

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 29 July 2022.

2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2022 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 2021, 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.

Management has assessed the potential cash generation and the liquidity of the Group, and mitigating actions about Coronavirus Disease 2019 (“COVID-19”) 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.

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 2021 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 2022, the Group has adopted the following amendments to existing standards which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1 January 2022:

Annual Improvement Projects	Annual Improvements 2018 - 2020 Cycle
IAS 16 (Amendments)	Proceeds before Intended Use
IAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract
IFRS 3 (Amendments)	Reference to the Conceptual Framework

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 2022:

IAS 1 (Amendments) ⁽ⁱ⁾	Classification of Liabilities as Current or Non-Current
IAS 1 and IFRS Practice Statement 2 (Amendments) ⁽ⁱⁱ⁾	Disclosure of Accounting Policies
IAS 8 (Amendments) ⁽ⁱ⁾	Definition of Accounting Estimates
IAS 12 (Amendments) ⁽ⁱ⁾	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 4 (Amendments) ⁽ⁱ⁾	Expiry Date of the Deferral Approach
IFRS 10 and IAS 28 (Amendments) ⁽ⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17 ⁽ⁱ⁾	Insurance Contracts

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

(ii) 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.

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4 Revenue

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Mobile telecommunications and other related services	1,558	1,630
Telecommunications hardware and other products	740	935
	2,298	2,565

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	
	2022 HK\$ million	2021 HK\$ million
Timing of revenue recognition:		
Over time	1,558	1,630
At a point in time	740	935
	2,298	2,565

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 Other Operating Expenses

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Cost of services provided ⁽ⁱ⁾	685	679
General administrative and distribution costs	80	52
Expenses for short-term leases	16	17
Auditors' remuneration	3	3
Loss allowance provision	10	-
Employment and other subsidies ⁽ⁱⁱ⁾	(8)	(7)
Compensation income ⁽ⁱⁱⁱ⁾	(62)	-
Total	724	744

(i) Include interconnection charges, roaming costs and other network operating costs.

(ii) Benefits received from governments and other companies under COVID-19 related employment and other support schemes.

(iii) Compensation income received from third party in relation to early termination of contract.

7 Interest and Other Finance Costs, Net

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Interest and other finance income:		
Bank interest income	11	8
Interest income from a joint venture	4	5
	15	13
Interest and other finance costs:		
Notional interest accretion ⁽ⁱ⁾	(33)	(18)
Guarantee and other finance fees	(5)	(5)
	(38)	(23)
Interest and other finance costs, net	(23)	(10)

(i) Notional 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.

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8 Taxation

	Six months ended 30 June					
	Current taxation HK\$ million	2022 Deferred taxation HK\$ million	Total HK\$ million	Current taxation HK\$ million	2021 Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	-	23	23	-	43	43

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2021: 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.

9 (Loss)/earnings per Share

The calculation of basic (loss)/earnings per share is based on loss attributable to shareholders of the Company of HK\$96 million (30 June 2021: profit of HK\$31 million) and on the weighted average number of 4,819,096,208 (30 June 2021: Same) ordinary shares in issue during the period.

The diluted (loss)/earnings per share for the six months ended 30 June 2022 is the same as basic (loss)/earnings per share as there were no potential dilutive shares during the period (30 June 2021: Same).

10 Dividends

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Interim dividend of 2.28 HK cents per share (30 June 2021: 2.28 HK cents per share)	110	110
Special interim dividend, paid of 19.80 HK cents per share	-	954
	110	1,064

In addition, final dividend in respect of year 2021 of 5.21 HK cents per share (year 2020: 5.21 HK cents per share) totalling HK\$251 million (30 June 2021: HK\$251 million) was approved and paid during the six months ended 30 June 2022.

11 Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment with a cost of HK\$157 million (30 June 2021: HK\$324 million). Property, plant and equipment with a net book value of HK\$0.1 million (30 June 2021: HK\$0.3 million) was disposed of during the period, resulting in an insignificant loss (30 June 2021: insignificant loss).

12 Other Non-Current Assets

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Prepayments	285	291
Non-current deposits	23	25
Pension assets	79	87
	387	403

13 Cash and Bank Balances

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Cash at banks and in hand	178	186
Short-term bank deposits with original maturity within 3 months	382	1,228
Cash and cash equivalents	560	1,414
Short-term bank deposits with original maturity beyond 3 months	3,199	2,561
	3,759	3,975

The carrying values of cash and bank balances approximate their fair values.

14 Trade Receivables and Other Current Assets

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Trade receivables ^(a)	351	330
Less: Loss allowance provision	(47)	(41)
Trade receivables, net of provision	304	289
Other receivables	61	35
Prepayments and deposits	450	405
	815	729

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 the 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

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
The ageing analysis of trade receivables presented based on invoice date, is as follows:		
0 - 30 days	141	171
31 - 60 days	48	40
61 - 180 days	68	49
Over 180 days	94	70
	351	330

15 Trade and Other Payables

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Trade payables ^(a)	158	133
Other payables and accruals ^(b)	1,097	1,282
Receipts in advance	137	147
Current portion of licence fees liabilities	177	131
	1,569	1,693

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

15 Trade and Other Payables (continued)

(a) Trade payables

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
The ageing analysis of trade payables is as follows:		
0 - 30 days	79	50
31 - 60 days	14	12
61 - 90 days	6	5
Over 90 days	59	66
	158	133

(b) Other payables and accruals

Other payables and accruals mainly represent payables and accruals for capital expenditures and network-related cost payables.

16 Other Non-Current Liabilities

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Non-current licence fees liabilities	2,206	2,109
Assets retirement obligations	249	249
	2,455	2,358

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 2021: Same).

(b) Issued share capital of the Company

	Number of shares	Ordinary share of HK\$0.25 each Issued and fully paid HK\$ million
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	4,819,096,208	1,205

18 Cash Generated from Operations

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Cash flows from operating activities		
(Loss)/profit before taxation	(73)	74
Adjustments for:		
- Interest and other finance income	(15)	(13)
- Interest and other finance costs	38	23
- Depreciation and amortisation	715	632
- Capitalisation of customer acquisition and retention costs	(90)	(79)
- Share of result of a joint venture	2	2
- (Increase)/decrease in trade receivables and other assets	(57)	172
- Decrease/(increase) in inventories	37	(10)
- (Decrease)/increase in trade and other payables, and licence fees liabilities	(7)	355
- Changes in retirement benefits	8	6
Cash generated from operations	558	1,162

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 2022 include (i) the network access fee payable to a joint venture of HK\$55 million (30 June 2021: HK\$57 million) and (ii) the interest income from the loan to a joint venture of HK\$4 million (30 June 2021: HK\$5 million), which have been settled by offsetting the loan to a joint venture.

19 Contingent Liabilities

The Group had contingent liabilities in respect of the following:

	30 June 2022 HK\$ million	31 December 2021 HK\$ million
Performance guarantees	284	234
Financial guarantees	937	882
Others	1	1
	1,222	1,117

The contingent liabilities mainly comprise of the performance guarantees and financial guarantees provided to the Communications Authority of Hong Kong ("CA"). The Group is required to lodge a performance bond with the CA to guarantee (i) the network and service rollout requirement and (ii) to maintain at all times throughout the whole assignment term for payment of the Spectrum Utilisation Fee ("SUF") payable in the ensuing five years, or the SUF payable for the remaining duration of the assignment term if it is less than five years, in respect of those spectrums which the Group elected to pay annually in 15 instalments.

20 Commitments

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

	30 June 2022	31 December 2021
	HK\$ million	HK\$ million
Property, plant and equipment	118	269
Telecommunications licences	114	252
	232	521

On 27 October 2021, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, successfully bid two blocks of 10 MHz spectrum at the 700 MHz band and a block of 10 MHz spectrum at the 2600 MHz band (collectively, the "2021 Bidded Spectrums"), for a 15-year period (commencing June 2022 for the 700 MHz band and March 2024 for the 2600 MHz band) at aggregate SUFs of HK\$252 million. SUFs for the 2021 Bidded Spectrums are payable either (i) in full as a lump sum payment upfront (by May 2022 for the 700 MHz band and January 2024 for the 2600 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% ("15 Annual Instalments"). As at 31 December 2021, standby letters of credit of HK\$252 million that covered the aggregate SUFs for the 2021 Bidded Spectrums were issued in favour of the CA.

In May 2022, the Group has determined to settle the aggregate SUFs for the 700 MHz band by 15 Annual Instalments. During the six months ended 30 June 2022, the Group recognised telecommunications licences of HK\$138 million for the 700 MHz band, which represents the net present value of the consideration payable for telecommunications licences acquired (Notes 15 and 16).

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 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).