Hutchison Telecommunications
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ASX Market Announcements

Australian Securities Exchange

Date: 30 July 2019

Subject: Half Year Results

Please find attached the Company's results for the half year to 30 June 2019 in the form of Appendix 4D.

Yours faithfully

Naomi Dolmatoff
Company Secretary

Hutchison Telecommunications (Australia) Limited

ASX HALF-YEAR INFORMATION

30 June 2019

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Half-year Information

30 June 2019

Contents

Lodged with the ASX under Listing Rule 4.2A.

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Hutchison Telecommunications (Australia) Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

Hutchison Telecommunications (Australia) Limited
Half-year ended 30 June 2019

Results for announcement to the market

Hutchison Telecommunications (Australia) Limited ("HTAL") reports a statutory net loss of $157.1 million for the half-year ended 30 June 2019, representing a $146.8 million increase on the $10.3 million net loss in the previous corresponding period ending 30 June 2018. HTAL's share of Vodafone Hutchison Australia Pty Limited's ("VHA") net loss included in HTAL's results for the period was $159.5 million[1] for the half-year ended 30 June 2019 compared with a net loss of $14.9 million in the corresponding period last year.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL's revenue from ordinary activities for the half-year ended 30 June 2019 decreased from $5.2 million in the corresponding period last year to $3.2 million mainly due to the decrease in shareholder loan balances provided to VHA which contributed lower interest income for half-year ended 30 June 2019.

	Jun 19 $'000	Jun 18 $'000	Movement $'000	Movement %
Revenue from ordinary activities *(Appendix 4D item 2.1)*	3,188	5,190	(2,002)	(39%)
Loss from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	(157,086)	(10,282)	(146,804)	1,428%
Net loss for the period attributable to members *(Appendix 4D item 2.3)*	(157,086)	(10,282)	(146,804)	1,428%

Dividends / distributions *(Appendix 4D item 2.4)*	Amount per security	Franked amount per security
Final dividend (prior year)	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend *(Appendix 4D item 2.5)*	**n/a**	**n/a**

Additional Appendix 4D disclosure requirements is located in the Supplementary Appendix 4D information, Directors' Report and notes to the financial statements set out in the following half-year Report for the six month period ended 30 June 2019.

[1] AASB 16 became effective for the Group on 1 January 2019. AASB 16 establishes principles for the recognition and measurement of leasing arrangements. The net losses for the half-year ended 30 June 2019 include amortisation of the right-of-use assets and interest expense on lease liabilities relating to adopted AASB 16 leases, which were accounted for as operating expenses in the comparative period. The net losses for the half-year ended 30 June 2019 pre AASB 16 were $148.7 million.

Directors' Report

The Directors present their report on the Consolidated Entity (the "Consolidated Entity") consisting of Hutchison Telecommunications (Australia) Limited (the "Company" or "HTAL") and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

The following persons were Directors of HTAL during the whole of the half-year ended 30 June 2019 and up to the date of this report:

FOK Kin Ning, Canning
Barry ROBERTS-THOMSON
Justin Herbert GARDENER
LAI Kai Ming, Dominic
John Michael SCANLON
Frank John SIXT
Ronald Joseph SPITHILL
WOO Chiu Man, Cliff

Review of HTAL's results

HTAL accounts for its investment in Vodafone Hutchison Australia Pty Limited ("VHA") using the equity method of accounting. Under this method, revenue from VHA's ordinary activities is not included in HTAL's consolidated revenues from ordinary activities.

HTAL reports a $157.1 million loss for the half-year ended 30 June 2019 (post-AASB 16 adoption), and $146.3 million loss (pre-AASB 16 adoption). This is compared with a loss of $10.3 million in the corresponding period last year (pre-AASB 16 adoption). The difference relating to AASB 16 adoption is detailed within the VHA financial and operating metrics on page 8. The VHA results (including revenue and operating costs) are included in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income.

During the period, HTAL revised its useful life estimate of existing network assets to a maximum of 18 years considering the government's network vendor security guidance and the introduction of AASB 16. This brings the HTAL estimates in line with those adopted by VHA. This is further detailed in note 2(b) of this report.

HTAL's revenue from ordinary activities represents interest income received on loans made to VHA. HTAL's revenue from ordinary activities for the half-year ended 30 June 2019 decreased from $5.2 million in the corresponding period last year to $3.2 million due to the decrease in shareholder loan balances provided to VHA.

No dividend was declared or paid by HTAL during the half-year ended 30 June 2019 (2018: nil).

VHA performance

This section outlines the operating performance of VHA attributable to HTAL. References to VHA's financial results reflect the 50 per cent share of VHA attributable to HTAL. References to customer metrics reflect the total customer base of VHA.

VHA's performance remains stable in a highly competitive environment, broadly maintaining its customer base and EBITDA , while expanding and enhancing its suite of innovative mobile and fixed products.

This half year performance supports VHA's long-term strategy which balances sustainable growth with market-challenging products and offers for Australian telecommunications customers.

Key achievements and highlights:

- Broadly stable customer base
- Stable EBITDA in challenging competitive environment shows continuing cost focus despite a slight downturn in revenue
- Continued preparatory work for the introduction of 5G technology
- Continue to enhance competitiveness of mobile products and services introducing features such as bundle and save
- Steady performance on Vodafone nbn™
- Maintained industry-leading position for customer satisfaction with the lowest rate of complaints among major competitors
- Expanded Narrowband Internet of Things (NB-IoT) network footprint
- Global expansion of Vodafone Foundation's DreamLab app now live in Australia, New Zealand, UK and Italy
- VHA remains committed to the merger with TPG Telecom Limited ("TPG", ASX: "TPM")

VHA's total customer base grew by 11,754 year on year to reach 5.99 million, a 0.2 per cent increase vs first half of 2018 (1H18) (but a decrease of 29,004 since December 2018).

HTAL's share of VHA total revenue was $869.2 million, a 1.7 per cent decrease year on year. HTAL's share of VHA EBITDA with the AASB 16 accounting change was $290.4 million, a 14 per cent increase year on year. In a direct year on year comparison, without the AASB 16 accounting change, HTAL's share of VHA total reported EBITDA would have been $256.3 million, a 0.6% increase year on year.

In a year on year comparison (excluding non-Vodafone branded partners Kogan and Lebara), VHA ARPU was $36.74 (vs $37.87 in 1H18). The ARPU decrease year on year was driven by higher data allowances across product portfolios, which led to lower data overage revenue and increased optimisation within the customer base. With the inclusion of Kogan and Lebara, VHA total ARPU was $34.52 (vs $36.43 in 1H18).

Driven by an increased joint venture accounting adjustment resulting from a change in useful life estimate of property, plant and equipment, HTAL's share of net loss of VHA was $159.5 million, increased from $14.9 million in June 2018. In a direct year on year comparison, without accounting changes relating to AASB 16, HTAL's share of net loss of VHA would have been $148.7 million.

VHA continues strengthening its mobile network

VHA continues to prepare its network for the introduction of 5G, with projects including the virtualisation of its core network, fibre transmission rollout and detailed infrastructure planning.

In March 2019, VHA began work to add more capacity to its national 4G mobile network with a re-farm of its 2100MHz spectrum. The work means converting 2100MHz spectrum, previously used for the 3G network, for use in the 4G network to provide more capacity as 4G data usage continues to climb.

VHA introduces offers for mobile and nbn customers

VHA's signature no lock-in contracts and flexible handset payment terms continued to maintain postpaid customer connections and retentions.

In response to dynamic and ever-changing customer demands, VHA launched a number of promotions and permanent plan changes to ensure that VHA remains as competitive as possible in market. This includes the introduction of promotional offers and product features such as bundle and save for customers with both mobile and nbn services.

VHA's $5 Roaming continues to be a key driver of postpaid customer connections and retentions. Bundle and Save, Vodafone's loyalty offering, continues to reward customers with discounts of between 5% and 20% depending on the amount of services with Vodafone.

Continued growth for Vodafone nbn

Like its mobile offering, Vodafone nbn focuses on the customer experience with Instant Connect and 4G Back-Up allowing customers to access the internet via VHA's 4G mobile network before NBN installation and in the event of a fault.

Vodafone nbn continues to be priced competitively, delivering value for money and customer satisfaction. Vodafone nbn recently reached a milestone of 70,000 connections.

VHA is pleased the Federal Government has restated its policy preventing a telecommunications retailer from buying NBNCo under current legislation. This provides certainty for the industry.

Continued customer satisfaction

VHA continues to lead the Australian mobile network operators (MNOs) in positive consumer sentiment, maintaining its recent track record of being an industry leader in customer service.

VHA achieved a record low rate of TIO (Telecommunications Industry Ombudsman) complaints in the second quarter of this year recording 2.7 complaints for every 10,000 services in operations. The complaint rate is less than half the industry average and that of its major competitors.

Vodafone NBIoT expands its footprint

VHA made a significant expansion of its Narrowband Internet of Things (NB-IoT) network footprint, with coverage now extending to approximately 89% of the Australian population. VHA has also signed a range of new NB-IoT customers including aged care management, healthcare, and smart building services.

VHA is committed to boosting digital technology with the appointment of a Chief Information Officer and Director of Business Enablement. VHA's technology team will now operate as two functions, IT and Networks, enabling the IT team to focus exclusively on strategy and projects such as digital transformation.

DreamLab continues to expand

The Vodafone Foundation continues to help improve the health and wellbeing of Australians through its technology-driven partnerships with Garvan Institute of Medical Research and Hello Sunday Morning.

In May 2019, the Foundation's DreamLab app, which helps to solve cancer using the processing power of idle smartphones while users sleep, expanded to Italy taking the total to four countries globally.

The DreamLab community now consists of more than 320,000 users.

Proposed merger with TPG

VHA filed a statement of claim with the Federal Court on 24 May 2019, together with TPG (ASX: TPM), to seek approval for the proposed merger with TPG following the ACCC's decision to oppose it on 8 May 2019.

VHA remains committed to the merger and believes it will create an entity that can compete more aggressively in the mobile market and will increase its ability to invest in networks, new technologies, and competitive plans and products for Australian consumers.

The Federal Court proceedings are due to begin in September 2019.

Outlook

In the second half of 2019, VHA will continue to execute its strategy of offering customers innovative and competitive products to meet growing demand for services. Despite an increasingly competitive market and significant barriers to competition including continuing large transfers from government to Telstra and barriers to competition in regional areas.

VHA remains in the process of formulating its future RAN investment plan, as a result of the Government issued security guidance advising network operators that the use of 5G equipment supplied by banned vendors from certain countries would not be permitted due to national security concerns.

VHA will continue its focus on growing and enhancing its business through continuing investment, with a key focus on its 4G mobile network, replacement and evolution to 5G, fixed broadband services and Internet of Things technology.

VHA will also continue to put forward constructive ideas to government and other decision-makers about coherent policy and regulatory reform to promote competition and achieve maximum benefits for consumers. Key areas of focus include ensuring that NBN's pricing model and products evolve to deliver better outcomes for consumers, a fairer model for spectrum licensing and payments, and greater caution in making larger financial transfers to incumbents.

VHA expects competition to remain high as has been the case in the first half of the year. VHA will continue to boost its digital capability to simplify the retail experience for customers while maintaining its focus on cost improvement.

VHA remains committed to a merger with TPG and is pleased the process has been expedited with a Federal Court hearing set for September 2019.

HTAL remains committed to its investment in VHA and will continue to support VHA in the future.

VHA financial and operating metrics

	June 2019	June 2018	YoY change
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	**869.2**	**884.4**	**(1.7%)**
Service revenue ($m)[2]	**599.7**	**610.8**	**(1.8%)**
EBITDA ($m)	**290.4**	**254.8**	**14.0%**
Net EBITDA adjustment AASB 16[3]	34.1	-	-
Net EBITDA without AASB 16[3]	256.3	254.8	**0.6%**
Share of net loss of VHA ($m)[4]	**(159.5)**	**(14.9)**	**970.5%**
Net loss adjustment AASB 16[3]	(10.8)	-	-
Net loss without AASB 16[3]	(148.7)	(14.9)	898.0%
The items below represents totals for VHA			
Postpaid customers ('000)	3,445	3,432	0.4%
Prepaid customers ('000)	2,195	2,209	(0.6%)
VHA customers subtotal ('000)	**5,640**	**5,641**	**(0.02%)**
MVNO customers ('000)	350	337	3.9%
Total network customers ('000)	**5,990**	**5,978**	**0.2%**
ARPU ($)[5]	36.74	37.87	(3.0%)
ARPU inclusive of Kogan and Lebara ($)[5]	34.52	36.43	(5.2%)

[2] Reclassification of $13.3 million fixed and insurance revenue into service revenue. The June 2018 figures reclassed for comparative was $4.0 million.

[3] AASB 16 became effective for the Group on 1 January 2019. AASB 16 establishes principles for the recognition and measurement of leasing arrangements. EBITDA and net losses for the half-year ended 30 June 2019 are adjusted for amortisation of the right-of-use assets and interest expense on lease liabilities relating to adopted AASB 16 leases, which were accounted for as operating expenses in the comparative period.

[4] Reconciliation for the Share of net loss of VHA is set out on page 25.

[5] ARPU represents a rolling 12 month average service revenue per user per month at the end of the period excluding MVNOs. Updated ARPU reflects the change in basis of calculation as a result of the reclassification of insurance revenue into service revenue. The prior year comparative has also been updated based on this change.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 10.

Rounding of amounts

The Consolidated Entity is of a kind referred to Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327B of the *Corporations Act 2001 (Cth)*.

This report is made in accordance with a resolution of the Directors, in accordance with section 306(3) of the *Corporations Act 2001 (Cth)*.

Director
30 July 2019

Director
30 July 2019

Auditor's Independence Declaration

As lead auditor for the review of Hutchison Telecommunications (Australia) Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hutchison Telecommunications (Australia) Limited and the entities it controlled during the period.

Rosalie Wilkie
Partner
PricewaterhouseCoopers

Sydney
30 July 2019

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Hutchison Telecommunications (Australia) Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2019

	June 2019 $'000	June 2018 $'000
Revenue	3,188	5,190
Operating expenses	(757)	(592)
Share of net losses of a joint venture accounted for using the equity method	(159,517)	(14,880)
Loss before income tax	(157,086)	(10,282)
Income tax expense	-	-
Loss for the period	(157,086)	(10,282)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges (share of joint venture), net of tax	(121)	137
Other comprehensive income for the period, net of tax	(121)	137
Total comprehensive loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	(157,207)	(10,145)
	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings per share	(1.16)	(0.08)
Diluted earnings per share	(1.16)	(0.08)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited
Consolidated statement of financial position
As at 30 June 2019

	June 2019 $'000	Dec 2018 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	21,162	18,598
Loans and receivables	1,087	434
Trade receivables	6	6
Total Current Assets	22,255	19,038
Non-Current Assets		
Loans and receivables	160,023	160,765
Investment accounted for using the equity method	-	159,638
Total Non-Current Assets	160,023	320,403
Total Assets	182,278	339,441
LIABILITIES		
Current Liabilities		
Payables	416	372
Other financial liabilities	248,790	248,790
Total Current Liabilities	249,206	249,162
Total Liabilities	249,206	249,162
Net Assets / (Liabilities)	(66,928)	90,279
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,741	70,862
Accumulated losses	(4,342,157)	(4,185,071)
Total Equity	(66,928)	90,279

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2019

	Attributable to members of Hutchison Telecommunications (Australia) Limited					
		Reserves				
	Contributed equity	Capital Redemption Reserve	Cash flow Hedging reserve	Share-based Payments reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	4,204,488	54,887	(117)	15,880	(4,189,546)	85,592
Loss for the period	-	-	-	-	(10,282)	(10,282)
Share of joint venture's changes in the fair value of cash flow hedges, net of tax	-	-	137	-	-	137
Total comprehensive loss for the period			137		(10,282)	(10,145)
Balance at 30 June 2018	4,204,488	54,887	20	15,880	(4,199,828)	75,447
Balance at 31 December 2018	4,204,488	54,887	95	15,880	(4,185,071)	90,279
Loss for the period	-	-	-	-	(157,086)	(157,086)
Share of joint venture's changes in the fair value of cash flow hedges, net of tax	-	-	(121)	-	-	(121)
Total comprehensive loss for the period	-	-	(121)	-	(157,086)	(157,207)
Balance at 30 June 2019	4,204,488	54,887	(26)	15,880	(4,342,157)	(66,928)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Hutchison Telecommunications (Australia) Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2019

	June 2019 $'000	June 2018 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(713)	(350)
Interest received	3,277	5,103
Net cash inflows from operating activities	2,564	4,753
Cash Flows from Investing Activities		
Proceeds from loan to joint venture	-	-
Net cash inflows/ (outflows) from investing activities	-	-
Cash Flows from Financing Activities		
Repayment of borrowings – entity within the CKHH Group	-	-
Net cash inflows/ (outflows) from financing activities	-	-
Net increase in cash and cash equivalents	2,564	4,753
Cash and cash equivalents at 1 January	18,598	8,884
Cash and cash equivalents at 30 June	21,162	13,637

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 - Summary of significant accounting policies

Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard *AASB* 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth).*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Hutchison Telecommunications (Australia) Limited (the "Group", "Consolidated Entity" or "HTAL", ASX: "HTA"), during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

For the purposes of preparing the financial statements, the Consolidated Entity is a for-profit entity.

Going concern disclosures

As at 30 June 2019, the Consolidated Entity has a deficiency of net current assets of $227.0 million (31 December 2018: net current assets deficiency of $230.1 million). Included in the Consolidated Entity's current liabilities is an amount of $248.8 million (31 December 2018: $248.8 million) which relates to an interest free financing facility provided from a subsidiary of the ultimate parent entity, CK Hutchison Holdings Limited ("CKHH"), which is repayable on demand. CKHH has confirmed its current intention to provide sufficient financial support to enable the Consolidated Entity to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing this financial report. Consequently, the Directors have prepared the financial report on a going concern basis.

Principles of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(ii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has under the relevant contract. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

The results and net assets of joint ventures are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under AASB 5, *Non-current assets held for sale and discontinued operations*. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

As at 30 June 2019, HTAL has only one joint venture.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are tested for impairment annually and when there is an indication that they may be impaired. Other assets are tested for impairment whenever there is any indication that the carrying value of these assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the statement of profit or loss and other comprehensive income.

Segments reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker. Operating segments that meet the quantitative criteria as prescribed by *AASB 8* are reported separately.

Critical accounting estimates and assumptions

The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

(i) Impairment of investments in controlled entities and joint venture

In accordance with the Consolidated Entity's accounting policy, the investments in controlled entities and the joint venture are periodically tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the Company's investment in controlled entities, and the recoverable amount of the Consolidated Entity's investment in its joint venture are determined as the higher of the fair value less cost of disposal or value in use methodology. The underlying calculation is based on the approved business plan for Vodafone Hutchison Australia Pty Limited ("VHA"). These calculations require the use of estimates and assumptions.

For the purpose of the 2018 annual impairment test, a discounted cash flow calculation was undertaken on the approved business plan. A terminal value is calculated on the cash flows. The cash flows were then discounted using a suitable discount rate consistent with recent internal assessments of the Consolidated Entity's weighted average cost of capital. The resulting net present value is compared to the balance of the Consolidated Entity's equity accounted for investment in a joint venture. The result of the 2018 annual impairment test indicated that no impairment charge was required.

In assessing whether there is any indication of potential impairment as at 30 June 2019, the Group has reviewed internal and external criteria, and concluded that as a result of the change in useful lives of network assets outlined in note 2(b) there is no carrying value at 30 June 2019 to assess for impairment.

(ii) Recovery of deferred tax assets

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the associated entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the joint venture. The cost of fixed assets is charged as a depreciation expense over the estimated useful lives of the respective assets using the straight-line method and this is reflected in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of network assets within the joint venture are outlined in note 2(b). Adjustments to the useful lives of assets have been made when the Group's 50 per cent interest in joint venture, VHA, is incorporated into the Group's consolidated financial statements. This is to reflect the use of the Group's fixed assets useful lives.

Rounding of amounts to nearest thousand dollars

The Consolidated Entity is of a kind referred to Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

New accounting standards and interpretations

The Consolidated Entity has adopted all of the new and revised effective / applicable standards, amendments and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the Consolidated Entity's operations and mandatory for annual periods beginning on or after 1 January 2019.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group and the VHA joint venture had to change its accounting policies as a result of adopting AASB 16 Leases.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other standards did not have any impact on the Group's and VHA's accounting policies.

Note 2 - Changes in Accounting Policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's and VHA joint venture's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019 where they are different to those applied in prior periods.

(a) AASB 16 Leases

The Group and VHA joint venture have adopted AASB 16 retrospectively from 1 January 2019, but have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(i) Adjustments recognised on adoption of AASB 16

The Group did not make any adjustments on adoption of AASB16 as the Group did not have any lease contracts.

On adoption of AASB 16, the VHA joint venture recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 4.15% to 8.10% depending on the remaining lease term on adoption.

For leases previously classified as finance leases the VHA joint venture recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The VHA joint venture did not remeasure any lease liabilities or right-of-use assets associated with leases previously classified as finance leases on the date of initial application.

	2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	1,760,478
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(469,460)
(Less): short-term leases recognised on a straight-line basis as expense	(8,335)
(Less): lease offset as a result of site sharing agreement	(214,646)
	1,068,037
Add: reclassification of finance leases	591,600
Lease liability recognised as at 1 January 2019	**1,659,637**
Of which are:	
Current lease liabilities	153,171
Non-current lease liabilities	1,506,466
	1,659,637

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and onerous provisions relating to that lease recognised in the balance sheet as at 31 December 2018. On 1 January 2019, the recognised right-of-use assets relate to the following types of assets:

	2019
	$'000
Network Assets	526,528
Properties	1,013,593
Total right-of-use assets	**1,540,121**

	2019
	$'000
Assets under operating leases	1,013,593
Assets under finance leases	526,528
Total right-of-use assets	**1,540,121**

The change in accounting policy affected the following items in the balance sheet of the VHA joint venture on 1 January 2019:

- Property, plant and equipment – decrease by $526,528,000
- Right-of-use assets – increase by $1,540,121,000
- Prepayments – decrease by $39,395,000
- Investment in sublease – increase by $17,661,000
- Borrowings – decreased by $591,600,000

- Lease liabilities – increase by $1,659,637,000
- Other liabilities – decrease by $76,177,000

There was no impact on retained earnings of the VHA joint venture on 1 January 2019.

(ii) Practical expedients applied

In applying AASB16 for the first time, the Group and VHA joint venture have used the following practical expedients permitted by the standard:

- The VHA joint venture has elected not to apply AASB 16 to contracts that were not previously identified as containing a lease applying AASB 117 and Interpretation 4;
- The VHA joint venture has elected to apply AASB 16 based on a portfolio of leases with similar characteristics as the VHA joint venture reasonably expects that the effects on the financial statements of applying AASB 16 to the portfolio would not differ materially from applying this standard to the individual leases within that portfolio;
- The VHA joint venture has elected to use a single discount rate to measure lease liabilities for each identified portfolio of leases having reasonably similar characteristics and dependent on lease term. Further, management has assessed that discount rates across each portfolio of leases are similar taking into consideration feedback from surveyed financial institutions on incremental borrowing rates available for VHA joint venture as a lessee and nature of each lease portfolio. These discount rates range between 4.15% to 8.10% depending on the lease term;
- The VHA joint venture has elected to rely on its assessment of whether leases are onerous by applying the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent assets immediately before transition rather than performing an impairment review on adoption. These onerous provisions will be adjusted against the right-of-use assets recognised on transition;
- The VHA joint venture has elected to exclude the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The VHA joint venture has elected to use hindsight where applicable when determining lease term and inclusions of options to extend or terminate the lease; and
- On a lease by lease basis the VHA joint venture has determined whether to apply the practical expedient in relation to not measuring the lease liability for leases with a lease term that will end within 12 months of the date of initial application.

(iii) The Group's and VHA's leasing activities and how these are accounted for

The Group and VHA joint venture lease various offices, retail stores, data centres, and network sites. The term of rental contracts vary significantly depending on the underlying leased asset and many include extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and VHA joint venture. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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 incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are determined using a low-value threshold of $10,000.

(iv) Extension and termination options

Extension and termination options are included in a number of the VHA joint venture leases. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(v) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(b) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the joint venture. The cost of fixed assets is charged as a depreciation expense over the estimated useful lives of the respective assets using the straight-line method and this is reflected in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income. The Group decided to revise the useful life of its existing network assets from up to 20 years to between 3 and 18 years, which is consistent with the estimates adopted by VHA. Along with the assessment of operating leases for AASB 16 resulting in the recognition of 'right of use' assets, this change was made having considered developments in the environment as VHA remains in the process of formulating its future RAN investment plan, as a result of the Government issued security guidance advising network operators that the use of 5G equipment supplied by banned vendors from certain countries would not be permitted due to national security concerns, as well as the announced proposed merger between TPG Telecom Limited and VHA to become a full-service telecommunications company in Australia.

In implementing the revised useful lives, management has applied the change in the depreciation based on an assessment of individual asset lives prospectively from 1 January 2019 as required under Australian Accounting Standards.

Note 3 - Operating segment

The Consolidated Entity has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

In 2019, the Consolidated Entity continued to invest in an operator within the telecommunications industry.

The chief operating decision maker of the Consolidated Entity receives information to manage its operations and investment based on one operating segment, an investor in an operator of telecommunication services. As such, the Consolidated Entity believes it is appropriate that there is one operating segment, investment in telecommunication services.

Key financial information used by the chief operating decision maker of the Consolidated Entity when evaluating the investment in telecommunication services operating segment includes:

HTAL's share of the following items of VHA	June 2019 $'000	June 2018 $'000
Total Revenue	869,231	884,399
EBITDA	290,380	254,842
50% share of VHA's loss for the period	(76,699)	(46,157)
VHA joint venture accounting adjustments (i)	(105,460)	31,277
Unrecognised share of loss during the period	22,642	-
Joint venture's loss (ii)	(159,517)	(14,880)

(i) Joint venture accounting adjustments of the comparative period primarily related to differences in the economic useful lives of property, plant and equipment. The current period joint venture accounting adjustments reflect the revised useful life estimate during the period, as disclosed in Note 2(b).

(ii) While HTAL is one of the shareholders of the VHA joint venture, HTAL does not have present obligations (legal or constructive) to meet VHA's financial obligations as and when they fall due. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have confirmed their current intention to jointly provide financial support to enable VHA to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing the VHA financial statements as at 30 June 2019. HTAL has discontinued the recognition of its share of losses exceeding HTAL's interest in the VHA joint venture in accordance with Australian Accounting Standards.

Further information reviewed by the chief operating decision maker with regards to the performance of the Consolidated Entity's investment in VHA is disclosed on page 24.

Note 4 - Events occurring after the reporting date

No matter or circumstance has arisen after the reporting period that has significantly affected, or may significantly affect:

(i) the operations of the Consolidated Entity in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Consolidated Entity in future financial years.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001 (Cth)*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Hutchison Telecommunications (Australia) Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Director
30 July 2019

Director
30 July 2019

Hutchison Telecommunications (Australia) Limited
Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	June 2019	June 2018
Net tangible asset backing per ordinary share	($0.00)	$0.01

Controlled entities acquired or disposed of *(Appendix 4D item 4)*
N/A

Additional dividend/distribution information *(Appendix 4D item 5)*
N/A

Dividend/distribution reinvestment plan *(Appendix 4D item 6)*
N/A

Associates and Joint Venture entities *(Appendix 4D item 7)*

Joint venture
HTAL owns a 50 per cent interest in a joint venture with Vodafone Group Plc named Vodafone Hutchison Australia Pty Limited ("VHA"), which is involved in providing telecommunication services in Australia. The interest in VHA, held by a controlled entity, Hutchison 3G Australia Holdings Pty Limited ("H3GAH"), is accounted for in the consolidated financial reports using the equity method.

The aggregate share of losses from VHA for the half-year ended 30 June 2019 is $159,517,000 (2018: $14,880,000).

Information relating to the joint venture is set out below:

	June 2019 $'000	June 2018 $'000
Reconciliation of interest in a joint venture		
Investment brought forward at 1 January	159,638	167,008
Adjustment on the adoption of AASB 15 (net of tax)	-	(2,600)
Loss for the year	(159,517)	(14,880)
Share of change in fair value of cash flow hedges, net of tax	(121)	137
Interest in a joint venture at 30 June	-	149,665

Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements and reconciliation with the carrying amount of the investment in consolidated financial statements, are set out below:

	June 2019 $'000	Dec 2018 $'000
Current assets	823,959	1,372,576
Non-current assets	7,816,280	6,816,640
Current liabilities	(3,083,238)	(3,387,483)
Non-current liabilities	(6,632,709)	(5,723,800)
Net Assets	(1,075,708)	(922,067)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(537,854)	(461,034)
Goodwill	165,321	165,321
Joint venture accounting adjustments	349,891	455,351
Cumulative unrecognised share of VHA joint venture loss	22,642	-
Carrying amount of the investment	-	159,638

The carrying value of HTAL's investment in VHA is predicated on the ongoing financial support from both of VHA's ultimate shareholders. At 30 June 2019, HTAL's share of VHA's net current asset deficiency is $1,129.6 million (2018: net current assets deficiency of $1,007.5 million). While HTAL is one of the shareholders of the VHA joint venture, HTAL does not have a present obligation (legal or constructive) to meet VHA's financial obligations as and when they fall due. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have confirmed their current intention to jointly provide financial support to enable VHA to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing the VHA financial statements as at 30 June 2019. HTAL has discontinued the recognition of its share of losses exceeding HTAL's interest in the VHA joint venture in accordance with Australian Accounting Standards. HTAL will resume the recognition of its share of profits after the share of profits equals the share of losses not recognised.

Summarised statement of profit or loss and other comprehensive income of VHA

	June 2019 $'000	June 2018 $'000
Revenues	1,738,461	1,768,798
Expenses	(1,891,861)	(1,861,111)
Loss before income tax	(153,400)	(92,313)
Income tax expense	-	-
Loss for the period	(153,400)	(92,313)
Other comprehensive loss	-	-
Changes in the fair value of cash flow hedges, net of tax	(242)	274
Total comprehensive loss	(153,642)	(92,039)
50% share of VHA's loss for the period	(76,699)	(46,157)
Joint venture accounting adjustments^	(105,460)	31,277
Unrecognised share of loss during the period	22,642	-
Share of joint venture's loss	(159,517)	(14,880)

VHA's financial statements include the following specific items:

	June 2019 $'000	Dec 2018 $'000
Cash and cash equivalents	422,985	642,713
Current financial liabilities	(2,116,976)	(2,050,761)
Non-current financial liabilities	(6,591,373)	(5,544,204)

	June 2019	June 2018
Depreciation and amortisation	503,820	428,696
Interest income	3,866	1,672
Finance costs	234,205	174,973

^ Joint venture accounting adjustments of the comparative period primarily related to differences in the economic useful lives of property, plant and equipment. The current period joint venture accounting adjustments reflect the revised useful life estimate during the period, as disclosed in Note 2(b) of the financial report.

Foreign Accounting standards *(Appendix 4D item 8)*
There are no foreign entities included as part of the preparation of the half-year report.

Opinions issued by auditors *(Appendix 4D item 9)*

The accounts have been subjected to review. (Refer to compliance statement)

Hutchison Telecommunications (Australia) Limited
Compliance Statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the financial statements upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.
(Tick one)

☐	The +accounts have been audited.	✓	The +accounts have been subject to review.
☐	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The auditor's review report is attached.

6 The entity has a formally constituted audit committee.

Director
30 July 2019

Director
30 July 2019

Independent auditor's review report to the members of Hutchison Telecommunications (Australia) Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hutchison Telecommunications (Australia) Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Hutchison Telecommunications (Australia) Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hutchison Telecommunications (Australia) Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hutchison Telecommunications (Australia) Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie
Partner

Sydney
30 July 2019