

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 was approved for issuance by the Board of Directors on 30 July 2014.

2 Basis of Preparation

This interim financial report for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2014, the current liabilities of the Group exceeded its current assets by approximately HK\$5,851 million. Included in the current liabilities were non-refundable customer prepayments of HK\$752 million, which will gradually reduce over the contract terms of relevant subscriptions through delivery of services, a term loan of HK\$400 million and a revolving and term loan of HK\$3,681 million which will expire on 8 January 2015 and 14 June 2015 respectively. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the refinancing of the revolving and term credit facility. Management is currently in discussion with various banks on refinancing proposals and is in the process of considering and evaluating these proposals in the best interests of its shareholders. Management expects to complete the refinancing arrangement before the expiry date of the existing revolving and term loan facility. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, this interim financial report has been prepared on a going concern basis.

3 Significant Accounting Policies

This interim financial report has been prepared under the historical cost convention. The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in 2013 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2014. The effect of the adoption of these new or revised standards, amendments and interpretations was not material to the results of operations or financial position of the Group.

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	
	2014 HK\$ millions	2013 HK\$ millions
Mobile telecommunications services	2,338	2,637
Fixed-line telecommunications services	1,799	1,698
Telecommunications hardware	2,090	1,814
	6,227	6,149

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 2014				
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	Total HK\$ millions
Turnover - service	2,348	2,013	-	(224)	4,137
Turnover - hardware	2,090	-	-	-	2,090
	4,438	2,013	-	(224)	6,227
Operating costs	(3,824)	(1,382)	(64)	224	(5,046)
EBITDA/(LBITDA)	614	631	(64)	-	1,181
Depreciation and amortisation	(306)	(348)	-	-	(654)
EBIT/(LBIT)	308	283	(64)	-	527
Other information:					
Additions to property, plant and equipment	220	200	-	-	420
Additions to telecommunications licences	2	-	-	-	2

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5 Segment Information (Continued)

	Six months ended 30 June 2013				Total HK\$ millions
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	
Turnover - service	2,638	1,927	-	(230)	4,335
Turnover - hardware	1,814	-	-	-	1,814
Operating costs	4,452 (3,511)	1,927 (1,334)	- (63)	(230) 230	6,149 (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 telecommunications licences	2	-	-	-	2

(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	
	2014 HK\$ millions	2013 HK\$ millions
Interest income:		
Interest income from joint ventures	11	10
Interest and other finance costs:		
Bank loans repayable within 5 years	(39)	(38)
Notional non-cash interest accretion ^(a)	(30)	(34)
Guarantee and other finance fees	(17)	(20)
	(86)	(92)
Less: Amounts capitalised on qualifying assets	4	5
	(82)	(87)
Interest and other finance costs, net	(71)	(77)

(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					
	2014			2013		
	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions
Hong Kong	-	72	72	-	30	30
Outside Hong Kong	9	1	10	8	1	9
	9	73	82	8	31	39

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2013: 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.

Deferred taxation has been provided at the relevant rates on timing differences.

8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$323 million (30 June 2013: HK\$572 million) and on the weighted average number of 4,818,896,208 (30 June 2013: Same) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2014 is calculated by adjusting the weighted average number of 4,818,896,208 (30 June 2013: Same) ordinary shares in issue with the weighted average number of 128,058 (30 June 2013: 148,187) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June	
	2014	2013
Interim dividend (HK\$ millions)	205	301
Interim dividend per share (HK cents)	4.25	6.25

In addition, final dividend in respect of year 2013 of 8.00 HK cents per share (30 June 2013: 13.03 HK cents per share in respect of year 2012) totalling HK\$386 million (30 June 2013: HK\$628 million) was approved and paid during the six months ended 30 June 2014.

10 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK\$420 million (30 June 2013: HK\$562 million). Property, plant and equipment with a net book value of HK\$1 million (30 June 2013: HK\$3 million) was disposed of during the period, resulting in a loss on disposal of HK\$1 million (30 June 2013: gain of HK\$1 million).

11 Other Non-current Assets

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Prepayments	1,010	1,057
Non-current deposits	58	53
	1,068	1,110

12 Cash and Cash Equivalents

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Cash at banks and in hand	116	115
Short-term bank deposits	171	94
	287	209

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

13 Trade Receivables and Other Current Assets

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Trade receivables	1,838	1,792
Less: Provision for doubtful debts	(190)	(165)
Trade receivables, net of provision ^(a)	1,648	1,627
Other receivables	103	117
Prepayments and deposits	199	137
	1,950	1,881

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.

13 Trade Receivables and Other Current Assets (Continued)

(a) Trade receivables, net of provision

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0-30 days	1,071	1,088
31-60 days	196	197
61-90 days	121	118
Over 90 days	260	224
	1,648	1,627

14 Trade and Other Payables

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Trade payables ^(a)	768	654
Other payables and accruals	2,392	2,279
Deferred revenue	752	875
Current portion of licence fees liabilities	181	173
	4,093	3,981

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

(a) Trade payables

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
The ageing analysis of trade payables is as follows:		
0-30 days	434	306
31-60 days	62	59
61-90 days	59	80
Over 90 days	213	209
	768	654

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15 Borrowings

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Unsecured bank loans		
Repayable within 1 year	4,081	-
Repayable between 1 and 2 years	-	4,571
	4,081	4,571

The carrying values of total borrowings of the Group as at 30 June 2014 and 31 December 2013 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.1% (31 December 2013: 2.2%) per annum.

16 Other Non-current Liabilities

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Non-current licence fees liabilities	558	538
Pension obligations	65	58
Accrued expenses	162	165
	785	761

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 2013: Same).

(b) Issued share capital of the Company

	Ordinary share of HK\$0.25 each	
	Number of shares	Issued and fully paid HK\$ millions
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	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
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	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 2014 (during the year ended 31 December 2013: Nil).

As at 30 June 2014, 200,000 (31 December 2013: Same) share options were exercisable.

18 Cash Generated from Operations

	Six months ended 30 June	
	2014 HK\$ millions	2013 HK\$ millions
Cash flows from operating activities		
Profit before taxation	444	739
Adjustments for:		
- Interest income (Note 6)	(11)	(10)
- Interest and other finance costs (Note 6)	82	87
- Depreciation and amortisation	654	651
- Loss/(gain) on disposal of property, plant and equipment (Note 10)	1	(1)
- Share of results of joint ventures	12	4
Changes in working capital:		
- Increase in trade receivables and other assets	(66)	(132)
- Decrease in inventories	63	29
- Increase/(decrease) in trade and other payables	156	(429)
- Increase in retirement benefits obligations	7	9
Cash generated from operations	1,342	947

19 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Performance guarantees	634	634
Financial guarantees	14	15
	648	649

20 Commitments

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

(a) Capital commitments

	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Property, plant and equipment		
Contracted but not provided for	709	820
Authorised but not contracted for	278	631
	987	1,451
Investments in joint ventures		
Authorised but not contracted for	97	175

(b) Operating lease commitments

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

	Buildings		Other assets	
	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions	30 June 2014 HK\$ millions	31 December 2013 HK\$ millions
Not later than one year	243	193	251	213
Later than one year but not later than five years	188	92	119	141
Later than five years	-	-	7	8
	431	285	377	362

20 Commitments (Continued)

(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.

21 Related Parties Transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the period are not significant to the Group.

No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).