

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") are 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 27 July 2021.

The Coronavirus Disease 2019 ("COVID-19") pandemic continued to evolve and remained volatile around the world during the first six months of 2021. Travel restrictions and other precautionary measures imposed by various governments to contain the virus have affected the global economic activities adversely and continuously. 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 adversely since the second quarter of 2020. Given the extent and duration of the COVID-19 pandemic remain uncertain, the Group's estimates and assumptions may evolve as conditions change. 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.

2 Basis of Preparation

Management has assessed the potential cash generation and the liquidity of the Group, and COVID-19 mitigating actions which have been and may be taken to reduce discretionary spending, other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, management has determined that, at the date on which the interim financial statements were approved for issuance, the use of the going concern basis to prepare the interim financial statements is appropriate.

These interim financial statements for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These interim financial statements have been prepared under the historical cost convention, except that defined benefit plans plan assets are measured at fair values, 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 the 2020 annual financial statements except as described in (a) below.

(a) Amendments to existing standards adopted by the Group

During the six months ended 30 June 2021, the Group has adopted the following amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2021 (except IFRS 16 (Amendment)):

IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 (Amendments)	Interest Rate Benchmark Reform - Phase 2
IFRS 16 (Amendment) ⁽ⁱ⁾	COVID-19-Related Rent Concessions

- (i) The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group has early adopted the amendment ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2021.

The adoption of these amendments to existing standards does not have a material impact to the Group's results of operations or financial position.

(b) New standard and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following new standard and amendments to existing standards have been issued but are not yet effective for the six months ended 30 June 2021:

Annual Improvement Projects ⁽ⁱ⁾	Annual Improvements 2018 - 2020 Cycle
IAS 1 (Amendments) ⁽ⁱⁱ⁾	Classification of Liabilities as Current or Non-Current
IAS 1 and IFRS Practice Statement 2 (Amendments) ⁽ⁱⁱ⁾	Disclosure of Accounting Policies
IAS 8 (Amendments) ⁽ⁱⁱ⁾	Definition of Accounting Estimates
IAS 12 (Amendments) ⁽ⁱⁱ⁾	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 16 (Amendments) ⁽ⁱ⁾	Proceeds before Intended Use
IAS 37 (Amendments) ⁽ⁱ⁾	Onerous Contracts - Cost of Fulfilling a Contract
IFRS 3 (Amendments) ⁽ⁱ⁾	Reference to the Conceptual Framework
IFRS 4 (Amendments) ⁽ⁱⁱ⁾	Expiry Date of the Deferral Approach
IFRS 10 and IAS 28 (Amendments) ⁽ⁱⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17 ⁽ⁱⁱ⁾	Insurance Contracts

- (i) Effective for annual periods beginning on or after 1 January 2022

- (ii) Effective for annual periods beginning on or after 1 January 2023

- (iii) The original effective date of 1 January 2016 has been postponed until future announcement by the International Accounting Standards Board

The Group is in the process of making an assessment of the impact of these new standard and amendments to existing standards upon initial application.

4 Revenue

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

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Mobile telecommunications and other related service	1,630	1,664
Telecommunications hardware and other products	935	318
	2,565	1,982

Disaggregation of revenue

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

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Timing of revenue recognition:		
Over time	1,630	1,664
At a point in time	935	318
	2,565	1,982

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, which is mobile telecommunications business.

6 Interest and Other Finance (Costs)/Income, Net

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Interest and other finance income:		
Bank interest income	8	63
Interest income from a joint venture	5	9
	13	72
Interest and other finance costs:		
Notional non-cash interest accretion ⁽ⁱ⁾	(18)	(14)
Guarantee and other finance fees	(5)	(6)
	(23)	(20)
Interest and other finance (costs)/income, net	(10)	52

(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					
	2021			2020		
	Current taxation HK\$ million	Deferred taxation HK\$ million	Total HK\$ million	Current taxation HK\$ million	Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	-	43	43	1	40	41

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2020: 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\$31 million (30 June 2020: HK\$146 million) and on the weighted average number of 4,819,096,208 (30 June 2020: Same) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2021 is the same as basic earnings per share as there were no potential dilutive shares during the period (30 June 2020: Same).

9 Dividends

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Interim dividend of 2.28 HK cents per share (30 June 2020: 2.28 HK cents per share)	110	110
Special interim dividend of 19.80 HK cents per share (30 June 2020: Nil)	954	-
	1,064	110

In addition, final dividend in respect of year 2020 of 5.21 HK cents per share (30 June 2020: 3.75 HK cents per share) totalling HK\$251 million (30 June 2020: HK\$181 million) was approved and paid during the six months ended 30 June 2021.

10 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK\$324 million (30 June 2020: HK\$105 million). Property, plant and equipment with a net book value of HK\$0.3 million (30 June 2020: HK\$0.5 million) was disposed of during the period, resulting in an insignificant loss (30 June 2020: insignificant loss).

11 Other Non-Current Assets

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Prepayments	286	256
Non-current deposits	29	35
Pension assets	13	19
	328	310

12 Cash and Cash Equivalents

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Cash at banks and in hand	129	131
Short-term bank deposits	4,977	5,120
	5,106	5,251

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

13 Trade Receivables and Other Current Assets

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Trade receivables	245	288
Less: Loss allowance provision	(52)	(47)
Trade receivables, net of provision ^(a)	193	241
Other receivables	59	75
Prepayments and deposits	456	523
	708	839

The carrying values of trade receivables, other receivables and deposits approximate their fair values. The Group has established credit policies for customers. The credit periods granted for trade receivables range 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 2021 HK\$ million	31 December 2020 HK\$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 - 30 days	117	146
31 - 60 days	34	36
61 - 90 days	9	9
Over 90 days	33	50
	193	241

14 Trade and Other Payables

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Trade payables ^(a)	177	221
Other payables and accruals	1,036	1,125
Receipts in advance	90	89
Current portion of licence fees liabilities	95	60
	1,398	1,495

The carrying values of trade and other payables approximate their fair values. Other payables and accruals mainly represent payables and accruals for capital expenditures and network-related cost payables.

(a) Trade payables

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
The ageing analysis of trade payables is as follows:		
0 - 30 days	93	129
31 - 60 days	13	12
61 - 90 days	2	10
Over 90 days	69	70
	177	221

15 Other Non-Current Liabilities

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Non-current licence fees liabilities	771	342
Assets retirement obligations	219	223
	990	565

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 2020: 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 2020, 31 December 2020, 1 January 2021 and 30 June 2021	4,819,096,208	1,205

17 Cash Generated from Operations

	Six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million
Cash flows from operating activities		
Profit before taxation	74	187
Adjustments for:		
- Interest and other finance income	(13)	(72)
- Interest and other finance costs	23	20
- Depreciation and amortisation	632	608
- Capitalisation of customer acquisition and retention costs	(79)	(86)
- Share of result of a joint venture	2	2
Changes in working capital		
- Decrease/(increase) in trade receivables and other assets	172	(126)
- Increase in inventories	(10)	(14)
- Increase in trade and other payables	355	301
- Changes in retirement benefits	6	2
Cash generated from operations	1,162	822

Non-cash transactions from investing activities

Save as disclosed in elsewhere in the interim financial statements, the non-cash transactions during the six months ended 30 June 2021 include (i) the network access fee payable to a joint venture of HK\$57 million (30 June 2020: HK\$64 million) and (ii) the interest income from the loan to a joint venture of HK\$5 million (30 June 2020: HK\$9 million), which have been settled by offsetting the loan to a joint venture.

18 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Performance guarantees	184	184
Financial guarantees	327	146
Others	1	-
	512	330

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 2021 HK\$ million	31 December 2020 HK\$ million
Property, plant and equipment	512	502
Telecommunications licences	1,540	2,040
	2,052	2,542

In 2018, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 20 MHz spectrum and bid a block of 10 MHz spectrum at the 1800 MHz band (collectively, the "1800 MHz Band"), for a 15-year period commencing September 2021 at aggregate Spectrum Utilisation Fee ("SUF") of approximately HK\$1,540 million. The SUF for the 1800 MHz Band is expected to be settled by 15 annual 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%. As at 30 June 2021 and 31 December 2020, standby letters of credit of HK\$1,540 million that cover the aggregate SUF for the 1800 MHz Band were issued in favour of the Communications Authority of Hong Kong.

In addition, HTCL successfully bid a block of 10 MHz spectrum at the 900 MHz band for a 15-year period commencing January 2021 at SUF of approximately HK\$500 million, which was recognised as telecommunications licences during the six months ended 30 June 2021.

(b) Telecommunications licence fees

The variable licence fee for the 1800 MHz Band with assignment period up to September 2021 is 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).