Notes to the Condensed Consolidated Interim Financial Report

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.

This unaudited condensed consolidated interim financial report (the "interim financial report") is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This interim financial report has been approved for issuance by the Board of Directors on 31 July 2013.

2 Basis of Preparation

This interim financial report for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2013, the current liabilities of the Group exceeded its current assets by approximately HK$1,910 million. Included in the current liabilities were non-refundable customer prepayments of HK$938 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$972 million. A revolving and term credit facility of HK$5,500 million from a group of international commercial banks is in place and is available to the Group until 14 June 2015. As at 30 June 2013, the undrawn facility amounted to HK$1,193 million which, together with the cash flows generated from operating activities, would be sufficient to enable the Group to meet its obligations as and when they fall due. Accordingly, this interim financial report has been prepared on a going concern basis.

3 Significant Accounting Policies

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised standards, amendments and interpretations issued by the International Accounting Standards Board that are relevant to the operations of the Group and mandatory for annual accounting periods beginning 1 January 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations does not have an impact on the accounting policies of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the notes to the interim financial report.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

3 Significant Accounting Policies (Continued)

IAS 19 (Revised 2011) Employee Benefits

IAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS 19 (Revised 2011) requires retrospective application. The adoption of IAS 19 (Revised 2011) had an impact on the net defined benefit obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of IAS 19 (Revised 2011) is explained below:

	Six months ended 30 June	
	2013 HK$ millions	2012 HK$ millions
Increase in staff costs	**(7)**	(6)
Decrease in profit attributable to shareholders of the Company	**(7)**	(6)
Decrease in earnings per share attributable to shareholders of the Company (expressed in HK cents per share):		
– basic	**(0.15)**	(0.13)
– diluted	**(0.15)**	(0.13)

	As at 1 January 2013 HK$ millions	As at 1 January 2012 HK$ millions
Increase in accumulated losses	**(87)**	(75)
Increase in pension reserve	**87**	75

4 Turnover

Turnover comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	Six months ended 30 June	
	2013 HK$ millions	2012 HK$ millions
Mobile telecommunications services	**2,637**	2,730
Fixed-line telecommunications services	**1,698**	1,491
Telecommunications hardware	**1,814**	2,509
	6,149	6,730

5 Segment Information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. Management of the Group measures the performance of its segments based on EBITDA/(LBITDA)[(a)] and EBIT/(LBIT)[(b)]. The segment information on turnover, EBITDA/(LBITDA) and EBIT/(LBIT) agreed to the aggregate information in this interim financial report. As such, no reconciliation between the segment information and the aggregate information in this interim financial report is presented.

	Six months ended 30 June 2013				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover – service	2,638	1,927	–	(230)	4,335
Turnover – hardware	1,814	–	–	–	1,814
	4,452	1,927	–	(230)	6,149
Operating costs	(3,511)	(1,334)	(63)	230	(4,678)
EBITDA/(LBITDA)	941	593	(63)	–	1,471
Depreciation and amortisation	(291)	(360)	–	–	(651)
EBIT/(LBIT)	650	233	(63)	–	820
Other information:					
Additions to property, plant and equipment	326	236	–	–	562
Additions to other intangible assets	2	–	–	–	2

	Six months ended 30 June 2012 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover – service	2,732	1,725	–	(236)	4,221
Turnover – hardware	2,509	–	–	–	2,509
	5,241	1,725	–	(236)	6,730
Operating costs	(4,255)	(1,215)	(56)	236	(5,290)
EBITDA/(LBITDA)	986	510	(56)	–	1,440
Depreciation and amortisation	(317)	(328)	–	–	(645)
EBIT/(LBIT)	669	182	(56)	–	795
Other information:					
Additions to property, plant and equipment	272	295	–	–	567
Additions to other intangible assets	151	–	–	–	151

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

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of joint ventures.

6 Interest and Other Finance Costs, Net

	Six months ended 30 June 2013 HK$ millions	2012 HK$ millions
Interest income:		
Interest income from joint ventures	10	5
Interest and other finance costs:		
Bank loans repayable within 5 years	(38)	(25)
Notional non-cash interest accretion [(a)]	(34)	(38)
Guarantee and other finance fees	(20)	(16)
	(92)	(79)
Less: Amounts capitalised on qualifying assets	5	2
	(87)	(77)
Interest and other finance costs, net	(77)	(72)

(a) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the condensed consolidated statement of financial position such as licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

7 Taxation

	Six months ended 30 June 2013 Current taxation HK$ millions	2013 Deferred taxation HK$ millions	2013 Total HK$ millions	2012 Current taxation HK$ millions	2012 Deferred taxation HK$ millions	2012 Total HK$ millions
Hong Kong	-	30	30	-	21	21
Outside Hong Kong	8	1	9	2	-	2
	8	31	39	2	21	23

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2012: 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$572 million (30 June 2012: HK$562 million) and on the weighted average number of 4,818,896,208 (30 June 2012: 4,818,241,922) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2013 is calculated by adjusting the weighted average number of 4,818,896,208 (30 June 2012: 4,818,241,922) ordinary shares in issue with the weighted average number of 148,187 (30 June 2012: 598,512) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June	
	2013	2012
Interim dividend (HK$ millions)	**301**	292
Interim dividend per share (HK cents)	**6.25**	6.05

In addition, final dividend in respect of year 2012 of 13.03 HK cents per share (30 June 2012: 10.70 HK cents per share in respect of year 2011) totalling HK$628 million (30 June 2012: HK$516 million) was approved and paid during the six months ended 30 June 2013.

10 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK$562 million (30 June 2012: HK$567 million). Property, plant and equipment with a net book value of HK$3 million (30 June 2012: HK$3 million) was disposed of during the period, resulting in a gain of HK$1 million (30 June 2012: an insignificant loss).

11 Other Non-current Assets

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Prepayments	**1,138**	1,093
Non-current deposits	**49**	51
	1,187	1,144

12 Cash and Cash Equivalents

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Cash at banks and in hand	101	87
Short-term bank deposits	148	95
	249	182

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

13 Trade Receivables and Other Current Assets

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Trade receivables	1,977	1,927
Less: Provision for doubtful debts	(221)	(202)
Trade receivables, net of provision [(a)]	1,756	1,725
Other receivables	142	104
Prepayments and deposits	187	211
	2,085	2,040

The carrying values of trade receivables and other receivables approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for carrier or corporate customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

(a) Trade receivables, net of provision

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0-30 days	1,060	1,133
31-60 days	273	245
61-90 days	153	97
Over 90 days	270	250
	1,756	1,725

14 Trade and Other Payables

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Trade payables [a]	809	870
Other payables and accruals	2,477	2,880
Deferred revenue	938	947
Current portion of licence fees liabilities	171	164
	4,395	4,861

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

(a) Trade payables

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
The ageing analysis of trade payables is as follows:		
0-30 days	319	404
31-60 days	251	76
61-90 days	58	67
Over 90 days	181	323
	809	870

15 Borrowings

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Unsecured bank loans		
Repayable between 1 and 2 years	4,307	-
Repayable between 2 and 5 years	-	3,746
	4,307	3,746

The carrying values of total borrowings of the Group as at 30 June 2013 and 31 December 2012 approximate to their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.2% (31 December 2012: 2.3%) per annum.

16 Other Non-current Liabilities

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Non-current licence fees liabilities	**686**	660
Pension obligations	**142**	133
Accrued expenses	**121**	120
	949	913

17 Share Capital

(a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (31 December 2012: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ millions
As at 1 January 2012	4,818,006,208	1,205
Issuance of shares arising from exercise of employee share options [(c)]	890,000	-
As at 31 December 2012, 1 January 2013 and 30 June 2013	**4,818,896,208**	**1,205**

17 Share Capital (Continued)

(c) Share options of the Company

The Company's share option scheme was approved on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to directors, non-executive directors or employees of the Group.

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	Weighted average exercise price per share HK$	Number of share options granted
As at 1 January 2012	1	1,090,000
Exercised	1	(890,000)
As at 31 December 2012, 1 January 2013 and 30 June 2013	**1**	**200,000**

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). No share option was exercised during the six months ended 30 June 2013 (31 December 2012: 890,000 ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1 each and the related weighted average share price at the date of exercise was HK$3.41 per share).

As at 30 June 2013, 200,000 (31 December 2012: 200,000) share options were exercisable.

18 Cash Generated from Operations

	Six months ended 30 June	
	2013 HK$ millions	(Restated) 2012 HK$ millions
Cash flows from operating activities		
Profit before taxation	739	721
Adjustments for:		
– Interest income (Note 6)	(10)	(5)
– Interest and other finance costs (Note 6)	87	77
– Depreciation and amortisation	651	645
– Gain on disposal of property, plant and equipment (Note 10)	(1)	–
– Share of results of joint ventures	4	2
Changes in working capital:		
– (Increase)/decrease in trade receivables and other assets	(132)	104
– Decrease/(increase) in inventories	29	(16)
– Decrease in trade and other payables	(429)	(100)
– Increase in net retirement benefits obligations	9	6
Cash generated from operations	947	1,434

19 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Performance guarantees	855	830
Financial guarantees	16	17
	871	847

20 Commitments

Outstanding commitments of the Group not provided for in this interim financial report are as follows:

(a) Capital commitments

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Property, plant and equipment		
Contracted but not provided for	**932**	1,003
Authorised but not contracted for	**274**	791
	1,206	1,794
Investments in joint ventures		
Authorised but not contracted for	**567**	257

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Buildings		**Other assets**	
	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions	**As at 30 June 2013 HK$ millions**	As at 31 December 2012 HK$ millions
Not later than one year	**331**	347	**180**	212
Later than one year but not later than five years	**125**	134	**134**	130
Later than five years	**-**	-	**8**	9
	456	481	**322**	351

(c) Telecommunications licence fees

A subsidiary of the Company has a unified carrier licence for the provision of telecommunications services in Hong Kong over various periods of time up to year 2021 (the "Licence") and variable licence fees are payable based on 5% of the network turnover or the Appropriate Fee (as defined in the Licence) in respect of the relevant year whichever is greater. The net present value of the Appropriate Fees has already been recorded as licence fee liabilities.