



## HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED

和記電訊國際有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2332)

### Announcement

#### UNAUDITED KEY PERFORMANCE INDICATORS FOR THE SECOND QUARTER 2008

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##### HIGHLIGHTS

- Customer base increased 10.3% quarter-on-quarter to **11.1 million**
- 3G customer base quarter-on-quarter grew 8.3% to over **2 million**
- Sales momentum continued in Indonesia with 37.4% growth in the user base to 3.2 million

In the second quarter the Group's global like for like customer base increased 10.3% to 11.1 million. This reflects continued growth momentum particularly in Indonesia which increased 37.4% to approximately 3.2 million. The Group also saw continued growth in the 3G businesses; our Hong Kong and Israeli operations recorded net customer additions of 77,000 and 81,000, representing a quarterly increase of 6.7% and 10.8% respectively. At the end of the second quarter the Group has approximately 2.1 million 3G customers representing 18.6% of our total customer base.

During the quarter we revised the Minutes of Use ("MOU") definition to better align the Key Performance Indicators ("KPI") to revenue generating events. As a result of this review we have revised the definition to exclude inbound on-net minutes except in the case of Hong Kong and Macau. When a customer makes a call to another customer on our network (an "on-net" call) it generates both "outbound" minutes from the customer making the call and "inbound" minutes for the customer receiving the call. In all cases within our group except Hong Kong and Macau only the "outbound" call is a chargeable event. With the exception of the Hong Kong and Macau operations the "inbound on-net" MOU is not chargeable and as such it should be excluded from our KPI to avoid double counting.

As a result the monthly MOU is calculated as the total minutes carried over the network divided by the total customer base; MOU includes total airtime usage and 3G video usage. This encompasses customer originated on-net traffic; customer originated off-net traffic; customer terminated off-net traffic and roaming usage.

##### OPERATIONS REVIEW

###### Hong Kong and Macau

Our Hong Kong and Macau operations continued to register growth during the quarter with net additions of 80,000 customers, taking the blended customer base to nearly 2.6 million. Strong growth in the 3G segment once again accounted for the vast majority of net additions. The blended 3G customer base increased to more than 1.2 million at the end of the second quarter, representing a 6.7% increase quarter-on-quarter and now accounts for around 47% of the total customer base. Our 3G business in Macau has also reported significant customer growth since its launch of 3G services in Q4 last year.



We continued to focus on 3G market leadership with the launch of the iPhone 3G in Hong Kong in July. We were one of the first operators in Asia ex Japan to launch the iPhone 3G and so far have seen strong demand.

Blended MOU reported at 462 which remained flat as compared to 461 during last quarter.

The growth of the postpaid Average Revenue Per User ("ARPU") at HK\$210 was limited to a 1% increase compared to Q1 and down by 1.9% on a year-on-year basis. This reflects greater competition which led to a higher proportion of sales on lower value tariff plans. It also reflects a switch of competitive focus for postpaid 3G sales to SIM only offers. SIM only sales do not incur the handset subsidies that our typical customer acquisitions with handset usually incur; however such sales typically offer a service fee rebate as an incentive which has the effect of lowering the initial ARPU for these customers although this is offset by lower customer acquisition costs.

### **Indonesia**

During the quarter there continued to be aggressive tariff moves in the market which stimulated sales. Our Indonesian operations PT. Hutchison CP Telecommunications reported higher net customer activations of approximately 872,000 in the second quarter bringing the total user base to approximately 3.2 million. This represented a 37.4% increase quarter-on-quarter compared to a 14.3% increase in the previous quarter.

As discussed above we have revised our MOU definition to exclude inbound on-net minutes. This has a particularly noticeable effect on the MOU for Indonesia where we have a disproportionately higher level of on-net traffic. Using the new definition the average blended MOU was 82 minutes compared to 94 minutes last quarter on the same basis. MOU fell largely due to a reduction in on-net traffic as a result of our traffic rebalancing measures where we shortened the off-peak time period during which heavily discounted tariffs were being offered. Excluding promotional minutes, the outbound paid MOU was 60 minutes in the second quarter of 2008.

Recurring customer revenue was 9.1% higher in the second quarter compared to Q1 2008. However, the rapid rise in the customer base had a diluting effect on ARPU which fell 14.3% to IDR 12,000. It was also affected by the reduction in the interconnection rates. As a result we maintained high level of promotional activities during the second quarter in response to increased levels of tariff competition which had a dampening effect on our strategies to increase ARPU.

Average monthly churn was 15.6%, a 2% improvement compared with Q1 and is in line with the market.

We continue our planned nationwide network rollout having extended coverage as well as improving our penetration and indoor coverage in major cities. At the end of the second quarter we had more than 4,000 base stations and are on track to achieve the target of 6,000 base stations by the end of 2008.

## Israel

In the second quarter our Israeli operations Partner Communications Company Ltd. ("Partner Communications") reported a 1.2% increase in its customer base to 2,856,000 compared with the last quarter. The growth was once again mainly driven by strong growth in 3G customers. Partner Communications registered net 3G customer additions of 81,000, or a 10.8% increase quarter-on-quarter, taking Partner Communications' 3G customers to 834,000. The 3G base has grown rapidly and represents 39.1% of its total postpaid customer base.

Blended ARPU was 1.9% higher in the second quarter at NIS158 driven by higher MOU and higher non voice revenue. MOU in the second quarter increased by 11.2% compared to the same period last year.

Following the introduction of Mobile Number Portability at the end of 2007, which pushed the monthly churn in the first quarter of 2008 up to 1.7%, churn returned to a more normalised level of 1.3% per month for the second quarter compared to 1.2% in the same quarter last year.

## Sri Lanka

Following an internal review of our Sri Lankan operations, Hutchison Telecommunications Lanka (Private) Limited ("HTLL") has identified certain instances where SIM cards have been recorded in the customer base pending registration to an end customer contrary to the Group's policy. In addition, the Sri Lankan government has recently required mobile service operators to mandatorily enforce stricter requirements on the collection of personal identification details for new and existing customers from July 2008. Pursuant to these requirements new and existing customers are required to provide identity documents including copies of their National Identification Card and address.

As a result HTLL has tightened the policy for prepaid customers to ensure that sold prepaid cards are only included in the customer base after the customer has registered with HTLL the required personal details. This will result in a substantial downward revision in the reported customer base that will likely be applied in Q3 2008 once the impact can be fully quantified.

Accordingly, the Group believes the customer base to be overstated in the Q2 KPI and the ARPU and MOU for the same quarter to be understated. However, we continue to experience lower minutes of use per customer putting downward pressure on ARPU as difficult economic conditions began to have a more noticeable impact on the market.

It should be noted that while it is expected that our customer base will be reduced, there will be no impact on the operations, financial results and cashflow of HTLL.

## Thailand

In Thailand we have seen continuous growth in the customer base, particularly in the prepaid market, over the past 3 quarters with an average growth rate of 10%. For prepaid customer additions in Q2 which are usually impacted by weak seasonality, we still had a growth rate of 5.0%. At the end of the quarter our operations had more than 1.1 million users of which 62.6% were prepaid. However, towards the end of Q2 we started to see an adverse effect resulting from economic downturn and slow progress in resolving certain regulatory issues. These pose a challenging operating environment for the upcoming quarters and will severely hinder our growth potential.



ARPU continued to trend downwards with prepaid ARPU falling by 6.4% in the quarter to THB147, an effect of intensified market competition. Nevertheless, the sustained decline in prepaid ARPU has begun to slow down in 2008 compared to 2007.

Until this quarter we had sustained the postpaid ARPU through increasing MOUs. However a 4.2% decline in postpaid MOU was recorded during this seasonally weak quarter which brought the postpaid ARPU down by 3.0% to THB784 and 7.0% lower compared to the same quarter last year.

Postpaid churn increased to 2.9% compared to 2.7% in Q1. Q2 is seasonally a slower quarter with the Thai New Year in April.

**FOK Kin-ning, Canning**

*Chairman*

Hong Kong, 19 August 2008



**Disclaimer:****NON-GAAP MEASURES**

While non-GAAP (generally accepted accounting principles) measures such as EBITDA and LBITDA are often used by companies as an indicator of operating performance, they are not expressly permitted measures under International Financial Reporting Standards and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

**FORWARD-LOOKING STATEMENTS**

This announcement contains forward-looking statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks, uncertainties and assumptions. The Company cautions that if these risks or uncertainties ever materialise or the assumptions prove incorrect, or if a number of important factors occur or do not occur, the Company's actual results may differ materially from those expressed or implied in any forward-looking statement. Additional information as to factors that may cause actual results to differ materially from the Company's forward-looking statements can be found in the Company's filings with the United States Securities and Exchange Commission.



**Unaudited Key Performance Indicators for Second Quarter 2008**

Customer Base	Q2 2008 30 June 2008			Q1 2008 31 March 2008			Q4 2007 31 December 2007			Q3 2007 30 September 2007			Q2 2007 30 June 2007		
	Total ('000)	Postpaid ('000)	Prepaid ('000)	Total ('000)	Postpaid ('000)	Prepaid ('000)	Total ('000)	Postpaid ('000)	Prepaid ('000)	Total ('000)	Postpaid ('000)	Prepaid ('000)	Total ('000)	Postpaid ('000)	Prepaid ('000)
Hong Kong (Incl Macau)	2,595	1,720	875	2,515	1,698	817	2,427	1,671	756	2,290	1,629	661	2,239	1,590	649
Indonesia	3,203	7	3,196	2,331	4	2,327	2,039	3	2,036	1,627	2	1,625	-	-	-
Israel	2,856	2,135	721	2,823	2,108	715	2,860	2,068	792	2,796	2,004	792	2,733	1,952	781
Sri Lanka <sup>(6)</sup>	1,291	-	1,291	1,289	-	1,289	1,141	-	1,141	1,002	-	1,002	819	-	819
Thailand	1,117	418	699	1,071	405	666	978	372	606	884	346	538	796	317	479
<b>Total <sup>(6)</sup></b>	<b>11,062</b>			<b>10,029</b>			<b>9,445</b>			<b>8,599</b>			<b>6,587</b>		

<sup>(6)</sup> The customer base for Sri Lanka is expected to be revised downward substantially in Q3 2008; see discussion of Sri Lanka on page 3.

**Notes:**

- (1) A customer is defined as a Postpaid Customer or a Prepaid Customer who has a Subscriber Identity Module ("SIM") or Universal Subscriber Identity Module ("USIM") that has access to the network for any purpose, including voice, data or video services.
- (2) Postpaid Customers are defined as those whose mobile telecommunications service usage is paid in arrears upon receipt of the mobile telecommunications operator's invoice and who have not been temporarily or permanently suspended from service.
- (3) Prepaid Customers are defined as customers with prepaid SIM cards or prepaid USIM cards that have been activated but not been used up or expired at period end. A new prepaid customer is recognised upon making the first call or registration/activation.
- (4) All numbers quoted on the basis of the total customer base of the operation irrespective of the Company's ownership percentage.
- (5) All numbers quoted as at last day of the quarter.
- (6) The data for Hong Kong and Israel relate to both 2G and 3G services.
- (7) The data for Ghana and Vietnam are excluded.

ARPU <sup>1</sup>	Market	Currency	Q2 2008 30 June 2008			Q1 2008 31 March 2008			Q4 2007 31 December 2007			Q3 2007 30 September 2007			Q2 2007 30 June 2007		
			Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid
	Hong Kong (Incl Macau)	HKD	148	210	24	149	208	24	161	218	28	162	216	29	160	214	27
	Indonesia	IDR ('000)	12	108	12	14	120	14	15	114	15	-	-	-	-	-	-
	Israel	NIS	158			155			157			165			157		
	Sri Lanka	LKR	163	-	163	193	-	193	242	-	242	287	-	287	311	-	311
	Thailand	THB	386	784	147	405	808	157	417	813	165	434	815	183	463	843	200

**Notes:**

- (1) The monthly Average Revenue Per User ("ARPU") is calculated as the total Service Revenues for the month divided by the simple average number of activated customers for the month. The monthly ARPU for the quarter represents the average of the monthly ARPU in the quarter.
- (2) Service Revenues are defined as the direct recurring service revenues plus roaming revenues.
- (3) The data for Hong Kong and Israel relate to both 2G and 3G services.
- (4) The data for Ghana and Vietnam are excluded.

MOU <sup>1</sup>	Market	Q2 2008 30 June 2008			Q1 2008 31 March 2008			Q4 2007 31 December 2007			Q3 2007 30 September 2007			Q2 2007 30 June 2007		
		Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid
	Hong Kong (Incl Macau)	462	672	42	461	655	43	491	680	49	506	691	51	490	673	47
	Indonesia	82	117	82	94	104	94	83	59	83	-	-	-	-	-	-
	Israel	368			359			345			343			331		
	Sri Lanka	54	-	54	60	-	60	69	-	69	81	-	81	93	-	93
	Thailand	607	1,086	319	632	1,134	324	643	1,110	347	648	1,088	358	638	990	393

**Notes:**

- (1) The monthly Minutes of Use ("MOU") is calculated as the total minutes carried over the network (2G total airtime usage + 3G voice and video usage, but excluding inbound on-net minutes) for the month divided by the simple average number of activated customers for the month. The monthly MOU for the quarter represents the average of the monthly MOU in the quarter.
- (2) The data for Hong Kong and Israel relate to both 2G and 3G services.
- (3) The data for Ghana and Vietnam are excluded.

Churn <sup>1</sup>	Market	Q2 2008 30 June 2008			Q1 2008 31 March 2008			Q4 2007 31 December 2007			Q3 2007 30 September 2007			Q2 2007 30 June 2007		
		Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid	Blended	Postpaid	Prepaid
	Hong Kong (Incl Macau)	4.0%	1.8%	8.0%	3.5%	1.8%	6.7%	3.3%	1.8%	6.2%	3.9%	1.8%	8.2%	3.7%	1.7%	7.7%
	Indonesia	15.6%	7.9%	15.6%	17.6%	11.0%	17.6%	17.7%	16.3%	17.7%	-	-	-	-	-	-
	Israel	1.3%			1.7%			1.3%			1.1%			1.2%		
	Sri Lanka	3.8%	-	3.8%	2.9%	-	2.9%	2.4%	-	2.4%	2.2%	-	2.2%	2.8%	-	2.8%
	Thailand	6.0%	2.9%	7.8%	5.8%	2.7%	7.8%	5.2%	2.8%	6.8%	5.5%	3.4%	6.9%	6.5%	3.9%	8.2%

**Notes:**

- (1) The monthly churn % is calculated as the average number of disconnections (net of reconnection and internal migration between networks) for the month divided by the simple average number of activated customers for the month. The monthly churn % for the quarter represents the average of the monthly churn rates in the quarter.
- (2) The data for Hong Kong and Israel relate to both 2G and 3G services.
- (3) The data for Ghana and Vietnam are excluded.

The Board wishes to remind Investors that the above key performance indicators are based on the Group's unaudited internal records. Investors are cautioned not to unduly rely on such data.

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

**Executive Directors:**

Mr. LUI Dennis Pok Man

Mr. Tim PENNINGTON

Mr. CHAN Ting Yu

*(Also Alternate to Mr. Lui Dennis Pok Man)*

Mr. WONG King Fai, Peter

**Independent Non-executive Directors:**

Mr. KWAN Kai Cheong

Mr. John W. STANTON

Mr. Kevin WESTLEY

**Non-executive Directors:**

Mr. FOK Kin-ning, Canning *(Chairman)*

Mrs. CHOW WOO Mo Fong, Susan

*(Also Alternate to Mr. Fok Kin-ning, Canning  
and Mr. Frank John Sixt)*

Mr. Frank John SIXT

**Alternate Directors:**

Mr. WOO Chiu Man, Cliff

*(Alternate to Mr. Tim Pennington)*

Mr. MA Lai Chee, Gerald

*(Alternate to Mr. Wong King Fai, Peter)*

By Order of the Board

**Edith Shih**

*Company Secretary*

Hong Kong, 19 August 2008

