

# 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 28 July 2020.

## 2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2020 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 2019, 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.

The COVID-19 pandemic has evolved rapidly during the first six months of 2020, with the number of cases reported around the world continue to increase. Travel restrictions and other precautionary measures imposed by various governments to contain the virus have adversely affected the economic activities. In response to this adversity, the Group has taken a number of proactive measures to reduce the impact of the pandemic on its business. The Group's roaming revenue has inevitably been affected to some extent during the first half of the year but the related impact to the overall operating results has been largely offset by the continuous cost improvement exercise to further streamline the daily operations. Given the extent and duration of the COVID-19 pandemic remain uncertain, the Group's estimates and assumptions may evolve as conditions change and the 2020 full year actual results could differ from those estimates. The Group will remain vigilant and closely monitor the development of the COVID-19 situation and will evaluate its impact on the Group's financial position and operating results accordingly.

## 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 2019 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 2020. In addition, the Group has early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) ahead of its effective date and applied the amendment from 1 January 2020. The adoption of these new or revised standards, amendments and interpretations does not have a material impact to the Group's results of operations or financial position.

## 4 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	
	2020 HK\$ million	2019 HK\$ million
Mobile telecommunications and other related service	1,664	1,782
Telecommunications hardware	318	733
	1,982	2,515

### 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	
	2020 HK\$ million	2019 HK\$ million
Timing of revenue recognition:		
Over time	1,664	1,782
At a point in time	318	733
	1,982	2,515

## 5 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 resources allocation and performance assessment, the Group has identified only one reporting segment, i.e. mobile telecommunications business.

## 6 Interest and Other Finance Income, Net

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Interest and other finance income:		
Bank interest income	63	99
Interest income from a joint venture	9	10
	72	109
Interest and other finance costs:		
Notional non-cash interest accretion <sup>(i)</sup>	(14)	(12)
Guarantee and other finance fees	(6)	(5)
	(20)	(17)
Interest and other finance income, net	52	92

(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 assets 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					
	Current taxation HK\$ million	2020 Deferred taxation HK\$ million	Total HK\$ million	Current taxation HK\$ million	2019 Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	1	40	41	11	32	43

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

## 8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$146 million (30 June 2019: HK\$188 million) and on the weighted average number of 4,819,096,208 (30 June 2019: 4,818,969,136) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2020 is the same as basic earnings per share as there is no potential dilutive shares during the period.

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

## 9 Dividends

	Six months ended 30 June	
	2020	2019
Interim dividend (HK\$ million)	110	141
Interim dividend per share (HK cents)	2.28	2.93

In addition, final dividend in respect of year 2019 of 3.75 HK cents per share (30 June 2019: 3.20 HK cents per share) totalling HK\$181 million (30 June 2019: HK\$154 million) was approved and paid during the six months ended 30 June 2020. Special interim dividend in respect of year 2018 of 80.00 HK cents per share totalling HK\$3,855 million was paid during the six months ended 30 June 2019.

## 10 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK\$105 million (30 June 2019: HK\$154 million). Property, plant and equipment with a net book value of HK\$0.5 million (30 June 2019: HK\$0.8 million) was disposed of during the period, resulting in an insignificant loss (30 June 2019: insignificant loss).

## 11 Other Non-Current Assets

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Prepayments	201	186
Non-current deposits	32	29
Pension assets	10	12
	243	227

## 12 Cash and Cash Equivalents

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Cash at banks and in hand	90	117
Short-term bank deposits	5,446	5,299
	5,536	5,416

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

## 13 Trade Receivables and Other Current Assets

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Trade receivables	310	303
Less: Loss allowance provision	(54)	(42)
Trade receivables, net of provision <sup>(a)</sup>	256	261
Other receivables	97	101
Prepayments and deposits	345	202
	698	564

The carrying values of trade receivables, other receivables and deposits 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 2020 HK\$ million	31 December 2019 HK\$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 - 30 days	133	146
31 - 60 days	30	43
61 - 90 days	13	14
Over 90 days	80	58
	256	261

## 14 Trade and Other Payables

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Trade payables <sup>(a)</sup>	303	325
Other payables and accruals	1,059	1,009
Receipts in advance	89	102
Current portion of licence fees liabilities	88	73
	1,539	1,509

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

## (a) Trade payables

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
The ageing analysis of trade payables is as follows:		
0 - 30 days	155	180
31 - 60 days	61	20
61 - 90 days	3	13
Over 90 days	84	112
	303	325

## 15 Other Non-Current Liabilities

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Non-current licence fees liabilities	383	204
Assets retirement obligations	206	205
	589	409

## 16 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 2019: 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 2019	4,818,896,208	1,205
Issuance of shares arising from exercise of employee share options <sup>(c)</sup>	200,000	-
At 31 December 2019, 1 January 2020 and 30 June 2020	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 share option scheme was valid and effective during the period from 21 May 2009 to 20 May 2019. After 20 May 2019, no further share options could be granted under the share option scheme.

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 2019	1.00	200,000
Exercised	1.00	(200,000)
At 31 December 2019, 1 January 2020 and 30 June 2020		-

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 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 2020, no share options were outstanding (31 December 2019: Same).



## 17 Cash Generated from Operations

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
<b>Cash flows from operating activities</b>		
Profit before taxation	187	239
Adjustments for:		
- Interest and other finance income	(72)	(109)
- Interest and other finance costs	20	17
- Depreciation and amortisation	608	603
- Capitalisation of customer acquisition and retention costs	(86)	(69)
- Share of result of a joint venture	2	2
Changes in working capital		
- (Increase)/decrease in trade receivables and other assets	(126)	17
- (Increase)/decrease in inventories	(14)	37
- Increase/(decrease) in trade and other payables	301	(175)
- Changes in retirement benefits	2	2
Cash generated from operations	822	564

## 18 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Performance guarantees	134	34
Financial guarantees	144	72
	278	106

## 19 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 2020 HK\$ million	31 December 2019 HK\$ million
Property, plant and equipment	456	271
Telecommunications licences	2,040	2,242
	2,496	2,513

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 a block of 10 MHz spectrum at the 1800 MHz band (collectively, the "2018 Re-assigned and Bidded 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 2018 Re-assigned and Bidded Spectrums.

SUF for the 2018 Re-assigned and Bidded 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%.

In 2019, HTCL successfully bid a block of 40 MHz spectrum at the 3500 MHz band for a 15-year period commencing April 2020 at SUF of approximately HK\$202 million, which was recognised as telecommunications licences during the six months ended 30 June 2020.

### (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.

## 20 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 transaction has 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).