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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 : 0215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

| | For the year ended 31 December 2015 HK\$ millions | For the year ended 31 December 2014 HK\$ millions | 2015 vs 2014 Change |
|--|--|--|------------------------------|
| Consolidated revenue | 22,042 | 16,296 | +35% |
| Consolidated EBITDA ⁽¹⁾ | 2,788 | 2,679 | +4% |
| Consolidated EBIT ⁽²⁾ | 1,430 | 1,358 | +5% |
| Profit attributable to shareholders | 915 | 833 | +10% |
| Earnings per share (in HK cents) | 18.99 | 17.29 | +10% |
| Final dividend per share (in HK cents) | 9.00 | 8.70 | +3% |
| Full year dividend per share (in HK cents) | 14.20 | 12.95 | +10% |

- Consolidated revenue increased by 35% to HK\$22,042 million mainly driven by an increase in mobile business total revenue.
- Consolidated EBITDA increased by 4% to HK\$2,788 million mainly as a result of an increase in consolidated revenue together with enhanced operational efficiency.
- Profit attributable to shareholders increased by 10% to HK\$915 million.
- Final dividend per share is 9.00 HK cents.

Note 1: EBITDA is defined as earnings before net interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.
Note 2: EBIT is defined as earnings before net interest and other finance costs, taxation and share of results of joint ventures.

CHAIRMAN'S STATEMENT

The 2015 financial year results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") shows the commitment of the Group to focus on service and operation. The Group as a whole benefited from increased revenue, margin and profitability.

Results

Consolidated revenue in 2015 was HK\$22,042 million, an increase of 35% compared to HK\$16,296 million in 2014. Profit attributable to shareholders in 2015 amounted to HK\$915 million, an increase of 10% compared to HK\$833 million in 2014. Basic earnings per share in 2015 were 18.99 HK cents compared to 17.29 HK cents in 2014.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 9.00 HK cents (2014: 8.70 HK cents) per share for the year ended 31 December 2015. The proposed final dividend will be payable on Thursday, 26 May 2016, following shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Tuesday, 17 May 2016, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 5.20 HK cents per share, full year dividend amounts to 14.20 HK cents per share. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

Business Review

Mobile business – Hong Kong and Macau

Mobile business total revenue in 2015 was HK\$18,477 million, an increase of 46% compared to HK\$12,632 million in 2014. Mobile hardware revenue in 2015 was HK\$14,371 million, an increase of 80% compared to 2014 as a result of the popularity of smartphones. Mobile net customer service revenue in 2015 was HK\$4,106 million, a 12% decline compared to HK\$4,646 million in 2014 as a result of a 27% decrease in roaming revenue. Corresponding net customer service margin declined by 8% to HK\$3,823 million compared to 2014. Nevertheless, with the dedicated effort to reduce direct roaming cost, the net customer service margin percentage in 2015 improved to 93% (2014: 89%). Excluding the roaming factors in both years, the local net customer service margin in 2015, after deducting direct variable costs, was in line with 2014 as a result of better local net ARPU⁽¹⁾ by upgrading customers to use 4G Long-Term-Evolution ("4G LTE") services partially offset by the negative effect brought from the churn of low-margin postpaid customers in 2015.

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

EBITDA and EBIT in 2015 were HK\$1,637 million and HK\$976 million respectively, an improvement of 9% and 11% respectively, compared to those in 2014. Service EBITDA⁽²⁾ in 2015 improved by 9% to HK\$1,329 million from HK\$1,224 million in 2014 with corresponding service EBITDA margin percentage⁽²⁾ improved to 32% in 2015 from 26% in 2014, mainly as a result of continued focus on operational efficiency.

As at 31 December 2015, the Group was serving approximately 3.0 million customers in Hong Kong and Macau (30 June 2015: 2.9 million), of which the number of postpaid customers was approximately 1.5 million (30 June 2015: 1.5 million). The churn of low-margin postpaid customers was reduced in the second half of 2015.

With more upgrade of customers to use 4G LTE service, blended local postpaid net ARPU⁽³⁾ for 2015 was HK\$161, an increase of 17% compared to HK\$138 for 2014, while the blended local postpaid net AMPU⁽⁴⁾ improved by 18% to HK\$154 compared to HK\$130 in 2014.

4G LTE-Advanced service has been deployed since the second half of 2015, while construction of the Time Division Duplexing network is in good progress and targets to launch in the second half of 2016. In addition, the Group is in the process of enhancing the indoor coverage by refarming part of its existing 900MHz spectrum for 4G LTE services. Together with the extensive Wi-Fi coverage, customer experience on mobile connectivity would be further enhanced.

Fixed-line business

Fixed-line service revenue in 2015 was HK\$3,973 million, a decrease of 3% compared to HK\$4,102 million in 2014. The decrease was mainly due to a 5% reduction in revenue in the international and local carrier market and 7% reduction in the residential market. The decline in revenue from the carrier market was mainly due to reduced demand for international direct dialing (“IDD”) which was partially offset by gradual increase in data demand as a result of growing popularity of “Over-the-Top” (“OTT”) applications and “Internet-of-Things” (“IoT”) related devices. The decreases were partially offset by a 3% increase in revenue generated from the corporate and business market as a result of growth in demand of high speed data connectivity. EBITDA and EBIT in 2015 were HK\$1,274 million and HK\$577 million respectively, reduced by 3% and 5% respectively, compared to those in 2014. EBITDA margin maintained at 32% as a result of continued focus on the provision of high margin solution based offerings as well as savings from operational efficiency.

The Group anticipates a strong need for sophisticated and advanced telecommunications network solutions to meet the customer demand in carrier, corporate and business markets. The Group continues to focus on enhancing residential coverage and expanding Wi-Fi presence in coming years in order to cope with customers’ growing infotainment needs. With further technology development and a state-of-the-art network infrastructure including high speed optical fibre backbone network, advanced Wi-Fi presence and cloud-based platform, the Group is in a solid position to capture further data demand and growth from the increasing popularity of OTT applications and IoT related devices.

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 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. Prior year figure has been adjusted to conform to current year presentation.

Note 4: 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). Prior year figure has been adjusted to conform to current year presentation.

Outlook

Against a backdrop of uncertainties in both local and international economies, the Group is cautiously planning ahead. With the increasing popularity of viewing infotainment contents on smart devices, there is a growing need for one-stop lifestyle solutions. The Group serves customers at home, on the move and in the workplace by integrating mobile, fixed-line and Wi-Fi networks to offer mobility, broadband, digital entertainment and fixed-line connectivity, at the same time expanding indoor and outdoor coverage in a seamless manner to generate more revenue, while enhancing 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

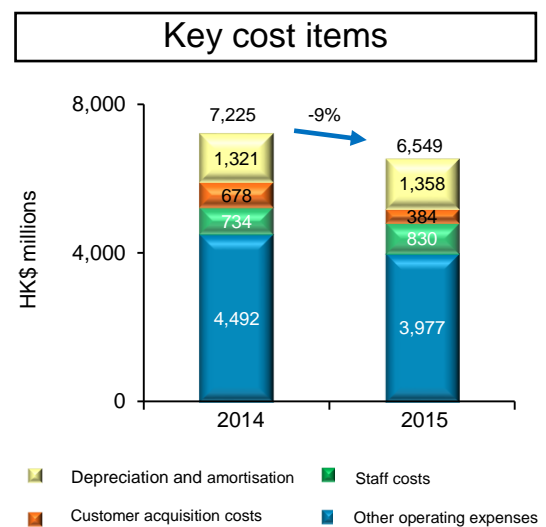
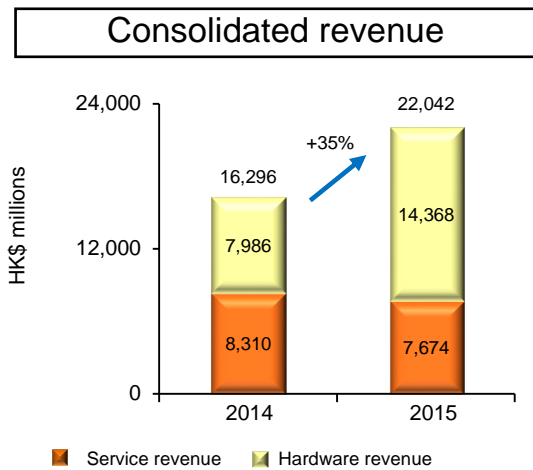
Hong Kong, 29 February 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Consolidated revenue in 2015 was HK\$22,042 million, an increase of 35% compared to HK\$16,296 million in 2014. The increase was mainly due to an 80% increase in hardware revenue from HK\$7,986 million in 2014 to HK\$14,368 million in 2015. Total service revenue in 2015 was HK\$7,674 million, a decrease of 8% compared to HK\$8,310 million in 2014, mainly due to the drop in mobile roaming revenue as consistent with global declining trend.

Total operating expenses, excluding cost of inventories sold, amounted to HK\$6,549 million in 2015, a decrease of 9% compared to HK\$7,225 million in 2014, mainly as a result of adoption of more cost-effective promotional channels on customer acquisition as well as a reduction in direct variable expenses including roaming costs.



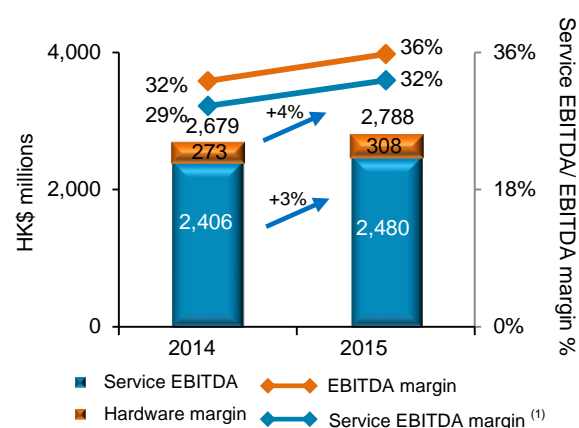
Consolidated EBITDA in 2015 was HK\$2,788 million, an increase of 4% compared to HK\$2,679 million in 2014 while the consolidated service EBITDA in 2015 was HK\$2,480 million, an increase of 3% compared to HK\$2,406 million in 2014. Service EBITDA margin increased to 32% in 2015 from 29% in 2014, mainly due to efficiency achieved from various automation initiatives on internal procedures and processes including customer order handling and customer service of the mobile and fixed-line businesses. Depreciation and amortisation amounted to HK\$1,358 million in 2015, compared to HK\$1,321 million in 2014, a slight increase primarily due to the enhancement of 4G LTE network infrastructure. Consolidated EBIT was HK\$1,430 million in 2015, an increase of 5% compared to HK\$1,358 million in 2014.

Net interest and other finance costs decreased by 34% from HK\$155 million in 2014 to HK\$103 million in 2015 mainly as a result of favourable interest rate subsequent to the refinancing completed in December 2014. Gearing ratio as at 31 December 2015, calculated by dividing net debt by net total capital, was 20% (2014: 23%).

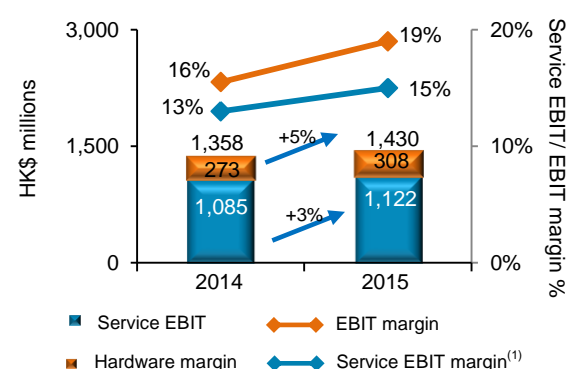
Share of losses of joint ventures in 2015 recorded at HK\$34 million, comparable to HK\$35 million in 2014, mainly due to a developing scale of operation in the data centres.

Overall, profit attributable to shareholders of the Company in 2015 was HK\$915 million, an increase of 10% compared to HK\$833 million in 2014.

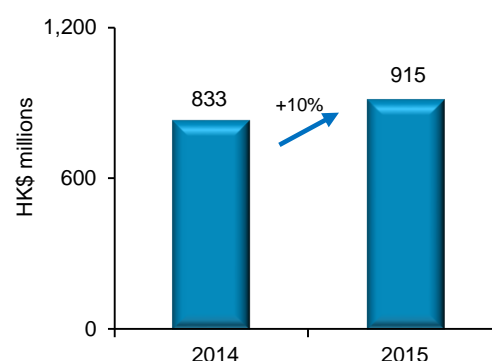
Consolidated EBITDA



Consolidated EBIT



Profit attributable to shareholders



Note 1: Service EBITDA margin or service EBIT margin 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 year ended 31 December 2015 HK\$ millions | For the year ended 31 December 2014 HK\$ millions | Favourable/ (unfavourable) change |
|---|--|--|---|
| Total revenue | 18,477 | 12,632 | +46% |
| - Net customer service revenue | 4,106 | 4,646 | -12% |
| - Hardware revenue | 14,371 | 7,986 | +80% |
| - Bundled sales revenue | 815 | 1,164 | -30% |
| - Standalone handset sales revenue | 13,556 | 6,822 | +99% |
| Net customer service margin ⁽²⁾ | 3,823 | 4,152 | -8% |
| <i>Net customer service margin %</i> | 93% | 89% | +4% points |
| Standalone handset sales margin | 308 | 273 | +13% |
| Total CACs ⁽³⁾ | (1,085) | (1,719) | +37% |
| Less: Bundled sales revenue | 815 | 1,164 | -30% |
| Total CACs (net of handset revenue) | (270) | (555) | +51% |
| Operating expenses | (2,224) | (2,373) | +6% |
| <i>Opex as a % of net customer service margin</i> | 58% | 57% | -1% point |
| EBITDA | 1,637 | 1,497 | +9% |
| Service EBITDA ⁽⁴⁾ | 1,329 | 1,224 | +9% |
| <i>Service EBITDA Margin %</i> | 32% | 26% | +6% points |
| Depreciation and amortisation | (661) | (620) | -7% |
| EBIT | 976 | 877 | +11% |
| CAPEX (excluding licence) | (574) | (664) | +14% |
| EBITDA less CAPEX | 1,063 | 833 | +28% |
| Licence | (3) | (3) | - |

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.

Mobile business total revenue in 2015 was HK\$18,477 million, an increase of 46% compared to HK\$12,632 million in 2014. Mobile hardware revenue in 2015 was HK\$14,371 million, an increase of 80% compared to 2014 as a result of the popularity of smartphones. Mobile net customer service revenue in 2015 was HK\$4,106 million, a 12% decline compared to HK\$4,646 million in 2014 as a result of a 27% decrease in roaming revenue. Corresponding net customer service margin declined by 8% to HK\$3,823 million compared to 2014. Nevertheless, with the dedicated effort to reduce direct roaming cost, the net customer service margin percentage in 2015 improved to 93% (2014: 89%). Excluding the roaming factors in both years, the local net customer service margin in 2015, after deducting direct variable costs, was in line with 2014 as a result of better local net ARPU by upgrading customers to use 4G LTE services partially offset by the negative effect brought from the churn of low-margin postpaid customers in 2015.

EBITDA and EBIT in 2015 were HK\$1,637 million and HK\$976 million respectively, an improvement of 9% and 11% respectively when compared to 2014. The increases were mainly due to growth in mobile business total revenue and continued focus on operational efficiency. Service EBITDA margin percentage improved to 32% in 2015 from 26% in 2014.

As at 31 December 2015, the Group was serving approximately 3.0 million customers in Hong Kong and Macau (30 June 2015: 2.9 million), of which the number of postpaid customers was approximately 1.5 million (30 June 2015: 1.5 million). The churn of low-margin postpaid customers was reduced in the second half of 2015. The churn rate of postpaid customers was 1.8% in 2015, which was comparable to 2.0% recorded in 2014.

Blended local postpaid net ARPU⁽⁵⁾ in 2015 was HK\$161 compared to HK\$138 in 2014, reflecting increased data usage of customers. Blended local postpaid net AMPU⁽⁶⁾ in 2015 was HK\$154, compared to HK\$130 in 2014, following improved local ARPU and good control over direct variable costs.

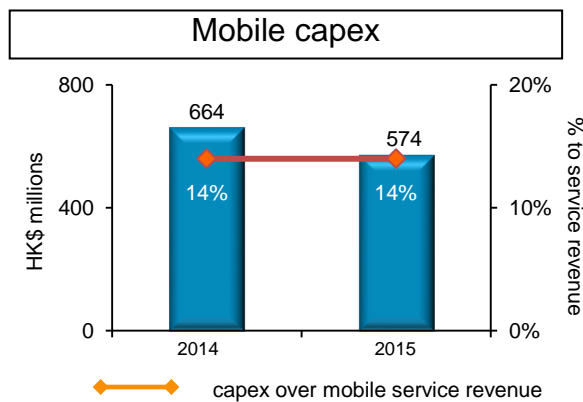
Note 5: Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model. Prior year figure has been adjusted to conform to current year presentation.

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). Prior year figure has been adjusted to conform to current year presentation

Key performance indicators for mobile business

| | For the year ended 31 December 2015 | For the year ended 31 December 2014 | Favourable/ (unfavourable) change |
|--|---|---|---|
| Number of postpaid customers ('000) | 1,484 | 1,660 | -11% |
| Number of prepaid customers ('000) | 1,547 | 1,537 | +1% |
| Total customers ('000) | 3,031 | 3,197 | -5% |
| Postpaid customers to the total customer base (%) | 49% | 52% | -3% points |
| Postpaid customers' contribution to the net customer service revenue (%) | 93% | 94% | -1% point |
| Monthly postpaid churn rate (%) | 1.8% | 2.0% | +0.2% point |
| Local postpaid gross ARPU ⁽⁷⁾ (HK\$) | 212 | 188 | +13% |
| Local postpaid net ARPU (HK\$) | 161 | 138 | +17% |
| Local postpaid net AMPU (HK\$) | 154 | 130 | +18% |

Capital expenditure on property, plant and equipment in 2015 amounted to HK\$574 million (2014: HK\$664 million), accounting for 14% (2014: 14%) of mobile service revenue, reflecting a disciplined level of capital expenditure spending.



| Summary of spectrum investment as of 31 December 2015 | | |
|---|-----------|---------------------|
| 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. Prior year figure has been adjusted to conform to current year presentation.

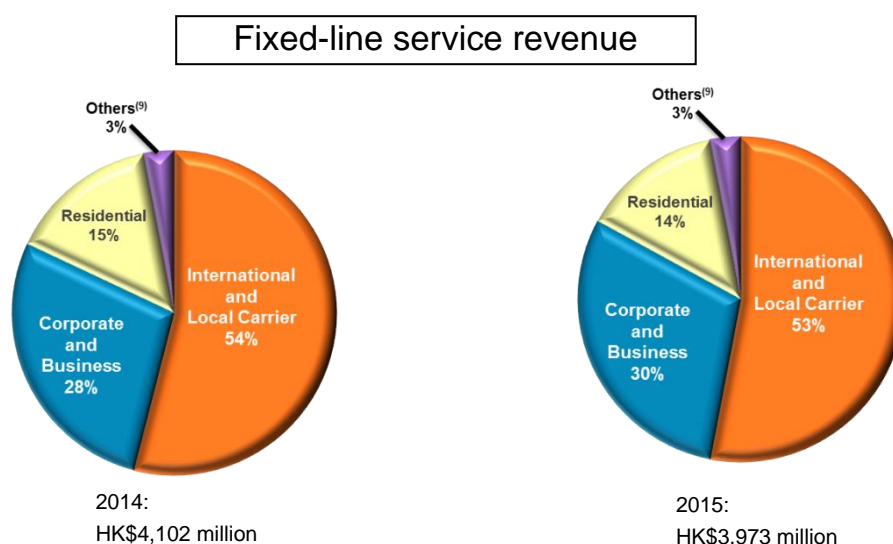
Note 8: Related licence will be extended to year 2031 for the spectrum with a total bandwidth of 29.6MHz.

Fixed-line business highlights

| | For the year ended 31 December 2015 HK\$ millions | For the year ended 31 December 2014 HK\$ millions | Favourable/ (unfavourable) change |
|--|--|--|---|
| Revenue | 3,973 | 4,102 | -3% |
| Total CACs and Operating expenses | (2,699) | (2,795) | +3% |
| <i>Total CACs and Opex as % of revenue</i> | 68% | 68% | - |
| EBITDA | 1,274 | 1,307 | -3% |
| <i>EBITDA margin %</i> | 32% | 32% | - |
| Depreciation and amortisation | (697) | (701) | +1% |
| EBIT | 577 | 606 | -5% |
| CAPEX (excluding licence) | (485) | (534) | +9% |
| EBITDA less CAPEX | 789 | 773 | +2% |

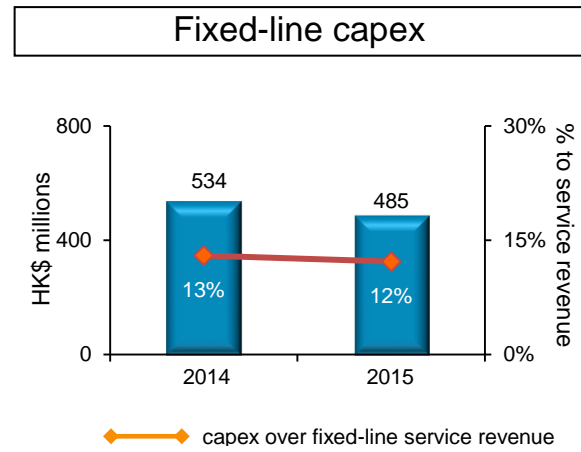
Fixed-line service revenue in 2015 was HK\$3,973 million, a decrease of 3% compared to HK\$4,102 million in 2014. Revenue from the international and local carrier market in 2015 decreased by 5% to HK\$2,106 million mainly due to reduced demand in IDD, which was partially offset by gradual increase in data demand as a result of growing popularity of OTT applications and IoT related devices. Revenue from the corporate and business market in 2015 increased by 3% to HK\$1,180 million as a result of continued increasing demand on bandwidth capacity and solution-based products. Revenue from the residential market in 2015 decreased by 7% to HK\$557 million as a result of competitive pricing in certain segments. The Group will continue to focus on penetrating market segments requiring high data speed.

EBITDA in 2015 was HK\$1,274 million, a decrease of 3% compared to HK\$1,307 million in 2014 mainly as a result of drop in IDD revenue and local backhaul leased line revenue, which was partially offset by operational efficiency savings on overhead costs. EBITDA margin, on the other hand, maintained at 32% in both years. EBIT in 2015 amounted to HK\$577 million, a decrease of 5% compared to HK\$606 million in 2014.



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

Capital expenditure on property, plant and equipment in 2015 amounted to HK\$485 million (2014: HK\$534 million), representing 12% (2014: 13%) of fixed-line service revenue.



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 HK\$ millions | 2014 HK\$ millions |
|--|------|-----------------------|-----------------------|
| Revenue | 4 | 22,042 | 16,296 |
| Cost of inventories sold | | (14,063) | (7,713) |
| Staff costs | | (830) | (734) |
| Customer acquisition costs | | (384) | (678) |
| Depreciation and amortisation | | (1,358) | (1,321) |
| Other operating expenses | | (3,977) | (4,492) |
| | | <u>1,430</u> | <u>1,358</u> |
| Interest income | 6 | 19 | 20 |
| Interest and other finance costs | 6 | (122) | (175) |
| Share of results of joint ventures | | (34) | (35) |
| | | <u>1,293</u> | <u>1,168</u> |
| Profit before taxation | | | |
| Taxation | 7 | (216) | (205) |
| | | <u>1,077</u> | <u>963</u> |
| Profit for the year | | | |
| | | <u><u>1,077</u></u> | <u><u>963</u></u> |
| Attributable to: | | | |
| Shareholders of the Company | | 915 | 833 |
| Non-controlling interests | | 162 | 130 |
| | | <u>1,077</u> | <u>963</u> |
| | | <u><u>1,077</u></u> | <u><u>963</u></u> |
| Earnings per share attributable to shareholders of the Company (expressed in HK cents per share): | | | |
| - basic | 8 | <u>18.99</u> | <u>17.29</u> |
| | | <u><u>18.99</u></u> | <u><u>17.29</u></u> |
| - diluted | 8 | <u>18.99</u> | <u>17.29</u> |
| | | <u><u>18.99</u></u> | <u><u>17.29</u></u> |

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 9.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

| | 2015 HK\$ millions | 2014 HK\$ millions |
|---|-----------------------|-----------------------|
| Profit for the year | 1,077 | 963 |
| Other comprehensive income | | |
| Item that will not be reclassified subsequently to income statement in subsequent periods: | | |
| - Remeasurements of defined benefit plans | (12) | 13 |
| Item that may be reclassified subsequently to income statement in subsequent periods: | | |
| - Currency translation differences | (4) | (3) |
| Total comprehensive income for the year, net of tax | <u>1,061</u> | <u>973</u> |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 899 | 843 |
| Non-controlling interests | 162 | 130 |
| | <u>1,061</u> | <u>973</u> |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

| | Note | 2015 HK\$ millions | 2014 HK\$ millions |
|--|------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 10,656 | 10,663 |
| Goodwill | | 4,503 | 4,503 |
| Telecommunications licences | | 1,207 | 1,373 |
| Other non-current assets | | 858 | 993 |
| Deferred tax assets | | 128 | 258 |
| Investments in joint ventures | | 493 | 515 |
| Total non-current assets | | <u>17,845</u> | <u>18,305</u> |
| Current assets | | | |
| Cash and cash equivalents | 10 | 1,021 | 359 |
| Trade receivables and other current assets | 11 | 1,817 | 1,892 |
| Inventories | | 591 | 142 |
| Total current assets | | <u>3,429</u> | <u>2,393</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 4,200 | 3,956 |
| Current income tax liabilities | | 11 | 18 |
| Total current liabilities | | <u>4,211</u> | <u>3,974</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 497 | 420 |
| Borrowings | | 3,962 | 3,952 |
| Other non-current liabilities | | 513 | 643 |
| Total non-current liabilities | | <u>4,972</u> | <u>5,015</u> |
| Net assets | | <u>12,091</u> | <u>11,709</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 1,205 | 1,205 |
| Reserves | | 10,317 | 10,088 |
| Total shareholders' funds | | <u>11,522</u> | <u>11,293</u> |
| Non-controlling interests | | 569 | 416 |
| Total equity | | <u>12,091</u> | <u>11,709</u> |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

| | 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 year | - | - | 915 | - | - | - | 915 | 162 | 1,077 |
| Other comprehensive income | | | | | | | | | |
| Remeasurements of defined benefit plans | - | - | - | - | (12) | - | (12) | - | (12) |
| Currency translation differences | - | - | - | (4) | - | - | (4) | - | (4) |
| Total comprehensive income, net of tax | - | - | 915 | (4) | (12) | - | 899 | 162 | 1,061 |
| Dividend paid (Note 9) | - | - | (670) | - | - | - | (670) | (9) | (679) |
| At 31 December 2015 | <u>1,205</u> | <u>11,185</u> | <u>(924)</u> | <u>(7)</u> | <u>46</u> | <u>17</u> | <u>11,522</u> | <u>569</u> | <u>12,091</u> |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

| | 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 2014 | 1,205 | 11,185 | (1,411) | - | 45 | 17 | 11,041 | 295 | 11,336 |
| Profit for the year | - | - | 833 | - | - | - | 833 | 130 | 963 |
| Other comprehensive income | | | | | | | | | |
| Remeasurements of defined benefit plans | - | - | - | - | 13 | - | 13 | - | 13 |
| Currency translation differences | - | - | - | (3) | - | - | (3) | - | (3) |
| Total comprehensive income, net of tax | - | - | 833 | (3) | 13 | - | 843 | 130 | 973 |
| Dividend paid | - | - | (591) | - | - | - | (591) | (9) | (600) |
| At 31 December 2014 | <u>1,205</u> | <u>11,185</u> | <u>(1,169)</u> | <u>(3)</u> | <u>58</u> | <u>17</u> | <u>11,293</u> | <u>416</u> | <u>11,709</u> |

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 HK\$ millions | 2014 HK\$ millions |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | | 2,566 | 2,580 |
| Interest and other finance costs paid | | (72) | (85) |
| Tax paid | | (16) | (12) |
| Net cash generated from operating activities | | <u>2,478</u> | <u>2,483</u> |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (1,045) | (1,168) |
| Additions to other non-current assets | | (8) | (40) |
| Proceeds from disposals of property, plant and equipment | | - | 6 |
| Interest received | | 1 | - |
| Payment relating to investment in a joint venture | | (85) | (68) |
| Loan repayment from a joint venture | | - | 187 |
| Net cash used in investing activities | | <u>(1,137)</u> | <u>(1,083)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 4,860 |
| Repayment of borrowings | | - | (5,510) |
| Dividend paid to the shareholders of the Company | 9 | (670) | (591) |
| Dividend paid to non-controlling interests | | (9) | (9) |
| Net cash used in financing activities | | <u>(679)</u> | <u>(1,250)</u> |
| Increase in cash and cash equivalents | | 662 | 150 |
| Cash and cash equivalents at 1 January | | 359 | 209 |
| Cash and cash equivalents at 31 December | | <u>1,021</u> | <u>359</u> |

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 (the “Stock Exchange”) 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.

These financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These financial statements were approved for issuance by the Board of Directors on 29 February 2016.

2 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

As at 31 December 2015, the current liabilities of the Group exceeded its current assets by approximately HK\$782 million. Included in the current liabilities were non-refundable customer prepayments of HK\$751 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 liabilities of the Group would have been approximately HK\$31 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, these consolidated financial statements have been prepared on a going concern basis.

3 Changes in Significant Accounting Policies

(a) New/revised standards and amendments to existing standards adopted by the Group

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2015:

| | |
|--------------------|---|
| IFRSs (Amendments) | Annual Improvements 2010 - 2012 Cycle |
| IFRSs (Amendments) | Annual Improvements 2011 - 2013 Cycle |
| IAS 19 (Amendment) | Defined Benefit Plans: Employee Contributions |

The adoption of these new/revised standards and amendments to existing standards does not have an impact on the accounting policies of the Group.

(b) New/revised standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2015:

| | |
|--|--|
| IFRSs (Amendments) ⁽ⁱ⁾ | Annual Improvements 2012 - 2014 Cycle |
| IAS 1 (Amendments) ⁽ⁱ⁾ | Disclosure Initiative |
| IAS 16 and IAS 38 (Amendments) ⁽ⁱ⁾ | Clarification of Acceptable Methods of Depreciation and Amortisation |
| IAS 16 and IAS 41 (Amendment) ⁽ⁱ⁾ | Agriculture: Beater Plants |
| IAS 27 (Amendments) ⁽ⁱ⁾ | Equity Method in Separate Financial Statements |
| IFRS 9 (2014) ⁽ⁱⁱ⁾ | Financial Instruments |
| IFRS 10, IFRS 12 and IAS 28 (Amendments) ⁽ⁱ⁾ | Investment Equities: Applying the Consolidation Exceptions |
| IFRS 10 and IAS 28 ^(iv) | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture |
| IFRS 11 (Amendment) ⁽ⁱ⁾ | Accounting for Acquisitions of Interests In Joint Operations |
| IFRS 14 ⁽ⁱ⁾ | Regulatory Deferral Accounts |
| IFRS 15 ⁽ⁱⁱ⁾ | Revenue from Contracts with Customers |
| IFRS 16 ⁽ⁱⁱⁱ⁾ | Leases |

- (i) Effective for annual periods beginning on or after 1 January 2016
- (ii) Effective for annual periods beginning on or after 1 January 2018
- (iii) Effective for annual periods beginning on or after 1 January 2019
- (iv) No mandatory effective date yet determined but is available for adoption

The impact of adoption of these new/revised standards and amendments to existing standards in future periods is not currently known or cannot be reasonably estimated.

3 Changes in Significant Accounting Policies (Continued)

(c) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Group bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions. The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(i) Estimated useful life for telecommunications infrastructure and network equipment

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2015, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK\$9,481 million (2014: HK\$9,243 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2015 indicated that no impairment charge was necessary.

3 Changes in Significant Accounting Policies (Continued)

(c) Critical accounting estimates and judgements (Continued)

(iv) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contracts with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing the fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair values of the elements as a result of changes in market conditions.

Critical judgements in applying the Group's accounting policies

Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2015, the Group has recognised deferred tax assets of approximately HK\$128 million (2014: HK\$258 million).

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:

| | 2015 HK\$ millions | 2014 HK\$ millions |
|--|-----------------------|-----------------------|
| Mobile telecommunications services | 4,095 | 4,625 |
| Fixed-line telecommunications services | 3,579 | 3,685 |
| Telecommunications hardware | 14,368 | 7,986 |
| | <u>22,042</u> | <u>16,296</u> |

5 Segment Information

The Group is organised into two operating segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. 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), EBIT/(LBIT), total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

| | At and for the year ended 31 December 2015 | | | | |
|---|--|-----------------------------|-------------------------|------------------------------|------------------------|
| | Mobile HK\$ millions | Fixed-line HK\$ millions | Others HK\$ millions | Elimination HK\$ millions | Total HK\$ millions |
| Revenue - service | 4,106 | 3,973 | - | (405) | 7,674 |
| Revenue - hardware | 14,371 | - | - | (3) | 14,368 |
| | <u>18,477</u> | <u>3,973</u> | <u>-</u> | <u>(408)</u> | <u>22,042</u> |
| Operating costs | (16,840) | (2,699) | (123) | 408 | (19,254) |
| EBITDA/(LBITDA) | <u>1,637</u> | <u>1,274</u> | <u>(123)</u> | <u>-</u> | <u>2,788</u> |
| Depreciation and amortisation | (661) | (697) | - | - | (1,358) |
| EBIT/(LBIT) | <u>976</u> | <u>577</u> | <u>(123)</u> | <u>-</u> | <u>1,430</u> |
| Total assets before investments in joint ventures | 10,292 | 10,608 | 16,948 | (17,067) | 20,781 |
| Investments in joint ventures | 493 | - | - | - | 493 |
| Total assets | <u>10,785</u> | <u>10,608</u> | <u>16,948</u> | <u>(17,067)</u> | <u>21,274</u> |
| Total liabilities | <u>(11,203)</u> | <u>(7,080)</u> | <u>(4,096)</u> | <u>13,196</u> | <u>(9,183)</u> |
| Other information: | | | | | |
| Additions to property, plant and equipment | <u>574</u> | <u>485</u> | <u>-</u> | <u>-</u> | <u>1,059</u> |
| Additions to telecommunications licences | <u>3</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3</u> |

5 Segment Information (Continued)

| | At and for the year ended 31 December 2014 | | | | |
|---|--|-----------------------------|-------------------------|------------------------------|------------------------|
| | Mobile HK\$ millions | Fixed-line HK\$ millions | Others HK\$ millions | Elimination HK\$ millions | Total HK\$ millions |
| Revenue - service | 4,646 | 4,102 | - | (438) | 8,310 |
| Revenue - hardware | 7,986 | - | - | - | 7,986 |
| | <u>12,632</u> | <u>4,102</u> | <u>-</u> | <u>(438)</u> | <u>16,296</u> |
| Operating costs | (11,135) | (2,795) | (125) | 438 | (13,617) |
| EBITDA/(LBITDA) | <u>1,497</u> | <u>1,307</u> | <u>(125)</u> | <u>-</u> | <u>2,679</u> |
| Depreciation and amortisation | (620) | (701) | - | - | (1,321) |
| EBIT/(LBIT) | <u>877</u> | <u>606</u> | <u>(125)</u> | <u>-</u> | <u>1,358</u> |
| Total assets before investments in joint ventures | 9,531 | 10,762 | 16,939 | (17,049) | 20,183 |
| Investments in joint ventures | 515 | - | - | - | 515 |
| Total assets | <u>10,046</u> | <u>10,762</u> | <u>16,939</u> | <u>(17,049)</u> | <u>20,698</u> |
| Total liabilities | <u>(11,116)</u> | <u>(6,957)</u> | <u>(4,094)</u> | <u>13,178</u> | <u>(8,989)</u> |
| Other information: | | | | | |
| Additions to property, plant and equipment | <u>664</u> | <u>534</u> | <u>-</u> | <u>-</u> | <u>1,198</u> |
| Additions to telecommunications licences | <u>3</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3</u> |

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before net 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 net interest and other finance costs, taxation and share of results of joint ventures.

The total revenue from external customers in Hong Kong for the year ended 31 December 2015 amounted to approximately HK\$20,905 million (2014: HK\$15,588 million) and the total revenue from external customers in Macau for the year ended 31 December 2015 amounted to approximately HK\$1,137 million (2014: HK\$708 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2015 amounted to approximately HK\$17,147 million (2014: HK\$17,602 million) and the total of these non-current assets located in Macau as at 31 December 2015 amounted to approximately HK\$570 million (2014: HK\$445 million).

6 Interest and Other Finance Costs, Net

| | 2015 HK\$ millions | 2014 HK\$ millions |
|---|-----------------------|-----------------------|
| Interest income: | | |
| Interest income from joint ventures | 18 | 20 |
| Bank interest income | 1 | - |
| | <u>19</u> | <u>20</u> |
| | ----- | ----- |
| Interest and other finance costs: | | |
| Bank loans | (56) | (74) |
| Notional non-cash interest accretion ^(a) | (48) | (60) |
| Guarantee and other finance fees | (26) | (49) |
| | <u>(130)</u> | <u>(183)</u> |
| Less: Amounts capitalised on qualifying assets | 8 | 8 |
| | <u>(122)</u> | <u>(175)</u> |
| | ----- | ----- |
| Interest and other finance costs, net | <u><u>(103)</u></u> | <u><u>(155)</u></u> |

- (a) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the 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

| | 2015 | | |
|-------------------|--------------------------------------|---------------------------------------|------------------------|
| | Current taxation HK\$ millions | Deferred taxation HK\$ millions | Total HK\$ millions |
| Hong Kong | 1 | 203 | 204 |
| Outside Hong Kong | 8 | 4 | 12 |
| | <u>9</u> | <u>207</u> | <u>216</u> |
| | <u><u>9</u></u> | <u><u>207</u></u> | <u><u>216</u></u> |

| | 2014 | | |
|-------------------|--------------------------------------|---------------------------------------|------------------------|
| | Current taxation HK\$ millions | Deferred taxation HK\$ millions | Total HK\$ millions |
| Hong Kong | 1 | 188 | 189 |
| Outside Hong Kong | 15 | 1 | 16 |
| | <u>16</u> | <u>189</u> | <u>205</u> |
| | <u><u>16</u></u> | <u><u>189</u></u> | <u><u>205</u></u> |

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$915 million (2014: HK\$833 million) and on the weighted average number of 4,818,896,208 (2014: Same) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2015 is calculated by adjusting the weighted average number of 4,818,896,208 (2014: Same) ordinary shares in issue with the weighted average number of 138,462 (2014: 132,886) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

| | 2015 HK\$ millions | 2014 HK\$ millions |
|---|-----------------------|-----------------------|
| Interim, paid of 5.20 HK cents per share (2014: 4.25 HK cents per share) | 251 | 205 |
| Final, proposed of 9.00 HK cents per share (2014: 8.70 HK cents per share) | 433 | 419 |
| | <u>684</u> | <u>624</u> |
| | <u><u>684</u></u> | <u><u>624</u></u> |

10 Cash and Cash Equivalents

| | 2015 HK\$ millions | 2014 HK\$ millions |
|---------------------------|-----------------------|-----------------------|
| Cash at banks and in hand | 290 | 117 |
| Short-term bank deposits | 731 | 242 |
| | <u>1,021</u> | <u>359</u> |

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.25% per annum (2014: 0.01% to 0.02%). These deposits have an average maturity of 1 to 31 days (2014: 1 to 7 days).

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

11 Trade Receivables and Other Current Assets

| | 2015 HK\$ millions | 2014 HK\$ millions |
|--|-----------------------|-----------------------|
| Trade receivables | 1,661 | 1,756 |
| Less: Provision for doubtful debts | (110) | (155) |
| Trade receivables, net of provision ^(a) | <u>1,551</u> | <u>1,601</u> |
| Other receivables | 95 | 120 |
| Prepayments and deposits | 171 | 171 |
| | <u>1,817</u> | <u>1,892</u> |

(a) Trade receivables, net of provision

| | 2015 HK\$ millions | 2014 HK\$ millions |
|--|-----------------------|-----------------------|
| The ageing analysis of trade receivables, net of provision for doubtful debts is as follows: | | |
| 0 - 30 days | 1,039 | 958 |
| 31 - 60 days | 208 | 220 |
| 61 - 90 days | 115 | 105 |
| Over 90 days | 189 | 318 |
| | <u>1,551</u> | <u>1,601</u> |

The carrying values of trade receivables approximate their fair values. 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. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

12 Trade and Other Payables

| | 2015 HK\$ millions | 2014 HK\$ millions |
|---|-----------------------|-----------------------|
| Trade payables ^(a) | 1,041 | 714 |
| Other payables and accruals | 2,217 | 2,255 |
| Deferred revenue | 751 | 805 |
| Current portion of licence fees liabilities | 191 | 182 |
| | <u>4,200</u> | <u>3,956</u> |

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

(a) Trade payables

| | 2015 HK\$ millions | 2014 HK\$ millions |
|--|-----------------------|-----------------------|
| The ageing analysis of trade payables is as follows: | | |
| 0 - 30 days | 477 | 388 |
| 31 - 60 days | 137 | 48 |
| 61 - 90 days | 101 | 39 |
| Over 90 days | 326 | 239 |
| | <u>1,041</u> | <u>714</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 Directors, 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 31 December 2015, the Group recorded share capital of HK\$1,205 million and total equity of HK\$12,091 million.

The cash and cash equivalents of the Group amounted to HK\$1,021 million as at 31 December 2015 (2014: HK\$359 million), 76% of which were denominated in Hong Kong dollars, 14% in Macau Patacas, 4% in United States dollars with remaining in various other currencies. Correspondingly, the Group's carrying amount of bank borrowings amounted to HK\$3,962 million at 31 December 2015 (2014: HK\$3,952 million), which were denominated in Hong Kong dollars and repayable in November 2019.

At 31 December 2015, the consolidated net debt of the Group was HK\$2,941 million (2014: HK\$3,593 million). The Group's net debt to net total capital ratio at 31 December 2015 was 20% (2014: 23%).

Charges on Group Assets

As at 31 December 2015, same as prior year, 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 at 31 December 2015 amounted to HK\$1,000 million (2014: HK\$1,000 million).

Contingent Liabilities

At 31 December 2015, the Group provided performance and other guarantees of HK\$326 million (2014: HK\$520 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of the spectrum licence obligations.

Commitments

As at 31 December 2015, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK\$1,437 million (2014: HK\$1,568 million) and telecommunications licences of HK\$1,777 million (2014: Same).

As at 31 December 2015, the Group had total operating lease commitments for building and other assets amounting to HK\$575 million (2014: HK\$760 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 31 December 2015, the Group employed 2,355 (2014: 1,909) full-time staff members and the increase over 2014 was 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 in 2015. Staff costs during the year ended 31 December 2015, including directors' emoluments, totalled HK\$830 million (2014: HK\$734 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 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 Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 6 May 2016 to Wednesday, 11 May 2016, both days inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the 2016 Annual General Meeting.

In order to be eligible to attend and vote at the 2016 Annual General Meeting, 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 Thursday, 5 May 2016.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Tuesday, 17 May 2016.

In order to qualify for the entitlement to the proposed final dividend payable on Thursday, 26 May 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 Tuesday, 17 May 2016.

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

During the year ended 31 December 2015, 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 year.

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 year ended 31 December 2015 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 2015.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday, 11 May 2016. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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

Chairman and Non-executive Director:

Mr FOK Kin Ning, Canning
*(also Alternate to
Mrs CHOW WOO Mo Fong, Susan)*

Deputy Chairman and Non-executive Director:

Mr LUI Dennis Pok Man

Executive Director:

Mr WONG King Fai, Peter

Non-executive Directors:

Mrs CHOW WOO Mo Fong, Susan
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