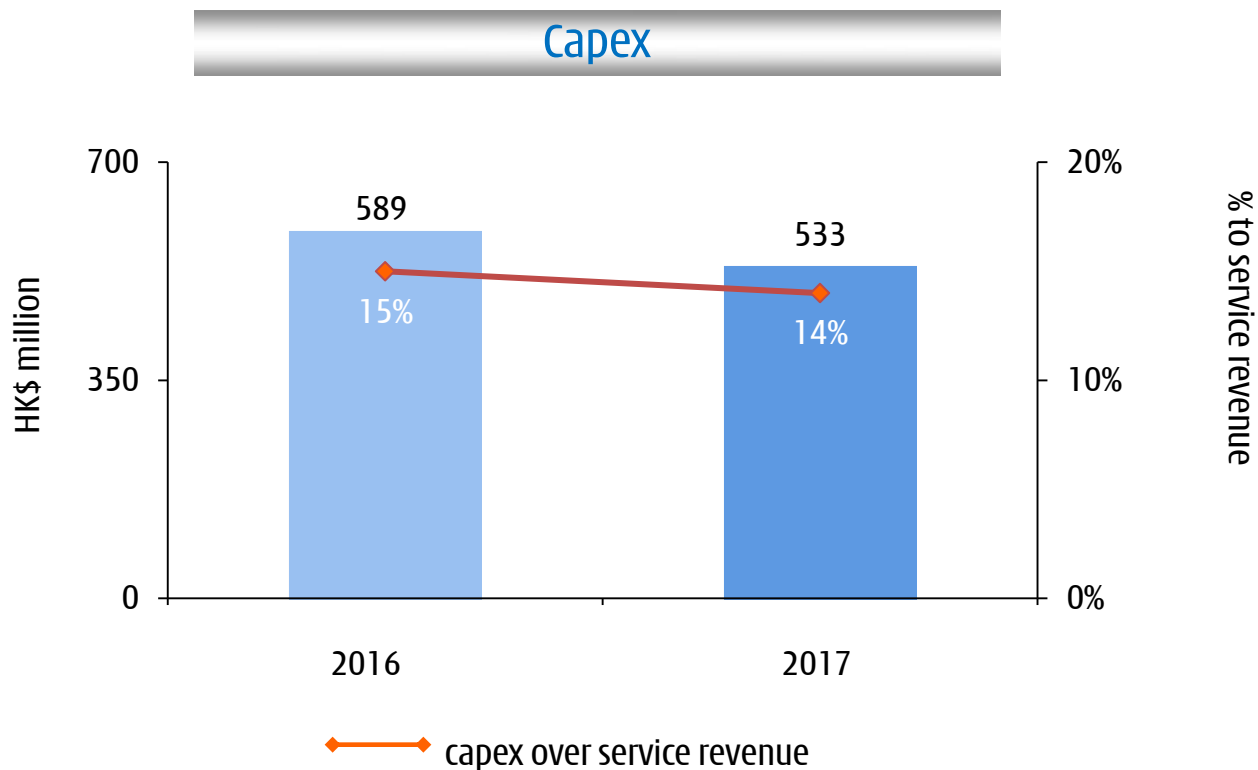
# Enhanced operational efficiency

- Lower customer acquisition cost with key focus in retention activities
- Prudent control over operating expenses and staff cost
- Network expenses well controlled despite huge data traffic growth



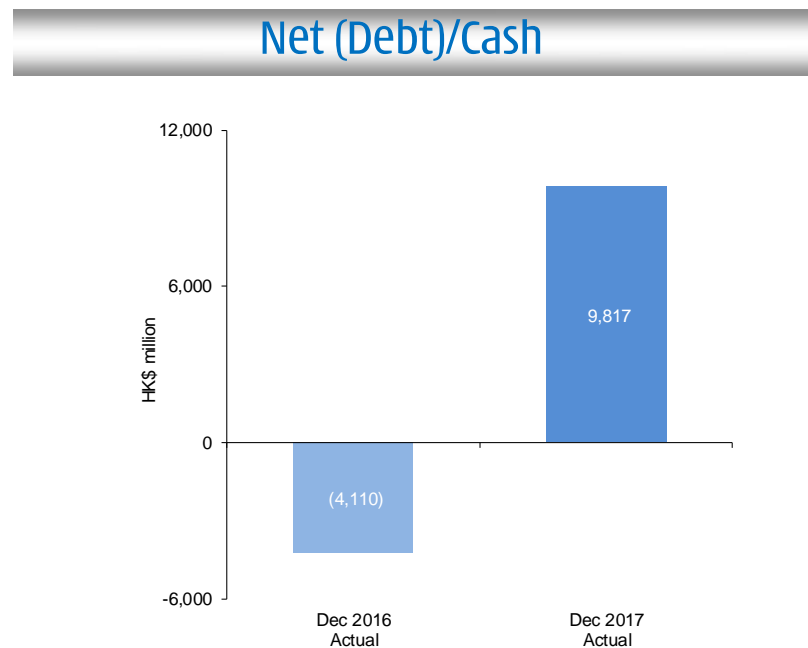


# Highly disciplined capital expenditure



# Solid net cash position

- Net cash of HK\$9.8 billion as at Dec 2017
- Prepayment of external borrowing of HK\$1.0 billion in October 2017 and HK\$3.9 billion in January 2018
- Cash rich position for expansion opportunities and 5G investment





Hutchison Telecom  
Hong Kong Holdings

# Outlook

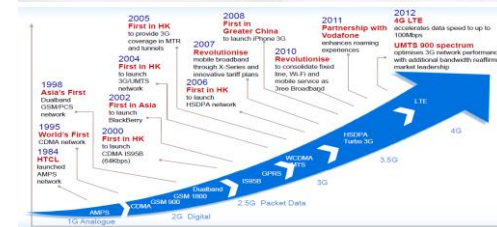


NB-  
IoT



# Strategies to meet the Challenges

<h2>Profitability and Value Creation</h2>	<ul style="list-style-type: none"> <li>Innovative lifestyle products - tailored to the needs</li> <li>Value creation to combat price competition</li> <li>Leverage Shareholders' global presence (in Europe, Asia, Australia and Japan)</li> </ul>
<h2>Customer First Experience</h2>	<ul style="list-style-type: none"> <li>Digitalise customer lifecycle for total satisfaction</li> <li>Refresh online and offline customer service experience</li> <li>Introduce new and fulfilling experience in shops</li> </ul>
<h2>Leading Technology for Future</h2>	<ul style="list-style-type: none"> <li>Continue solid 5G technology evolution</li> <li>Accelerate digital transformation and deploy latest technologies</li> <li>Continue with latest NB IoT ecosystem expansion and business development</li> </ul>
<h2>Brand and Customer Loyalty</h2>	<ul style="list-style-type: none"> <li>Pleasant telecom brand of choice</li> <li>Foster customer loyalty by best valued services</li> </ul>



See you in **5G**



Hutchison Telecom  
Hong Kong Holdings



**Thank You**