Hutchison Telecom
Hong Kong Holdings

2019 Interim Report

Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 215)

A member of CK Hutchison Holdings

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Co-Deputy Chairmen and Non-executive Directors

LUI Dennis Pok Man, BSc

WOO Chiu Man, Cliff, BSc

Executive Director

KOO Sing Fai, BSc
Chief Executive Officer

Non-executive Directors

LAI Kai Ming, Dominic, BSc, MBA
(also Alternate to FOK Kin Ning, Canning and Edith SHIH)

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

MA Lai Chee, Gerald, BCom, MA
(Alternate to LAI Kai Ming, Dominic)

Independent Non-executive Directors

CHEONG Ying Chew, Henry, BSc, MSc
(also Alternate to WONG Yick Ming, Rosanna)

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*
LAN Hong Tsung, David
WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*
FOK Kin Ning, Canning
CHEONG Ying Chew, Henry

NOMINATION COMMITTEE

FOK Kin Ning, Canning *(Chairman)*
LUI Dennis Pok Man
WOO Chiu Man, Cliff
KOO Sing Fai
LAI Kai Ming, Dominic
Edith SHIH
CHEONG Ying Chew, Henry
LAN Hong Tsung, David
WONG Yick Ming, Rosanna

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

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Highlights

	Post-IFRS 16 Basis		
	1H 2019[1] HK$ million	1H 2018 HK$ million	Change
Service revenue	1,782	1,843	-3%
Service EBITDA	778	579	+34%
Service EBIT	151	173	-13%
Profit attributable to shareholders	188	198	-5%
Earnings per share (in HK cents)	3.90	4.11	-5%
Interim dividend per share (in HK cents)	2.93	3.10	-5%

	Pre-IFRS 16 Basis		
	1H 2019[1] HK$ million	1H 2018 HK$ million	Change
Service revenue	1,782	1,843	-3%
Service EBITDA	545	579	-6%
Service EBIT	142	173	-18%
Profit attributable to shareholders	187	198	-6%

Note 1: Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 are on an IFRS 16 basis ("Post-IFRS 16 basis"), whereas the statutory results for the corresponding six months ended 30 June 2018 are on an IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. To allow a like-for-like comparison with the prior period results, and to better reflect management's view on the Group's underlying operational performance, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the first six months of 2019. Please refer to Note 4 of the interim financial statements for further details of IFRS 16.

Chairman's Statement

Operations Review

Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") are pleased to report financial results for the first half of 2019. The mobile telecommunications market remains fiercely competitive, which impeded service revenue growth and eroded our service margins. Nevertheless, the Group continued to launch innovative local and roaming products and services, while deploying the latest information and online platform technologies to strengthen customer engagement and boost operational efficiency.

Service revenue decreased by 3% to HK$1,782 million for the first six months of 2019, mainly the result of pricing pressure on local data tariffs but partially offset by continuous improvement of roaming data revenue with an increase of 17%. Hardware revenue of HK$733 million was 66% lower than that of the same period in 2018, reflecting softer demand for new smartphones.

Service EBITDA (Pre-IFRS 16 basis) decreased by 6% and service margins remained under pressure, as intense market competition prevailed during the first half of 2019. Nevertheless, the ongoing efforts of the Group in stringent spending controls, improvements to operational efficiency and enhanced agility partially compensated for the decrease in service margins.

The impact of IFRS 16 on the EBIT and net profit of the Group was not significant. EBIT decreased by 18% to HK$160 million as a result of the aforementioned lower service and hardware margins, and profit attributable to shareholders decreased by 5% to HK$188 million for the first half of 2019.

As of 30 June 2019, the total number of customers in Hong Kong and Macau was approximately 3.3 million (31 December 2018: approximately 3.3 million). Postpaid customers accounted for 45% (31 December 2018: 46%) of the total customer base. The Group focused on retention programme, compared with the second half of 2018, postpaid churn improved to 1.1% (2H 2018: 1.4%) in an environment with keen competition. The blended postpaid gross ARPU decreased by 6% to HK$205 for the first half of 2019 (2H 2018: HK$217), mainly the result of intense market competition in tariff pricing, despite rapid growth in mobile data demand.

Dividend

The Board has declared payment of an interim dividend of 2.93 HK cents (30 June 2018: 3.10 HK cents) per share for the first half of 2019, payable on Friday, 6 September 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 28 August 2019, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects the total full-year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

Outlook

Competition in the mobile industry is expected to remain at a high level, along with increasing customer expectation and demand for sophistication. The Group is committed to offering an ever-improving customer experience by enhancing network capacity and ensuring smooth and reliable mobile connectivity. The Group will continue to collaborate with telecommunications operators of CKHH Group, as well as other partners, with the aim of creating new revenue streams, while enhancing procurement performance and product development.

The Group embarked on its digital transformation last year with initiatives being designed and executed to boost business efficiency and streamline processes. Emerging digital technologies are presenting the Group with opportunities to transform its operating model, improve the overall customer experience and reshape cost base. The Group will continue to prioritise digital transformation as an enabler in terms of deepening customer engagement, streamlining operations, generating better returns from infrastructure assets, optimising portfolio and sustaining long-term competitive edge.

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, 30 July 2019

Management Discussion and Analysis

Financial Summary

	1H 2019 HK$ million	1H 2018 HK$ million	Change
Revenue	2,515	4,021	-37%
- Net customer service revenue	1,782	1,843	-3%
• Local service revenue	1,424	1,494	-5%
• Roaming service revenue	358	349	+3%
- Data	246	211	+17%
- Non-data	112	138	-19%
- Hardware revenue	733	2,178	-66%
• Bundled sales revenue	213	339	-37%
• Standalone handset sales revenue	520	1,839	-72%
Net customer service margin	1,617	1,681	-4%
Net customer service margin %	*91%*	*91%*	-
Standalone handset sales margin	9	22	-59%
CACs (before net of handset revenue)	(308)	(412)	+25%
Less: Bundled sales revenue	213	339	-37%
CACs	(95)	(73)	-30%
Operating expenses and staff costs [2]	(779)	(1,065)	+27%
Operating expenses and staff costs as a % of net customer service margin	*48%*	*63%*	*+15% points*
Post-IFRS 16 basis			
EBITDA	787	601	+31%
Service EBITDA	778	579	+34%
Service EBITDA margin %	*44%*	*31%*	*+13% points*
Depreciation and amortisation	(603)	(381)	-58%
EBIT	160	195	-18%
Service EBIT	151	173	-13%

Note 2: Operating expenses and staff costs (Pre-IFRS 16 basis) for the first six months of 2019 was HK$1,012 million, representing 63% of net customer service margin.

Financial Summary (Continued)

	1H 2019 HK$ million	1H 2018 HK$ million	Change
Pre-IFRS 16 basis			
EBITDA	554	601	-8%
Service EBITDA	545	579	-6%
Service EBITDA margin %	*31%*	*31%*	-
Depreciation and amortisation	(379)	(381)	+1%
EBIT	151	195	-23%
Service EBIT	142	173	-18%
CAPEX (excluding spectrum licences)	(154)	(282)	+45%
EBITDA (Post-IFRS 16 basis) less CAPEX	633	319	+98%
EBITDA (Pre-IFRS 16 basis) less CAPEX	400	319	+25%

Review of Financial Results

Revenue for the first half of 2019 was HK$2,515 million, a 37% decrease compared with HK$4,021 million for the first half of 2018.

Service revenue was HK$1,782 million, a 3% decrease compared with the same period last year, while local service revenue decreased by 5%, mainly as a result of stiffening market competition in local data tariffs. Roaming service revenue, which accounted for 20% of the service revenue of the Group (1H 2018: 19%), continued to grow after introduction of innovative products and packages for frequent and leisure travellers. It increased by 3% to HK$358 million, the highest half-year amount since 2017, in particular, roaming data revenue increased by 17%.

Hardware revenue of HK$733 million was 66% lower than that of the same period in 2018, reflecting softer demand for new smartphones.

The Group continued to adhere to its strict cost discipline during the first six months of 2019, fostering a high-efficiency, low-key cost spending operational environment. Key cost items (Pre-IFRS 16 basis, total of CACs, staff costs and other operating expenses) decreased by 2% to HK$1,272 million for the first half of 2019.

EBITDA (Pre-IFRS 16 basis) and service EBITDA (Pre-IFRS 16 basis) decreased by 8% and 6% respectively. Service margins remained under pressure as intense market competition prevailed during the first half of 2019 which led to service revenue decline as mentioned above, partially compensated by lower key cost spending. Service EBITDA margin (Pre-IFRS 16 basis) remained stable at 31% (1H 2018: 31%).

Depreciation and amortisation was HK$603 million for the first half of 2019, compared with HK$381 million for the same period last year. Excluding additional amortisation charges of HK$224 million from recognition of right-of-use assets under IFRS 16, depreciation and amortisation was 1% lower, on a like-for-like basis.

The impact of IFRS 16 on the EBIT of the Group was not significant. EBIT for the first half of 2019 was HK$160 million, an 18% decrease compared with HK$195 million for the first half of 2018, as a result of the same factors noted above in respect of EBITDA.

Key Performance Indicators

	1H 2019	2H 2018	1H 2018	1H 2019 vs 2H 2018 Change
Number of postpaid customers ('000)	1,491	1,499	1,499	-1%
Number of prepaid customers ('000)	1,837	1,777	1,915	+3%
Total customers ('000)	3,328	3,276	3,414	+2%
Postpaid customers to the total customer base (%)	45%	46%	44%	-1% point
Postpaid customers' contribution to the net customer service revenue (%)	87%	90%	91%	-3% points
Monthly churn rate of postpaid customers (%)	1.1%	1.4%	1.2%	+0.3% point
Postpaid gross ARPU (HK$)	205	217	222	-6%
Postpaid net ARPU (HK$)	175	184	188	-5%
Postpaid net AMPU (HK$)	160	166	172	-4%

As of 30 June 2019, the total number of customers in Hong Kong and Macau was approximately 3.3 million (31 December 2018: approximately 3.3 million). Postpaid customers accounted for 45% (31 December 2018: 46%) of the total customer base. The Group focused on retention programme, compared with the second half of 2018, postpaid churn improved to 1.1% (2H 2018: 1.4%) in an environment with keen competition. The blended postpaid gross ARPU decreased by 6% to HK$205 for the first half of 2019 (2H 2018: HK$217), mainly the result of intense market competition in tariff pricing, despite rapid growth in mobile data demand.

Net Interest and Other Finance Income

Net interest and other finance income amounted to HK$92 million for the first half of 2019, compared with HK$79 million for the same period last year. This increase mainly aligned with a lift in HIBOR during the first half of 2019. The Group maintains a robust financial position with a net cash position of HK$5,353 million as of 30 June 2019 (31 December 2018: HK$9,555 million). The reduction in net cash balance was mainly due to the settlement of special interim dividend and final dividend of HK$4,009 million in total and the acquisition of non-controlling interests of key subsidiaries of the Group.

Acquisition of Non-Controlling Interests

On 31 May 2019, the Group completed the acquisition of non-controlling interests in its key subsidiaries for a consideration of US$60 million (approximately HK$471 million). After the transaction, the Group is able to gain full control of all its mobile subsidiaries and enhance operational efficiency from savings in communications to non-controlling shareholder.

Capital Expenditure

Capital expenditure on property, plant and equipment, which accounted for 9% (1H 2018: 15%) of the service revenue of the Group, amounted to HK$154 million (1H 2018: HK$282 million) for the first six months of 2019. This substantial decrease was mainly the result of stringent control of capital expenditure and rescheduling of projects to better match future benefits. The Group continues to scrutinise capital expenditure with care, while ensuring adequate resources are made available in accordance with operational and technological needs.

Summary of spectrum investment

as of 30 June 2019

Spectrum band	Bandwidth	Year of expiry
Hong Kong		
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2021#
1800 MHz	23.2 MHz	2021#
2100 MHz	29.6 MHz	2031
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028
Macau		
900 MHz	15.6 MHz	2023
1800 MHz	28.8 MHz	2023
2100 MHz	10 MHz	2023

** Shared under 50/50 joint venture - Genius Brand Limited*

 # After the spectrum auction and licence renewal in 2018, the licence period of the existing 16.6 MHz in the 900 MHz band has been extended from November 2020 to January 2021 to align with the new spectrum assignment period. Subsequently, the Group will hold 10 MHz in the 900 MHz band and 30 MHz in the 1800 MHz band from 2021 to 2036.

Group Capital Resources and Other Information

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Director, 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.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is mainly derived from operating income to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall cash position and determines when external source of finance is needed.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. 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 share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Cash

As at 30 June 2019, the Group recorded share capital of HK$1,205 million and total equity of HK$11,855 million.

As at 30 June 2019, the net cash of the Group was HK$5,353 million (31 December 2018: HK$9,555 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies. The reduction in net cash balance was mainly due to the settlement of special interim dividend and final dividend of HK$4,009 million in total and the acquisition of non-controlling interests of the mobile subsidiaries of the Group for US$60 million (approximately HK$471 million) in May 2019.

Charges on Group Assets

As at 30 June 2019 and 31 December 2018, 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

The Group has no committed borrowing facilities as at 30 June 2019 and 31 December 2018.

Contingent Liabilities

As at 30 June 2019, the Group provided performance and other guarantees of HK$4 million (31 December 2018: HK$5 million).

Commitments

As at 30 June 2019, the Group had total capital commitments of property, plant and equipment amounting to HK$363 million (31 December 2018: HK$396 million) and telecommunications licences of HK$2,040 million (31 December 2018: HK$2,040 million).

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years/periods up to year 2021. The licence fees for these spectrum bands were charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), 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 objectives of the Group.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this interim report 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 interim report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented 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 interim report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Human Resources

As at 30 June 2019, the Group employed 1,143 (31 December 2018: 1,180) full-time mobile staff members. During the six months ended 30 June 2019, the Group had on average 1,197 (1H 2018: 1,165) mobile staff members. Staff costs during the six months ended 30 June 2019, including directors' emoluments, totalled HK$194 million (1H 2018: HK$190 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.

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 through 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 Interim Financial Statements

The interim financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The independent review report of the auditor will be included in the Interim Report to shareholders. The interim financial statements of the Group for the six months ended 30 June 2019 has also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Wednesday, 28 August 2019. In order to qualify for the interim dividend payable on Friday, 6 September 2019, 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 pm on Wednesday, 28 August 2019.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the HTHKH Securities Code were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 (Note)	0.0249%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	0.1888%
Woo Chiu Man, Cliff	Beneficial owner	Personal interest	2,001,333	0.0415%
Koo Sing Fai	Interest of spouse	Family interest	20,000	0.0004%

Note:

Such shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

Mr Fok Kin Ning, Canning had, as at 30 June 2019, the following interests:

(i) corporate interests in 5,611,438 ordinary shares, representing approximately 0.14% of the issued voting shares, in CKHH;

(ii) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in Hutchison Telecommunications (Australia) Limited comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and

(iii) family interests in 267,400 [(1)] ordinary shares, representing approximately 0.04% of the issued voting shares, in Hutchison China MediTech Limited ("Chi-Med"), held by his spouse.

Mr Fok Kin Ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mr Woo Chiu Man, Cliff had, as at 30 June 2019, 8,892 ordinary shares, representing approximately 0.0002% of the issued voting shares, in CKHH, comprising personal interests in 3,420 ordinary shares held in his capacity as a beneficial owner and family interests in 5,472 ordinary shares held by his spouse.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 30 June 2019, personal interests in 34,200 ordinary shares, representing approximately 0.0008% of the issued voting shares, in CKHH.

Ms Edith Shih had, as at 30 June 2019, the following interests:

(i) 92,187 ordinary shares, representing approximately 0.0023% of the issued voting shares, in CKHH, comprising personal interests in 87,125 ordinary shares held in her capacity as a beneficial owner and family interests in 5,062 ordinary shares held by her spouse;

(ii) personal interests in 700,000 [(1)] ordinary shares and 100,000 American depositary shares ("ADS", each representing five [(2)] ordinary shares), in aggregate representing approximately 0.18% of the issued voting shares, in Chi-Med held in her capacity as a beneficial owner; and

(iii) personal interests in a nominal amount of US$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited held in her capacity as a beneficial owner.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 30 June 2019, personal interests in 13,680 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKHH.

Notes:

(1) Effective from 30 May 2019, each ordinary share of US$1.00 of Chi-Med was subdivided into 10 new ordinary shares of US$0.10 each (the "Subdivision"). Accordingly, the number of ordinary shares held increased by a multiple of 10.

(2) Concurrent with the Subdivision, the ADS conversion ratio of Chi-Med changed to one ADS representing five new ordinary shares.

Save as disclosed above, as at 30 June 2019, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the HTHKH Securities Code, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and Chief Executive of the Company are aware, as at 30 June 2019, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Hutchison Telecommunications Holdings Limited ("HTHL")	Beneficial owner	512,961,149 (1)	512,961,149	10.64%
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Beneficial owner Interest of a controlled corporation	2,619,929,104 (1) 512,961,149 (1)	3,132,890,253	65.00%
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,132,890,253 (1)	3,132,890,253	65.00%
CKHH	Interest of controlled corporations	3,184,982,840 (1)(2)	3,184,982,840	66.09%

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	153,280 (3)		
	Interest of controlled corporations	403,979,499 (4)(5)(6)	404,132,779	8.38%
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	153,280 (3)		
	Interest of controlled corporations	353,292,749 (4)(5)(7)		
	Interest of child	192,000 (8)	353,638,029	7.33%
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 (5)	350,527,953	7.27%

Notes:

(1) *HTHL is a direct wholly-owned subsidiary of HTIHL, and its interests in the share capital of the Company are duplicated in the interests of HTIHL. HTIHL in turn is a direct subsidiary of CKHGI, which in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and CKHGI were deemed to be interested in the 2,619,929,104 shares of the Company held by HTIHL and the 512,961,149 shares of the Company held by HTHL.*

(2) *Certain wholly-owned subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") hold 52,092,587 shares of the Company. Cheung Kong (Holdings) is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and Cheung Kong (Holdings) were deemed to be interested in the 52,092,587 shares of the Company held by certain wholly-owned subsidiaries of Cheung Kong (Holdings).*

(3) *Mr Li Ka-shing is the settlor of each of two discretionary trusts ("DT3"and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 shares of the Company.*

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid. Each of the trustee of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any shares of the Company comprising the trust assets of UT3.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO, and by virtue of the above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the 153,280 shares of the Company held by TUT3 as trustee of UT3 under the SFO as substantial shareholders of the Company.

(4) Among those shares, 245,546 shares are held by Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.

(5) Among those shares, 350,527,953 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(6) Among those shares, 53,206,000 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(7) Among those shares, 2,519,250 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(8) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 30 June 2019, there was no other person (other than the Directors and Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

On 6 April 2009, the Company conditionally adopted a share option scheme (the "Share Option Scheme") for the grant of options to acquire ordinary shares in the share capital of the Company. The Share Option Scheme was valid and effective during the period from 21 May 2009 to 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. After 20 May 2019, no further share options could be granted under the Share Option Scheme.

Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the financial period for the six months ended 30 June 2019 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during such period were as follows:

Category of participants	Date of grant of share options(1)	Number of share options held as at 1 January 2019	Granted during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	Lapsed/ cancelled during the six months ended 30 June 2019	Number of share options held as at 30 June 2019	Exercise period of share options	Exercise price of share options(2) HK$	Price of share of the Company prior to the grant date of share options(3) HK$	Price of share of the Company prior to the exercise date of share options(4) HK$
Employees in aggregate	1.6.2009	200,000	-	(200,000)	-	-	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	3.32
Total		200,000	-	(200,000)	-	-				

Notes:

(1) The share options were vested in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010 respectively, so long as the grantee remained an Eligible Participant (as defined in the Share Option Scheme) on each vesting date.

(2) The exercise price of the share options was subject to adjustment in accordance with the provisions of the Share Option Scheme.

(3) The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.

(4) The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the exercise of the share options.

As at 30 June 2019, there were no share options outstanding under the Share Option Scheme.

Corporate Governance

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 an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality Board, effective risk management and internal controls systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

Compliance with the Corporate Governance Code

The Company has complied throughout the six months ended 30 June 2019 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, other than those in respect of the composition of the nomination committee. The Company established a Nomination Committee on 1 January 2019 which comprises all Directors and is chaired by the Chairman of the Board. Its composition deviates from code provision A.5.1 which requires the nomination committee to comprise a majority of independent non-executive directors. The Board is of the view that the ultimate responsibility for the selection, nomination and appointment of Directors rests with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate. A sub-committee, chaired by the Chairman of the Board and comprising members in compliance with the code provision requirement under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the conduct of the selection and nomination process, and will be dissolved after the purpose for which it is established is achieved or discontinued.

Compliance with the Model Code for Securities Transactions by Directors of the Company

The Board has adopted its own 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 their tenure during the six months ended 30 June 2019.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors, as notified to the Company, subsequent to the date of the 2018 Annual Report are set out below:

Directors	Details of changes
Edith Shih	Appointed as a member of Nomination Committee of Hutchison China MediTech Limited [(1)] on 15 April 2019
Lan Hong Tsung, David	Appointed as: – a director of International Probono Legal Services Association Limited on 13 February 2019 – a consultant to the board of directors of SJM Holdings Limited [(2)] on 11 June 2019 Retired from: – independent non-executive director of SJM Holdings Limited on 11 June 2019 – senior advisor of Mitsui & Company (Hong Kong) Limited on 31 March 2019 – president of The International Institute of Management Limited on 30 June 2019
Wong Yick Ming, Rosanna	Appointed as: – chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority on 1 March 2019 – chairman of Asia International School Limited on 1 June 2019 Ceased to act as: – chairman of the Advisory Board of the California Center Early Learning School, Shanghai on 28 May 2019 – member of The Hong Kong University of Science and Technology Business School Advisory Council on 31 May 2019

Notes:

(1) A company whose shares are traded on the AIM market of the London Stock Exchange and in the form of American depositary shares on the Nasdaq Global Select Market.

(2) A company whose shares are listed on the Main Board of the Stock Exchange.

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors of
Hutchison Telecommunications Hong Kong Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements set out on pages 22 to 42, which comprises the condensed consolidated statement of financial position of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 July 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	Unaudited 2019 HK$ million	Unaudited 2018 HK$ million
Revenue	5	2,515	4,021
Cost of inventories sold		(724)	(2,156)
Staff costs		(194)	(190)
Expensed customer acquisition and retention costs		(95)	(73)
Depreciation and amortisation		(603)	(381)
Other operating expenses		(750)	(1,037)
		149	184
Interest and other finance income	7	109	89
Interest and other finance costs	7	(17)	(10)
Share of result of a joint venture		(2)	(2)
Profit before taxation		239	261
Taxation	8	(43)	(42)
Profit and total comprehensive income for the period, net of tax		196	219
Attributable to:			
Shareholders of the Company		188	198
Non-controlling interests		8	21
		196	219
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
– basic	9	3.90	4.11
– diluted	9	3.90	4.11

Details of interim dividend payable to shareholders of the Company are set out in Note 10. The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Note	Unaudited 30 June 2019 HK$ million	Audited 31 December 2018 HK$ million
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,159	2,194
Goodwill		2,155	2,155
Telecommunications licences		2,166	2,289
Right-of-use assets		479	–
Customer acquisition and retention costs		125	132
Contract assets		158	130
Other non-current assets	12	224	300
Deferred tax assets		227	258
Investment in a joint venture		367	396
Total non-current assets		8,060	7,854
Current assets			
Cash and cash equivalents	13	5,353	9,555
Trade receivables and other current assets	14	566	546
Contract assets		252	276
Inventories		70	107
Total current assets		6,241	10,484
Current liabilities			
Trade and other payables	15	1,529	1,755
Contract liabilities		124	132
Lease liabilities		334	–
Current income tax liabilities		27	16
Total current liabilities		2,014	1,903
Non-current liabilities			
Lease liabilities		140	–
Other non-current liabilities	16	292	288
Total non-current liabilities		432	288
Net assets		11,855	16,147
CAPITAL AND RESERVES			
Share capital	17	1,205	1,205
Reserves		10,650	14,771
Total shareholders' funds		11,855	15,976
Non-controlling interests		-	171
Total equity		11,855	16,147

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019

	Unaudited								
	Attributable to shareholders of the Company								
	Share capital HK$ million	Share premium HK$ million	Retained earnings/ (accumulated losses) HK$ million	Cumulative translation adjustments HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 31 December 2018, previously reported	1,205	11,185	3,442	-	140	4	15,976	171	16,147
Changes in accounting policies (Note 4(b))	-	-	(7)	-	-	-	(7)	(1)	(8)
At 1 January 2019	1,205	11,185	3,435	-	140	4	15,969	170	16,139
Profit for the period	-	-	188	-	-	-	188	8	196
Dividends relating to 2018 paid in 2019 (Note 10)	-	-	(4,009)	-	-	-	(4,009)	-	(4,009)
Acquisition of non-controlling interests [(i)]	-	-	-	-	-	(293)	(293)	(178)	(471)
At 30 June 2019	1,205	11,185	(386)	-	140	(289)	11,855	-	11,855
At 1 January 2018	1,205	11,185	3,406	2	138	4	15,940	142	16,082
Profit for the period	-	-	198	-	-	-	198	21	219
Dividend relating to 2017 paid in 2018 (Note 10)	-	-	(219)	-	-	-	(219)	-	(219)
At 30 June 2018	1,205	11,185	3,385	2	138	4	15,919	163	16,082

(i) On 31 May 2019, the Group effectively acquired the entire 24.1% interests in each of Hutchison Telephone Company Limited ("HTCL"), which indirectly holds 100% interests in Hutchison Telephone (Macau) Company Limited ("HTMCL"), and Hutchison 3G HK Holdings Limited ("H3GHK") from NTT DOCOMO, Inc., a subsidiary of Nippon Telegraph and Telephone Corporation, at a consideration of US$60 million (approximately HK$471 million). Consequently, HTCL, HTMCL and H3GHK became wholly-owned subsidiaries of the Group. The difference of HK$293 million between the proportionate share of the carrying amount of net assets of these subsidiaries and the consideration paid for the additional interests have been debited to other reserves of the Group.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Unaudited 2019 HK$ million	Unaudited 2018 HK$ million
Cash flows from operating activities			
Cash generated from operations	18	564	147
Interest and other finance costs paid		(13)	(4)
Net cash from operating activities		551	143
Cash flows from investing activities			
Purchases of property, plant and equipment		(154)	(282)
Proceeds from disposals of property, plant and equipment		1	-
Interest received		132	74
Loan to a joint venture		(26)	(42)
Net cash used in investing activities		(47)	(250)
Cash flows from financing activities			
Acquisition of non-controlling interests		(471)	-
Principal elements of lease payments		(226)	-
Dividends paid to the shareholders of the Company	10	(4,009)	(219)
Repayment of borrowings		-	(3,900)
Net cash used in financing activities		(4,706)	(4,119)
Decrease in cash and cash equivalents		(4,202)	(4,226)
Cash and cash equivalents at 1 January		9,555	13,717
Cash and cash equivalents at 30 June		5,353	9,491

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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. Its registered office address is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company and its subsidiaries (together the "Group") is engaged in mobile telecommunications business in Hong Kong and Macau.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements (the "interim financial statements") are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These interim financial statements were approved for issuance by the Board of Directors on 30 July 2019.

2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim financial statements have been prepared under the historical cost convention and on a going concern basis.

3 Significant Accounting Policies

The accounting policies applied and methods of computation used in the preparation of these interim financial statements are consistent with those used in 2018 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 2019. Save as disclosed in Note 4, the adoption of other new or revised standards, amendments and interpretations does not have a material impact to the Group's results of operations or financial position.

4 Changes in Accounting Policies

This note discloses the new accounting policies of IFRS 16 *Leases* that have been applied from 1 January 2019 and explains the impact of the adoption on the Group's interim financial statements.

(a) IFRS 16 *Leases*

The Group has adopted IFRS 16 from 1 January 2019 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 16, the Group has adopted the modified retrospective approach for transition to the new lease standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 16, i.e. 1 January 2019; and (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

Accounting policies

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

The Group leases various network sites, retail stores and offices. Rental contracts are typically made for fixed periods of two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Before the adoption of IFRS 16, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the condensed consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

From 1 January 2019, leases are recognised as right-of-use assets and the corresponding lease liabilities at the dates at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

4 Changes in Accounting Policies (Continued)

(a) IFRS 16 *Leases* (Continued)

Accounting policies (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate, being the rate that the lease would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar term and condition.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- payments associated with short-term leases for all classes of underlying assets are recognised on a straight-line basis over the lease terms as expenses in the condensed consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

4 Changes in Accounting Policies (Continued)

(b) Impact of adoption to the interim financial statements

The following tables illustrate the amounts by each financial statements line item affected in current period by the application of IFRS 16 as compared to IAS 17 and IFRIC 4 that were previously in effect before the adoption of IFRS 16:

Condensed Consolidated Statement of Comprehensive Income	Six months ended 30 June 2019 Reported under current accounting policies HK$ million	Effect of IFRS 16 HK$ million	Balance without the adoption of IFRS 16 HK$ million
Revenue	2,515	-	2,515
Cost of inventories sold	(724)	-	(724)
Staff costs	(194)	-	(194)
Expensed customer acquisition and retention costs	(95)	-	(95)
Depreciation and amortisation	(603)	224	(379)
Other operating expenses	(750)	(233)	(983)
	149	(9)	140
Interest and other finance income	109	-	109
Interest and other finance costs	(17)	8	(9)
Share of result of a joint venture	(2)	-	(2)
Profit before taxation	239	(1)	238
Taxation	(43)	-	(43)
Profit and total comprehensive income for the period, net of tax	196	(1)	195
Attributable to:			
Shareholders of the Company	188	(1)	187
Non-controlling interests	8	-	8
	196	(1)	195

4 Changes in Accounting Policies (Continued)

(b) Impact of adoption to the interim financial statements (Continued)

Condensed Consolidated Statement of Financial Position	At 30 June 2019 Reported under current accounting policies HK$ million	Effect of IFRS 16 HK$ million	Balance without the adoption of IFRS 16 HK$ million
ASSETS			
Non-current assets			
Property, plant and equipment	2,159	12	2,171
Goodwill	2,155	-	2,155
Telecommunications licences	2,166	-	2,166
Right-of-use assets	479	(479)	-
Customer acquisition and retention costs	125	-	125
Contract assets	158	-	158
Other non-current assets	224	-	224
Deferred tax assets	227	(1)	226
Investment in a joint venture	367	-	367
Total non-current assets	8,060	(468)	7,592
Current assets			
Cash and cash equivalents	5,353	-	5,353
Trade receivables and other current assets	566	1	567
Contract assets	252	-	252
Inventories	70	-	70
Total current assets	6,241	1	6,242
Current liabilities			
Trade and other payables	1,529	-	1,529
Contract liabilities	124	-	124
Lease liabilities	334	(334)	-
Current income tax liabilities	27	-	27
Total current liabilities	2,014	(334)	1,680
Non-current liabilities			
Lease liabilities	140	(140)	-
Other non-current liabilities	292	-	292
Total non-current liabilities	432	(140)	292
Net assets	11,855	7	11,862
CAPITAL AND RESERVES			
Share capital	1,205	-	1,205
Reserves	10,650	7	10,657
Total equity	11,855	7	11,862

4 Changes in Accounting Policies (Continued)

(b) Impact of adoption to the interim financial statements (Continued)

	Six months ended 30 June 2019		
Condensed Consolidated Statement of Cash Flows	Reported under current accounting policies HK$ million	Effect of IFRS 16 HK$ million	Balance without the adoption of IFRS 16 HK$ million
Net cash from operating activities	551	(226)	325
Net cash used in investing activities	(47)	-	(47)
Net cash used in financing activities	(4,706)	226	(4,480)
Net decrease in cash and cash equivalents	(4,202)	-	(4,202)

4 Changes in Accounting Policies (Continued)

(b) Impact of adoption to the interim financial statements (Continued)

Condensed Consolidated Statement of Financial Position	31 December 2018 As previously reported HK$ million	Effect of IFRS 16 HK$ million	1 January 2019 As restated HK$ million
ASSETS			
Non-current assets			
Property, plant and equipment	2,194	(16)	2,178
Goodwill	2,155	-	2,155
Telecommunications licences	2,289	-	2,289
Right-of-use assets	-	621	621
Customer acquisition and retention costs	132	-	132
Contract assets	130	-	130
Other non-current assets	300	-	300
Deferred tax assets	258	1	259
Investment in a joint venture	396	-	396
Total non-current assets	7,854	606	8,460
Current assets			
Cash and cash equivalents	9,555	-	9,555
Trade receivables and other current assets	546	-	546
Contract assets	276	-	276
Inventories	107	-	107
Total current assets	10,484	-	10,484
Current liabilities			
Trade and other payables	1,755	-	1,755
Contract liabilities	132	-	132
Lease liabilities	-	398	398
Current income tax liabilities	16	-	16
Total current liabilities	1,903	398	2,301
Non-current liabilities			
Lease liabilities	-	216	216
Other non-current liabilities	288	-	288
Total non-current liabilities	288	216	504
Net assets	16,147	(8)	16,139
CAPITAL AND RESERVES			
Share capital	1,205	-	1,205
Reserves	14,771	(7)	14,764
Total shareholders' funds	15,976	(7)	15,969
Non-controlling interests	171	(1)	170
Total equity	16,147	(8)	16,139

4 Changes in Accounting Policies (Continued)

(b) Impact of adoption to the interim financial statements (Continued)

Difference between operating lease commitments disclosed under IAS 17 and lease liabilities recognised under IFRS 16

The operating lease commitments disclosed as at 31 December 2018 were HK$265 million, while the lease liabilities recognised as at 1 January 2019 were HK$614 million, of which HK$398 million were current lease liabilities and HK$216 million were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate and the total lease liabilities recognised in the condensed consolidated statement of financial position at the date of initial application of IFRS 16 comprised the exclusion of non-lease components and short-term leases recognised on a straight-line basis as expenses, and different treatments on lease contracts in relation to termination options or under renewal process. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.0%.

5 Revenue

Revenue comprises revenues from provision of mobile telecommunications and other related service as well as sales of telecommunications hardware. An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Mobile telecommunications and other related service	**1,782**	1,843
Telecommunications hardware	**733**	2,178
	2,515	4,021

(a) Disaggregation of revenue

The Group derives revenue from the provision of services and delivery of goods by timing of satisfaction of performance obligations as follows:

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Timing of revenue recognition:		
Over time	**1,782**	1,843
At a point in time	**733**	2,178
	2,515	4,021

6 Segment Information

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has identified only one reporting segment, i.e. mobile telecommunications business.

7 Interest and Other Finance Income, Net

	Six months ended 30 June	
	2019 HK$ million	2018 HK$ million
Interest and other finance income:		
Bank interest income	**99**	79
Interest income from a joint venture	**10**	10
	109	89
Interest and other finance costs:		
Bank loans	**-**	(1)
Notional non-cash interest accretion [(i)]	**(12)**	(6)
Guarantee and other finance fees	**(5)**	(3)
	(17)	(10)
Interest and other finance income, net	**92**	79

(i) 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 lease liabilities, 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.

8 Taxation

	Six months ended 30 June					
	2019			2018		
	Current taxation HK$ million	**Deferred taxation HK$ million**	**Total HK$ million**	Current taxation HK$ million	Deferred taxation HK$ million	Total HK$ million
Hong Kong	**11**	**32**	**43**	3	39	42
Outside Hong Kong	**-**	**-**	**-**	1	(1)	-
	11	**32**	**43**	4	38	42

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2018: 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.

9 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$188 million (30 June 2018: HK$198 million) and on the weighted average number of 4,818,969,136 (30 June 2018: 4,818,896,208) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2019 is calculated by adjusting the weighted average number of 4,818,969,136 (30 June 2018: 4,818,896,208) ordinary shares in issue with the weighted average number of 87,081 (30 June 2018: 131,973) ordinary shares deemed to be issued assuming the exercise of the share options.

10 Dividend

	Six months ended 30 June	
	2019	2018
Interim dividend (HK$ million)	**141**	149
Interim dividend per share (HK cents)	**2.93**	3.10

In addition, special interim dividend in respect of year 2018 of 80.00 HK cents per share totalling HK$3,855 million (30 June 2018: Nil) and final dividend in respect of year 2018 of 3.20 HK cents per share (30 June 2018: 4.55 HK cents per share) totalling HK$154 million (30 June 2018: HK$219 million) were approved and paid during the six months ended 30 June 2019.

11 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK$154 million (30 June 2018: HK$282 million). Property, plant and equipment with a net book value of HK$0.8 million (30 June 2018: HK$0.1 million) was disposed of during the period, resulting in an insignificant loss (30 June 2018: insignificant gain).

12 Other Non-Current Assets

	30 June 2019 HK$ million	31 December 2018 HK$ million
Prepayments	**186**	255
Non-current deposits	**31**	36
Pension assets	**7**	9
	224	300

13 Cash and Cash Equivalents

	30 June 2019 HK$ million	31 December 2018 HK$ million
Cash at banks and in hand	253	262
Short-term bank deposits	5,100	9,293
	5,353	9,555

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

14 Trade Receivables and Other Current Assets

	30 June 2019 HK$ million	31 December 2018 HK$ million
Trade receivables	328	299
Less: Loss allowance provision	(49)	(41)
Trade receivables, net of provision [(a)]	279	258
Other receivables	101	175
Prepayments and deposits	186	113
	566	546

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 corporate or carrier 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

	30 June 2019 HK$ million	31 December 2018 HK$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 – 30 days	145	150
31 – 60 days	48	44
61 – 90 days	23	18
Over 90 days	63	46
	279	258

15 Trade and Other Payables

	30 June 2019 HK$ million	31 December 2018 HK$ million
Trade payables [(a)]	**321**	314
Other payables and accruals	**1,028**	1,250
Deferred revenue	**123**	135
Current portion of licence fees liabilities	**57**	56
	1,529	1,755

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

(a) Trade payables

	30 June 2019 HK$ million	31 December 2018 HK$ million
The ageing analysis of trade payables is as follows:		
0 – 30 days	**213**	244
31 – 60 days	**43**	6
61 – 90 days	**7**	4
Over 90 days	**58**	60
	321	314

16 Other Non-Current Liabilities

	30 June 2019 HK$ million	31 December 2018 HK$ million
Non-current licence fees liabilities	**89**	84
Accrued expenses	**203**	204
	292	288

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 2018: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ million
At 1 January 2018, 31 December 2018 and 1 January 2019	4,818,896,208	1,205
Issuance of shares arising from exercise of employee share options [(c)]	200,000	-
At 30 June 2019	4,819,096,208	1,205

(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 were as follows:

	Weighted average exercise price per share HK$	Number of share options granted
At 1 January 2018, 31 December 2018 and 1 January 2019	1.00	200,000
Exercised	1.00	(200,000)
At 30 June 2019		-

17 Share Capital (Continued)

(c) Share options of the Company (Continued)

The exercise price of the share options granted was equal to the market price of the shares on the date of grant. The share options were exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options were 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). Share options exercised during the six months ended 30 June 2019 resulted in 200,000 (31 December 2018: Nil) ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1.00 each. The related weighted average share price at the date of exercise was HK$3.30 per share.

As at 30 June 2019, no share options were outstanding (31 December 2018: 200,000 exercisable share options).

18 Cash Generated from Operations

	Six months ended 30 June	
	2019 **HK$ million**	2018 HK$ million
Cash flows from operating activities		
Profit before taxation	**239**	261
Adjustments for:		
– Interest and other finance income	**(109)**	(89)
– Interest and other finance costs	**17**	10
– Depreciation and amortisation	**603**	381
– Capitalisation of customer acquisition and retention costs	**(69)**	(80)
– Share of result of a joint venture	**2**	2
Changes in working capital		
– Decrease/(increase) in trade receivables and other assets	**17**	(29)
– Decrease in inventories	**37**	21
– Decrease in trade and other payables	**(175)**	(335)
– Changes in retirement benefits	**2**	5
Cash generated from operations	**564**	147

19 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	30 June 2019 HK$ million	31 December 2018 HK$ million
Performance guarantees	4	4
Others	-	1
	4	5

20 Commitments

Outstanding commitments of the Group not provided for in these interim financial statements are as follows:

(a) Capital commitments

The Group had capital commitments contracted but not provided for as follows:

	30 June 2019 HK$ million	31 December 2018 HK$ million
Property, plant and equipment	363	396
Telecommunications licences	2,040	2,040
	2,403	2,436

In 2018, HTCL, a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 20 MHz spectrum at the 1800 MHz band, and bid a block of 10 MHz spectrum at the 900 MHz band and bid a block of 10 MHz spectrum at the 1800 MHz band (collectively, the "Spectrums"), for a 15-year period (commencing January 2021 for 900 MHz band and September 2021 for 1800 MHz band) at aggregate Spectrum Utilisation Fee ("SUF") of approximately HK$2,040 million. Standby letters of credit in the same amount were issued in favour of the Communications Authority of Hong Kong in relation to the Spectrums.

SUF for the Spectrums are payable either (i) in full as a lump sum payment upfront (by November 2020 for 900 MHz band and by July 2021 for 1800 MHz band); or (ii) annually in 15 instalments with the first instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%.

20 Commitments (Continued)

(b) Telecommunications licence fees

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years/periods up to year 2021. The variable licence fees for these spectrum bands were charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

21 Related Parties Transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the interim financial statements, 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 remuneration).

Glossary

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

Terms	Definitions
"Board"	the Board of Directors
"CACs"	expensed customer acquisition and retention costs in the statement of comprehensive income
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215)
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HTHKH Securities Code"	Model Code for Securities Transactions by Directors
"IFRS"	International Financial Reporting Standards
"interim financial statements"	unaudited condensed consolidated interim financial statements

Terms	Definitions
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"mobile"	mobile telecommunications business
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"service EBITDA"	EBITDA excluding standalone handset sales margin
"SFO"	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Information for Shareholders

Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Stock Code

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Financial Calendar

Record Date for 2019 Interim Dividend:	28 August 2019
Payment of 2019 Interim Dividend:	6 September 2019

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