Hutchison Telecoms

Hutchison Telecommunications (Australia) Limited
ABN 15 003 677 227
Level 1, 177 Pacific Highway
North Sydney, NSW 2060
Tel: (02) 9015 5088
Fax: (02) 9015 5034
www.hutchison.com.au

ASX Market Announcements

Australian Securities Exchange

Date: 1 August 2017

Subject: Half Year Results

Please find attached the Company's results for the half year to 30 June 2017 in the form of Appendix 4D.

Yours faithfully

Louise Sexton
Company Secretary

Hutchison Telecommunications (Australia) Limited

ASX HALF YEAR INFORMATION

30 June 2017

Hutchison Telecommunications (Australia) Limited

ABN 15 003 677 227

ASX Half Year Information

30 June 2017

Contents

Lodged with the ASX under Listing Rule 4.3A.

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 2016 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*.

Hutchison Telecommunications (Australia) Limited
Half year ended 30 June 2017

Results for announcement to the market

Hutchison Telecommunications (Australia) Limited ("HTAL") reports a statutory net loss of $10.0 million for the half-year ended 30 June 2017, representing a $55.7 million improvement on the $65.7 million net loss in the corresponding period last year. HTAL's share of Vodafone Hutchison Australia Pty Limited's ("VHA") net loss included in HTAL's results for the period was $10.7 million for the half-year ended 30 June 2017 compared with a net loss of $68.6 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 2017 decreased from $3.6 million in the corresponding period last year to $1.2 million mainly due to the decrease in shareholder loan balances provided to VHA which contributed lower interest income for half-year ended 30 June 2017.

			$ '000
Revenue from ordinary activities *(Appendix 4D item 2.1)*	↓	65.0%	1,242
Loss from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	↑	84.7%	(10,036)
Net loss for the period attributable to members *(Appendix 4D item 2.3)*	↑	84.7%	(10,036)

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**

Directors' Report

Your 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 2017.

Directors

The following persons were Directors of HTAL during the whole of the half year ended 30 June 2017 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 $10.0 million loss for the half-year ended 30 June 2017, compared with a loss of $65.7 million in the corresponding period last year. 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.

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 2017 decreased from $3.6 million in the corresponding period last year to $1.2 million mainly due to the decrease in shareholder loan balances provided to VHA which contributed lower interest income for the half-year ended 30 June 2017.

No dividend was declared or paid by HTAL during the half-year ended 30 June 2017 (2016: 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 has once again produced a pleasing performance, with growth trends continuing in the first half of 2017. In a competitive market, VHA continues to be sought out by consumers wanting a high-performing mobile network and simple plans containing generous data, call and text inclusions. VHA's strategy is to offer value and transparency in its products, to give customers the freedom and choice to use their service how they want to and to build brand loyalty.

VHA's total customer base reached 5.7 million, a 3.5 per cent increase year on year. This represents five consecutive half year periods of customer base growth. Growth in the six months to June 2017 was driven by continued growth in the postpaid VHA base of 1.8 per cent and a large increase in wholesale (MVNO) customers of 28.7 per cent. VHA's Red plans, which include the popular $5 Roaming product and generous data inclusions, drove a 1.8 per cent rise in postpaid customers.

HTAL's share of VHA EBITDA increased 15.9 per cent year on year to $238.7 million. This was driven by a 3.0 per cent increase in HTAL's share of VHA total revenue to $825.6 million and sound commercial discipline.

The Australian Competition and Consumer Commission's ("ACCC") reduction of industry mobile termination rates (MTR) continues to impact ARPU. When presented using a comparable ARPU calculation (revised to cover a 6 month rolling average), VHA ARPU increased 2.0 per cent from $45.00 to $45.89. However, unadjusted ARPU which is calculated on a 12 month rolling average is down 5.7 per cent year on year to $46.32.

There was also further improvement in loss position, with HTAL's share of net loss of VHA declining 84.4 per cent compared to the same period last year, and by the improvement of 15.9 per cent in EBITDA .

VHA's network is better than ever

VHA continues to enhance and grow its network, now and for the future. VHA's technology spend for 2017 will total almost $2 billion, including approximately 450 new sites and site upgrades in regional Australia. These include the continued rollout of VHA sites under the Australian Government's Mobile Black Spot program, with more than 70 sites to be completed by the end of 2018. In regional Victoria, VHA is building 23 sites along the Geelong, Ballarat, Bendigo, Seymour and Traralgon train lines as part of the Victorian government led initiative. The rollout of VHA's fibre transmission continue to progress well, with over 1,150 sites now migrated.

VHA has solid spectrum holdings following the recent acquisition of a new low-band spectrum licence and the renewal of existing high-band licences. In April 2017, VHA acquired licences for 2 x 5MHz of spectrum in the Australian Government's 700MHz band auction for $286 million. The 700 MHz spectrum, combined with VHA's other existing low band spectrum holdings, will help support customers' growing appetite for data. VHA has also renewed its 2100 MHz spectrum holdings for $544 million.

Challenging the market to deliver more for customers

VHA continues to innovate in the Australian mobile market, offering propositions which are attractive to consumers and give them the confidence to use their service more.

VHA's $5 Roaming, which allows customers to use their VHA plans overseas for just an additional $5 per day and without extra charge in New Zealand, continues to be a key driver of connections and improvement in Net Promoter Score (NPS) for VHA. These products are not only popular with customers, they are also delivering for the business, with a 19.7 per cent year on year increase in roaming revenue. VHA's international roaming offer continues to be recognised as a leader in the market.

To set itself apart in the highly-competitive pre-paid segment, VHA launched a 35 day expiry period offering in May 2017. The VHA's Talk Combos and Data Combos, which offer a 35 day expiry on plans $40 and above, provide customers with more time to use increased inclusions.

To continue to expand brand awareness, VHA has entered into a series of sponsorships and partnerships. In April, VHA announced it has partnered with Supercars as the Official Telco Partner of the 2017 Supercars Championship. Supercars has a large and avid supporter base, and the partnership provides the opportunity for VHA to feature on the national sporting stage. VHA also entered into a naming rights sponsorship with the Super Rugby competition for four seasons and became a major partner of the Wallaroos (the Australian senior women's rugby team).

In January 2017, VHA launched its new Consumer Business Unit (CBU) which brought its Sales and Marketing teams into the one unit. The streamlined structure was created to drive VHA's ambition to deliver the very best product, service and experience for its customers.

Customer sentiment increases, complaints significantly lower than industry average

Customer satisfaction with VHA continues to increase, with VHA's overall NPS increasing a further nine points between June 2016 and June 2017. This was driven by improved customer perceptions of VHA across the board, including in the key areas of network, value for money and service.

VHA recorded the lowest ratio of complaints of the mobile network operators (MNOs) to the Telecommunications Industry Ombudsman in the March and June quarters of 2017. VHA's complaints ratio for the June quarter was more than 50 per cent lower than the industry average. VHA attributes this to its strong network performance, value plans and commitment to customer service excellence.

Enterprise unit gaining momentum

VHA's Enterprise Business unit gained several new major customers in the first half of 2017, including companies in the airline and automotive industries. The unit is continuing its focus on growing the customer base in the professional services, retailers and trades verticals. VHA also completed a successful trial of Narrowband Internet of Things (NB-IoT) technology with utilities and technology partners and plans to launch commercial services in late 2017.

Vodafone Foundation

The Vodafone Foundation supports charities to improve the health of Australians using mobile services. The award-winning DreamLab app continues to support research by the Garvan Institute of Medical Research to group cancers based on their genetic profile so personalised treatments can be identified. The Android app fast-tracks the Garvan Institute's research using the processing power of idle smartphones. The app has now been downloaded to almost 92,000 smartphones and has processed over 60 per cent of the project data, in half the time it would have taken the Institute alone.

Standing up for regional Australia

VHA remains steadfast in its efforts to influence telecommunications policy and regulatory reform to deliver benefits for Australian consumers, particularly those living in regional areas. VHA believes that without key changes, regional Australia will continue to be left behind.

Domestic roaming

VHA staunchly believes the introduction of regulated domestic roaming in regional Australia would be in the best interests of consumers, delivering significant benefits including lower prices, expanded mobile coverage and increased competition, and provided comprehensive submissions to the ACCC's domestic roaming inquiry in December 2016, March 2017 and June 2017.

VHA considers the ACCC's draft decision in May 2017, which proposed not to declare a roaming service, a missed opportunity for regional Australia. Further, VHA has filed for a Judicial Review of the ACCC's inquiry because VHA considers the inquiry process has not been carried out properly.

VHA considers domestic mobile roaming as Australia's best opportunity to increase mobile investment and competition in regional areas and will consider investment opportunities once available in the future.

Universal Service Obligation (USO)

VHA is urging immediate action by the Federal Government to ensure regional Australia receives the voice and broadband services it needs following the release of the Productivity Commission's final report into the Universal Service Obligation (USO).

In June 2016, VHA welcomed the release of the final report into the current USO model, which provides almost $300 million in public and industry funding each year to Telstra and its recommendation that the arrangement be wound up by 2020.

VHA has long-supported reform of the USO as it considers the current model is not delivering value for money to taxpayers or 21st century infrastructure to regional Australia.

Outlook

VHA's continued solid performance is attributed to its network, customer propositions, customer service delivery and sound commercial discipline. Through strong commercial judgment and continued financial growth, VHA will remain a strong challenger player in the Australian market with further heavy investment and innovation.

VHA will continue its significant investment in enhancing the quality and expansion of its network in metropolitan and, wherever commercially viable, regional areas. In late 2017, VHA plans to roll-out Wi-Fi Calling technology, allowing customers to make voice calls when connected to a Wi-Fi network. VHA also plans to launch commercial NB-IoT services in Melbourne and surrounding areas in the second half of 2017, and expand the rollout into targeted regions across the country in 2018. VHA will also continue to advance on its path to 5G-readiness with further internal 5G explorations, testing and trials.

In parallel to its continued network investment, VHA will pursue its telecommunications policy and regulatory campaign to provide regional Australia with the best opportunity to drive mobile coverage expansion, and to deliver significant savings and increased competition to consumers.

Just as VHA has done for international roaming and pre-paid, it will continue to challenge the way mobile services are marketed in Australia. In August 2017, VHA will introduce revolutionary postpaid products which will change the rules, offering increased simplicity and fairness to Australian consumers. VHA will also further increase the number of countries $5 Roaming is available in, and consider new sponsorship opportunities.

In the second half of 2017, VHA plans to launch fixed broadband services via the National Broadband Network to complement its mobile network. In line with its whole-of-business approach and to differentiate itself in the fixed market, VHA is working on a proposition which will offer customers simplicity, transparency and a great customer experience. In preparation for launch, VHA plans to carry out service trials, and make a number of announcements about pricing, plans and delivery of services.

HTAL remains committed to its investment in VHA, and will continue to support VHA's strategy.

VHA financial and operating metrics

	June 2017	June 2016	YoY change
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	825.6	801.5	3.0%
Gross service revenue[1] ($m)	724.1	695.2	4.2%
Net service revenue[2] ($m)	600.5	580.0	3.5%
EBITDA ($m)	238.7	206.0	15.9%
Share of net loss of VHA[3] ($m)	(10.7)	(68.6)	84.4%
The items below represent totals for VHA			
- Postpaid customers ('000)	3,367	3,307	1.8%
- Prepaid customers ('000)	1,663	1,679	(1.0%)
VHA customers subtotal ('000)	5,030	4,986	0.9%
- MVNO customers ('000)	654	508	28.7%
Total network customers ('000)	5,684	5,494	3.5%
Gross ARPU[4,6] ($)	46.32	49.11	(5.7%)
Net ARPU[5,6] ($)	38.16	41.72	(8.5%)

[1] **Gross service revenue** represents total monthly amount billed to the customer excluding any handset/device charges, plus incoming mobile termination revenue.

[2] **Net service revenue** represents gross service revenue excluding amounts attributable to a handset/device in postpaid contract bundled plans. The amount attributable to a handset/device is based on the price differential between a contract bundled plan and a comparable SIM-only plan at the time of acquisition or re-sign.

[3] Reconciliation for the **Share of net loss of VHA** is set out on page 23.

[4] **Gross ARPU** represents a rolling 12 month average gross service revenue per user per month at the end of the period excluding MVNOs.

[5] **Net ARPU** represents a rolling 12 month average net service revenue per user per month at the end of the period excluding MVNOs.

[6] **ARPU** is published to provide comparable figures to prior year. ARPU is calculated based on a 12 month rolling average and for the six month period to 30 June 2016 it includes six months of 2015 which had higher mobile termination rates. When presented using a comparable ARPU calculation (revised to cover a 6 month rolling average), Gross VHA ARPU increased 2.0% from $45.00 to $45.89. Net VHA ARPU increased 1.0% from $37.33 to $37.71

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

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*.

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

Director
1 August 2017

Director
1 August 2017

Auditor's Independence Declaration

As lead auditor for the review of Hutchison Telecommunications (Australia) Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. 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
1 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO Box 2650, Sydney, NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Hutchison Telecommunications (Australia) Limited
Consolidated statement of profit or loss and other comprehensive income
For the half year ended 30 June 2017

	June 2017 $'000	June 2016 $'000
Revenue	1,242	3,551
Operating expenses	(616)	(640)
Share of net losses of a joint venture accounted for using the equity method	(10,662)	(68,603)
Loss before income tax	(10,036)	(65,692)
Income tax expense	-	-
Loss for the period	(10,036)	(65,692)
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	83	66
Other comprehensive income for the period, net of tax	83	66
Total comprehensive loss for the period attributable to members of Hutchison Telecommunications (Australia) Limited	(9,953)	(65,626)
	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings per share	(0.07)	(0.48)
Diluted earnings per share	(0.07)	(0.48)

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 2017

	June 2017 $'000	Dec 2016 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	4,656	4,469
Other financial assets	236,528	48,906
Trade receivables	7	6
Total Current Assets	241,191	53,381
Non-Current Assets		
Investment accounted for using the equity method	199,135	209,714
Total Non-Current Assets	199,135	209,714
Total Assets	440,326	263,095
LIABILITIES		
Current Liabilities		
Payables	298	277
Other financial liabilities	324,025	136,862
Total Current Liabilities	324,323	137,139
Total Liabilities	324,323	137,139
Net Assets	116,003	125,956
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,940	70,857
Accumulated losses	(4,159,425)	(4,149,389)
Total Equity	116,003	125,956

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 2017

	Attributable to members of Hutchison Telecommunications (Australia) Limited					
		Reserves				
	Contributed equity	Capital redemption	Cash flow hedges	Share-based payments	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	4,204,488	54,887	(323)	15,880	(4,085,936)	188,996
Loss for the period	-	-	-	-	(65,692)	(65,692)
Share of joint venture's changes in the fair value of cash flow hedges, net of tax	-	-	66	-	-	66
Total comprehensive loss for the period	-	-	66	-	(65,692)	(65,626)
Balance at 30 June 2016	4,204,488	54,887	(257)	15,880	(4,151,628)	123,370
Balance at 1 January 2017	4,204,488	54,887	90	15,880	(4,149,389)	125,956
Loss for the period	-	-	-	-	(10,036)	(10,036)
Share of joint venture's changes in the fair value of cash flow hedges, net of tax	-	-	83	-	-	83
Total comprehensive loss for the period	-	-	83	-	(10,036)	(9,953)
Balance at 30 June 2017	4,204,488	54,887	173	15,880	(4,159,425)	116,003

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 2017

	June 2017 $'000	June 2016 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(595)	(626)
Interest received	782	3,221
Net cash inflows from operating activities	187	2,595
Cash Flows from Investing Activities		
Proceeds from loan to joint venture	12,837	25,000
Net cash inflows from investing activities	12,837	25,000
Cash Flows from Financing Activities		
Repayment of borrowings – entity within the CKHH Group	(12,837)	(30,000)
Net cash outflows from financing activities	(12,837)	(30,000)
Net increase (decrease) in cash and cash equivalents	187	(2,405)
Cash and cash equivalents at 1 January	4,469	5,318
Cash and cash equivalents at 30 June	4,656	2,913

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 2017 has been prepared in accordance with Accounting Standard *AASB* 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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 2016 and any public announcements made by Hutchison Telecommunications (Australia) Limited (the "Group", "Consolidated Entity" or "HTAL"), during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 2017, the Consolidated Entity has a deficiency of net current assets of $83.1 million (31 December 2016: net current assets deficiency of $83.8 million). Included in the Consolidated Entity's current liabilities is an amount of $324.3 million (31 December 2016: $137.1 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 2017, 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 2016 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 2016 annual impairment test indicated that no impairment charge was required.

In assessing whether there is any indication of potential impairment as at 30 June 2017, the Group has reviewed internal and external criteria, and concluded that there was no indication that there has been any event or change since the 2016 year-end date which may potentially impair the carrying value of the Group's investment in controlled entities and joint venture as at 30 June 2017.

(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 Directors are of the view that the estimated useful lives of network assets within the joint venture should be extended to reflect the experience of the group. Accordingly, 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 2017. None of these had a significant impact on the financial performance or position of the Consolidated Entity for the half year.

New accounting standards and interpretations not yet effective

The Consolidated Entity has not yet applied the following standards and amendments.

Reference	Standard(s)	Application date
AASB 9	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	1 January 2018
AASB 15	The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	1 January 2018
AASB 16	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.	1 January 2019

Management are continuing to progress their assessment of the impact of these new accounting standards, which include preparing a detailed transition plan and timetable. This is well progressed and management believe that the Consolidated Entity is on track to meet the requirements of the new standards.

Note 2 - 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 2017, 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 2017 $m	June 2016 $m
Total Revenue	826	802
Net Losses	11	69

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 23.

*after joint venture accounting adjustments

Note 3 - 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 12 to 20 are in accordance with the *Corporations Act 2001*, 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 2017 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
1 August 2017

Director
1 August 2017

Hutchison Telecommunications (Australia) Limited
Supplementary Appendix 4D information

NTA Backing *(Appendix 4D item 3)*

	June 2017	June 2016
Net tangible asset backing per ordinary share	$0.01	$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 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 2017 is $10,662,000 (2016: $68,603,000).

Information relating to the joint venture is set out below:

	June 2017 $'000	June 2016 $'000
Reconciliation of interest in a joint venture		
Investment brought forward at 1 January	209,714	277,315
Loss for the year	(10,662)	(68,603)
Share of change in fair value of cash flow hedges, net of tax	83	66
Interest in a joint venture at 30 June	199,135	208,778

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 2017 $'000	Dec 2016 $'000
Current assets	1,721,539	2,129,475
Non-current assets	6,477,763	5,883,456
Current liabilities	(6,564,125)	(6,460,885)
Non-current liabilities	(2,331,117)	(2,166,636)
Net Assets	(695,940)	(614,590)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(347,970)	(307,295)
Goodwill	165,321	165,321
Joint venture accounting adjustments	381,784	351,688
Carrying amount of the investment	199,135	209,714

The carrying value of HTAL's investment in VHA is predicated on the ongoing financial support from both of VHA's shareholders. At 30 June 2017, HTAL's share of VHA's net current asset deficiency is $2,421.3 million (2016: net current assets deficiency of $2,165.7 million). Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have confirmed their current intention to 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 this financial report.

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

	June 2017 $'000	June 2016 $'000
Revenues	1,651,210	1,603,082
Expenses	(1,732,726)	(1,766,952)
Loss before income tax	(81,516)	(163,870)
Income tax expense	-	-
Loss for the period	(81,516)	(163,870)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	166	131
Total comprehensive loss	(81,350)	(163,739)
50% share of VHA's loss for the period	(40,758)	(81,935)
Joint venture accounting adjustments	30,096	13,332
Share of joint venture's loss	(10,662)	(68,603)

VHA's financial statements include the following specific items:

	June 2017 $'000	Dec 2016 $'000
Cash and cash equivalents	125,123	271,129
Current financial liabilities	5,528,276	5,385,142
Non-current financial liabilities	2,223,451	2,050,058

	June 2017 $'000	June 2016 $'000
Depreciation and amortisation^	391,204	385,084
Interest income	2,026	2,324
Finance costs	169,667	193,177

^ Depreciation and amortisation under the HTAL basis are $331.0 million for period ended 30 June 2017 (2016: $358.4 million). The differences to VHA are primarily related to differences in the estimated economic useful lives of property, plant and equipment.

Foreign Accounting standards *(Appendix 4D item 8)*
For foreign entities only, details of the accounting standards used in compiling the report e.g. International Accounting Standards

N/A

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
1 August 2017

Director
1 August 2017

pwc

Independent auditor's review report to the shareholders 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 2017, 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, selected 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 consolidated entity's financial position as at 30 June 2017 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

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:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Rosalie Wilkie
Partner

Sydney
1 August 2017