Hutchison Telecoms

2017 Annual Report

Contents

AGM Details

The Annual General Meeting of HTAL
will be held at:
177 Pacific Highway
North Sydney NSW 2060
Wednesday 2 May 2018 at 10.00 am

ABN 15 003 677 227

Hutchison Telecommunications (Australia) Limited ("HTAL") (ASX: HTA) has a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA"). **HTAL was listed on the ASX in 1999 and in 2003 launched Australia's first 3G service under the 3 brand.**

In 2009, HTAL's operations were merged with Vodafone Australia to form VHA. VHA offers mobile telecommunications under the Vodafone brand in Australia.

Ownership Structure

HTAL owns 50% of VHA. Vodafone Group Plc owns the remaining 50%. CK Hutchison Holdings Limited is the majority shareholder of HTAL, with an 87.87% stake#.

CK HUTCHISON HOLDINGS LIMITED

87.87%#

SPARK NEW ZEALAND TRADING LIMITED

10%#

PUBLIC SHAREHOLDERS

2.13%

HUTCHISON TELECOMMUNICATIONS (AUSTRALIA) LIMITED

VODAFONE GROUP PLC

50%#

50%#

VHA

VODAFONE HUTCHISON AUSTRALIA

Indirect ownership.

VHA Key Operational Highlights in 2017

Vodafone Foundation DreamLab app launched on iOS, expanded globally

Further growth in customer numbers, EBITDA and revenue

Improved loss position

Launched fixed broadband services via the National Broadband Network

Brought innovative post-paid and pre-paid mobile services products to market

Ended 2017 with leading Net Promoter Score among Mobile Network Operators

347 new sites

Continued significant investment in network and technology

Continued focus on Enterprise segment

Continued growth in roaming revenue

Financial Summary

VHA achieved further growth in its customer base during 2017, with the addition of 246,000 customers. Total network customers increased 4.4% to 5.81 million.

VHA Financial and Operating Metrics

	2017	2016	YoY change
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	**1,729.0**	1,672.6	3.4%
Gross service revenue[1] ($m)	**1,453.8**	1,417.9	2.5%
Net service revenue[2] ($m)	**1,218.5**	1,181.3	3.1%
EBITDA ($m)	**485.9**	456.1	6.5%
Share of net loss of VHA[3] ($m)	**(42.5)**	(68.0)	37.5%
The items below represent totals for VHA			
- Postpaid customers ('000)	**3,388**	3,354	1.0%
- Prepaid customers ('000)	**1,709**	1,652	3.5%
VHA customers subtotal ('000)	**5,097**	5,006	1.8%
- Mobile Virtual Network Operator ("MVNO") customers ('000)	**711**	556	27.9%
Total network customers ('000)	**5,808**	5,562	4.4%
Gross ARPU[4] ($)	**45.80**	45.87	(0.2%)
Net ARPU[5] ($)	**38.03**	37.97	0.2%

Notes:

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 36.

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.

Chairman's Message

Fok Kin Ning, Canning
Chairman

I am pleased to report to you on our performance in 2017, based on the continued improvement in Vodafone Hutchison Australia's business.

We reported a $37.6 million loss for the year ended 31 December 2017, compared with a loss of $63.5 million in the prior year. The Company's share of VHA's net loss included in these results was $42.5 million compared with a net loss of $68.0 million in 2016. HTAL's revenue from ordinary activities represents interest income received on loans to VHA, and increased from $5.8 million in 2016 to $6.2 million in 2017.

No dividend was declared or paid by HTAL during the year.

VHA Highlights

In 2017, VHA achieved another year of solid financial growth, while maintaining and enhancing its strong mobile network, launching fixed broadband services, adding to its range of competitive mobile products, and further strengthening customer sentiment.

With strong support from HTAL and its joint shareholder Vodafone Group Plc, VHA has again performed well in an increasingly competitive environment, reinforcing VHA's place in the market as a challenger and customer champion.

Key achievements and highlights:

- Continued significant investment in network and technology;
- Further growth in customer numbers, EBITDA and revenue;
- Launched fixed broadband services via the National Broadband Network;
- Ended 2017 with leading Net Promoter Score among Mobile Network Operators;
- Brought innovative post-paid and pre-paid mobile services products to market;
- Continued growth in roaming revenue;
- Continued focus on Enterprise segment;
- Vodafone Foundation DreamLab app launched on iOS, expanded globally; and
- Improved loss position.

VHA 2017 financial results

VHA produced a solid financial performance in 2017. It continued to take a sustainable approach to pricing, while encouraging customer retention and new customer growth through innovative products which offer value and generous inclusions to consumers.

On the back of customer growth, HTAL's share of VHA total revenue increased 3.4% to $1,729 million.

In an increasingly competitive market, gross ARPU remained steady at $45.80, a decrease of 0.2%.

HTAL's share of VHA's EBITDA increased 6.5% to $485.9 million for the full year, driven by revenue growth and commercial optimisation.

Operating free cash flow also continued to increase, driven by the increase in EBITDA.

The loss position continued to improve with HTAL's share of VHA net loss declining 37.5% to $42.5 million, driven by the increase in EBITDA.

Further customer growth, strengthening of consumer sentiment

VHA achieved further growth in its customer base during 2017, with the addition of 246,000 customers, and continued to see positive customer sentiment strengthen. Total network customers increased 4.4% to 5.81 million on the back of a 27.9% rise in wholesale and partner customers, 1.0% lift in postpaid customers, and 3.5% growth in prepaid customers.

In a sign of strong brand health, VHA ended 2017 with the leading Net Promoter Score (NPS) among the Mobile Network Operators. VHA's NPS, which measures how likely customers are to recommend VHA products and services to others, increased a further two points throughout 2017. VHA's NPS performance is driven by customer perceptions of network performance and reliability, trustworthiness, customer control over spend, and value for money.

VHA also recorded the lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the major telecommunications companies throughout 2017. In the December quarter, VHA's complaints ratio was 44% lower than the industry average.

Investing in a network for the future

In 2017, VHA's total network and technology spend totalled almost $2 billion. VHA's significant, on-going investment in metropolitan and regional areas drove continued growth and expansion of its network as customer data usage continued to grow, increasing 38.8% from 2016 to 258 million terabytes in 2017. VHA built 347 new sites and upgraded over 1,600 existing sites across the country. This included the construction of 23 new sites as part of the Australian Government's Mobile Black Spot Program.

The VHA mobile network also continued to be recognised for its high performance in various independent network testing. The P3 Public Benchmark networking tests, Ookla Speedtest data and Open Source State of the Network report showed VHA's network performance continues to improve, with VHA leading in several categories and locations.

In December 2017, VHA acquired licences for three lots of additional spectrum at a spectrum auction held by the Australian Communications and Media Authority. VHA invested $7.2 million in licences for 2x10 MHz of spectrum in the 2100 MHz band in both Hobart and Darwin, and 2x5 MHz in the 1800 MHz band in regional Western Australia. The new holdings will enable VHA to further improve its network for customers in these areas.

VHA successfully conducted Australia's first demonstration of Massive MIMO (Multiple Input Multiple Output) using FDD (Frequency Duplex Division) spectrum bands, also known as 4.9G. The demonstration achieved cell throughput speeds of 717Mbps across eight devices and is a significant step for the network in the lead-up to 5G.

Changing the fixed broadband game

In December 2017, VHA entered the fixed broadband market, launching Vodafone nbn™. In a strategic business move, Vodafone nbn™ will complement VHA's mobile network and deliver a converged internet experience to meet growing consumer demand for continuous connectivity.

To differentiate itself in the market and provide a superior customer experience, VHA announced a number of unique initiatives as part of its fixed broadband offering, including Vodafone Wi-Fi Hub™ Modem featuring 4G Back Up At Sign-Up, customers are provided with the modem which allows them to connect to the VHA 4G mobile network until NBN is installed. The modem also automatically switches to mobile in the event the NBN connection fails.

VHA also carries out speeds checks at customers' premises after connection to ensure they are not paying for a speed which is not achievable, and allows plan changes at no extra cost once per billing cycle.

Vodafone nbn™ is initially available online, over the phone or in 78 stores across Sydney, Canberra, Melbourne, Geelong and Newcastle.

VHA continues customer focus

In an increasingly competitive environment, VHA continued to challenge the market by introducing new competitive offers and innovative products.

VHA revolutionised the post-paid category in Australia by introducing new Red Plans which separate handset costs from plan costs. In line with VHA's purpose, which is to give customers the freedom and choice to connect the way they want, VHA's no lock-in contracts allow customers to pay off their devices over 12, 24 or 36 months, interest-free.

In response to customer feedback, VHA became the first mobile provider to introduce 35-day recharge periods. This initiative led to customer base growth in the pre-paid segment.

Chairman's Message continued

Customer data usage continued to grow, increasing 38.8% from 2016 to 258 million terabytes in 2017.

VHA also expanded its popular $5 Roaming product, which allows customers to use their plan inclusions in over 55 countries for an extra $5 per day, to eight new destinations. The new destinations are: Israel, Taiwan, Chile, Sri Lanka, Nauru, Jersey, Guernsey and Isle of Man.

VHA's roaming revenue increased 19% from 2016 to 2017.

VHA also added new features to enhance the customer experience. Vodafone Wi-Fi Calling allows Vodafone customers to make and receive calls, MMS and SMS from their compatible smartphone over an accessible Wi-Fi network, while Vodafone NumberSync enables customers to share their mobile services plan and phone number with their compatible iPhone and Apple Watch Series 3 (GPS + Cellular).

Sponsorship

In 2017, VHA engaged with the Australian community through a strong roster of targeted, relevant sponsorships. Through prominent branding at popular sporting events and association with popular sporting codes, the sponsorships promote the Vodafone brand to new audiences.

Re-entering into a relationship with Supercars, VHA assumed the role of naming rights partner for the Porsche safety, course and medical cars, complementing its Official Telco Partner status of the 2017 Supercars Championship. VHA took on the role of naming rights partner of the Vodafone Gold Coast 600, a weekend-long motor sports event attended by almost 200,000 fans.

In a major four-year deal with Super Rugby, VHA secured competition naming rights until 2020, and back-of-jersey sponsorship of the Australian women's XV side, the Wallaroos.

VHA also entered into a three-year sponsorship agreement with cricket's Big Bash League and Women's Big Bash League Adelaide Strikers.

A focus on small and medium businesses

VHA accelerated its Enterprise strategy in 2017, building on its award-winning offerings for small and medium sized business customers. VHA signed major business customers across a variety of industries including food and beverage, global logistics, and finance. In August, VHA won the Canstar Blue award for Most Satisfied Customers – Small Business Mobile Phone Providers 2017.

VHA launches Australia's first Narrowband Internet of Things network

In October 2017, VHA launched Australia's first Narrowband Internet of Things (NB-IoT) network in Melbourne, Victoria, with plans to expand the network into other areas in 2018. The key benefits of NB-IoT include extended coverage over large areas, even when devices are underground or deep within buildings, and greater power efficiency so devices can run on batteries for ten years or longer on a single charge.

Leveraging Vodafone's global position as a leader in IoT services and technologies, NB-IoT will enable the wireless connection of millions of devices with low bandwidth requirements, opening up opportunities for industries including utilities, smart cities and health.

Committed to a fairer telco playing field

Throughout 2017, VHA accelerated its telecommunications policy and regulatory reform to improve access and reliability for all Australians, particularly those in regional, rural and remote areas. The Australian mobile market is unique internationally, and is characterised by an extreme geography and a dominant incumbent which has benefited significantly from a legacy fixed network and significant ongoing government and industry funding and subsidies. This has resulted in a mobile monopoly in regional Australia of over 1.4 million square kilometres, which has flow-on effects in other areas.

In December 2017, VHA welcomed the Australian Government's announcement that the Universal Service Obligation, which currently sees $297 million per year in taxpayer and industry funding provided to the incumbent for its copper and payphone services, will be wound up by 2020. This follows resolute calls for reform from VHA and other parties over recent years.

VHA ended 2017 with the leading Net Promoter Score among the Mobile Network Operators.

Despite the Australian Competition and Consumer Commission's decision in October 2017 to not regulate domestic roaming, VHA maintains the current market distortion still needs to be addressed. VHA remains committed to the objectives of its agenda to achieve improved outcomes for Australian telecommunications customers.

Vodafone Foundation's Dreamlab app launches on iOS, goes global

In October 2017 the Vodafone Foundation released a DreamLab app for Apple's iOS devices. DreamLab uses the processing power of idle smartphones to help the Garvan Institute of Medical Research speed up vital cancer research. Since Dreamlab was first launched on Android devices in 2015, it has crunched over 25 million calculations and is currently nearing completion of its first research project to find safer and more effective treatments for cancer patients.

Following its success in Australia, DreamLab has been chosen as the Global Vodafone Foundation's flagship program and will be rolled out to several markets in Europe and the Middle East in 2018.

Outlook

VHA is well-positioned to continue its financial and customer growth, building on momentum of recent years. Despite an increasingly competitive market and significant barriers to competition in regional areas, VHA has established a reputation for its strong mobile network and as a customer champion both in the product and regulatory spaces.

In 2018, VHA will continue to invest heavily in growing and enhancing its business, with a focus on its mobile network, fixed broadband services, Internet of Things technology, 5G and Enterprise. VHA will continue its preparations for 5G with the final stages of its fibre transmission rollout, by evolving and building capability in its network, and through further technology trials.

VHA will also continue to expand its 4G network through its own investment and as part of the Australian Government's Mobile Black Spot Program, and confirm a significant increase in mobile coverage as part of its joint venture agreement with a third party.

The convergence of fixed and mobile internet services will be a key area as VHA expands its fixed broadband business, offering Vodafone nbn™ to more homes and businesses. VHA will also continue the digitisation of the company to create a more agile organisation and an enhanced customer experience.

Just as it has done over recent years with propositions such as $5 Roaming, no lock-in postpaid handset contracts and 35-day prepaid expiry periods, VHA will continue to introduce new products which offer generous inclusions for customers to meet growing demand for services and deliver a financial return.

VHA remains committed to its policy and regulatory agenda to bring increased competition and choice to regional Australian customers. It will continue to put forward constructive ideas to government and other decision-makers about policy and regulatory reform to achieve maximum benefits for consumers.

The Australian Communications and Media Authority has indicated it intends to bring licences for the 3.6 GHz spectrum band to market via auction in 2018. This is to be followed by auctions in 2019 for 850-900 MHz, 26 GHz and 1.5 GHz band licences in 2019. VHA is engaged in a sustained initiative to optimise its position in the spectrum allocation process.

VHA has raised concerns about 5G spectrum availability given that other countries have identified far larger quantities of 5G spectrum than are likely to be available in Australia. VHA will continue to advocate strongly for sufficient spectrum to be made available at the right time to ensure consumers receive the full benefits of a competitive 5G environment.

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

Fok Kin Ning, Canning
Chairman

Board of Directors

Fok Kin Ning, Canning (Chairman) BA, DFM, FCA (ANZ)

Fok Kin Ning, Canning, aged 66, has been a Director since February 1999. Mr Fok has been a non-executive director of CK Hutchison Holdings Limited ("CKHH") since January 2015 and was re-designated as an executive director and group co-managing director of CKHH in June 2015. He has been a director of Cheung Kong (Holdings) Limited since 1985, became a non-executive director in 1993 and was re-designated as a director in June 2015. Mr Fok has been an executive director of Hutchison Whampoa Limited ("HWL") since 1984, group managing director since 1993 and was re-designated as a director in June 2015. He has been chairman and a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") since 2009 and of Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust") since 2011, an executive director since 1985 and chairman since 2005 of Power Assets Holdings Limited ("Power Assets"), chairman and an executive director of HK Electric Investments Manager Limited ("HKEIML") as the trustee-manager of HK Electric Investments ("HKEI") and of HK Electric Investments Limited ("HKEIL") since 2013, co-chairman of Husky Energy Inc. ("Husky Energy") since 2000, and an executive director and deputy chairman of CK Infrastructure Holdings Limited (formerly known as Cheung Kong Infrastructure Holdings Limited) ("CKI") since 1997. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses. He was previously alternate director to a director of HTHKH from 2010 to July 2016. Mr Fok has also been a director of Vodafone Hutchison Australia Pty Limited ("VHA") since 2001. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

Barry Roberts-Thomson (Deputy Chairman)

Barry Roberts-Thomson, aged 68, has been a Director since February 1989 and was Managing Director of HTAL from its inception in 1989 until September 2001. In his capacity as Deputy Chairman, Mr Roberts-Thomson represents HTAL in government relations and strategic projects and has served as a director of VHA since 2001.

Justin Herbert Gardener (Director) BEc, FCA, AGIA

Justin Herbert Gardener, aged 81, has been a Director since July 1999. Mr Gardener has been a director of a number of private and publicly listed companies including Austar United Communications Limited (appointed 1999 and retired 2008). From 1961, and until his retirement in 1998, Mr Gardener held a variety of positions with Arthur Andersen, becoming a partner in 1972 and for the last ten years in a management and supervisory role for Asia Pacific. Mr Gardener is a Fellow of the Institute of Chartered Accountants and an Associate of the Governance Institute.

Lai Kai Ming, Dominic (Director) BSc, MBA

Lai Kai Ming, Dominic, aged 64, has been a Director since May 2004 and Alternate Director to Mr Sixt since May 2006 and to Mr Fok since December 2016. Mr Lai has been an executive director and deputy managing director of CKHH since June 2015. He has been an executive director of HWL since 2000 and was re-designated as a director in June 2015. Mr Lai has been a non-executive director of HTHKH since 2009 and alternate director to directors of HTHKH since 2010. He has been alternate director to a director of TOM Group Limited ("TOM") since August 2016. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Lai acts as director for the purpose of overseeing the management of such businesses. He has also been a director of VHA since October 2016. He was previously Alternate Director to Mrs Chow Woo Mo Fong, Susan, a then Director of HTAL from 2006 to July 2016. Mr Lai has over 30 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

John Michael Scanlon (Director)

John Michael Scanlon, aged 76, has been a Director since July 2005. Mr Scanlon is a special venture partner to Clarity Partners LLP, a private equity firm. From 1965 through to 1988, his career was with AT&T, primarily Bell Labs, rising to group vice president of AT&T. Mr Scanlon then went on to become president and general manager of Motorola's Cellular Networks and Space Sector, founding chief executive officer of Asia Global Crossing, chief executive officer of Global Crossing and chairman and chief executive officer of PrimeCo Cellular.

Frank John Sixt (Director) MA, LLL

Frank John Sixt, aged 66, has been a Director since January 1998 and Alternate Director to Mr Lai since February 2008. Mr Sixt has been a non-executive director of CKHH since January 2015 and was re-designated as an executive director, group finance director and deputy managing director of CKHH in June 2015. He has been an executive director of Cheung Kong (Holdings) Limited since 1991, became a non-executive director in 1998 and was re-designated as a director in June 2015. Mr Sixt has been an executive director of HWL since 1991, group finance director since 1998 and was re-designated as a director in June 2015. He has been chairman and a non-executive director of TOM since 1999 and an executive director of CKI since 1996. Mr Sixt has also been a director of Husky Energy since 2000. He has been alternate director to a director of HKEIML as the trustee-manager of HKEI and of HKEIL since 2015. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Sixt acts as chairman or director for the purpose of overseeing the management of such businesses. Mr Sixt was previously a non-executive director of HTHKH from 2009 to December 2016 and of HPHM as the trustee-manager of HPH Trust from 2011 to December 2016. He was previously a non-executive director (re-designated from an executive director to a non-executive director in January 2014) of Power Assets from 1998 to December 2016. He has also been a director of VHA since 2001. He was previously Alternate Director to Mrs Chow Woo Mo Fong, Susan, a then Director of HTAL from 2008 to July 2016. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

Ronald Joseph Spithill OAM (Director) BScTech

Ronald Joseph Spithill, aged 76, has been a Director since November 2010. Mr Spithill was a director of Telecom Corporation of New Zealand Limited from 2006 until 2011 and serves on a number of NGO boards. Mr Spithill has also been a director of VHA since 2010. He was previously president of Alcatel Asia Pacific responsible for operations in 16 countries, executive vice president and chief marketing officer of the Paris-based Alcatel group and vice-chairman of Alcatel Shanghai Bell. He has been chief executive officer and chairman of Alcatel Australia. He is a past president of the Telecommunications Industry Association of Australia and served with the AEEMA Board, the Australian Business Council, the Malaysian Government Industry Advisory Panel, the New Zealand Independent Industry Oversight Group, the NSW Government IT Advisory Board and the Australian Government "Goldsworthy" Committee. Mr Spithill is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Distinguished Fellow of the Telecommunications Society of Australia.

Woo Chiu Man, Cliff (Director) BSc

Woo Chiu Man, Cliff, aged 64, has been a Director since August 2016. Mr Woo has been an executive director and chief executive officer of HTHKH since January 2017. He has been alternate director to a director of VHA since October 2016. He held various senior technology management positions in the telecommunications industry before joining in 1998 the group of HWL, a wholly owned subsidiary of CKHH. He was deputy managing director of Hutchison Telecommunications (Hong Kong) Limited from 2000 to 2004. He was also executive director from March 2005 to December 2005 and alternate director to a director from 2005 to 2010 of Hutchison Telecommunications International Limited. He was seconded to VHA as chief technology officer from 2012 to 2013 and was part of the core management team. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years. Mr Woo holds a Bachelor's degree in Electronics and a Diploma in Management for Executive Development. He is a Chartered Engineer and also a Member of The Institution of Engineering and Technology (UK) and the Hong Kong Institution of Engineers.

Corporate Governance

This Corporate Governance Statement is dated 26 February 2018 and approved by the Board of Hutchison Telecommunications (Australia) Limited ("HTAL" or the "Company"). Information about the Company and its corporate governance is available on the Company's website at www.hutchison.com.au.

The Company and its Directors are committed to high standards of corporate governance. Set out below is a description of the main corporate governance practices of the Company and its subsidiaries (collectively, the "Group"). These practices were reviewed and updated in 2014 in response to the release of the 3rd edition of the ASX Corporate Governance Principles and Recommendations (the "ASX Principles"). This report reflects the Company's corporate governance practices in place from 1 January 2017, and where the Company does not comply with the ASX Principles.

The Board

Role of the Board

The Board has responsibility for approving strategy, monitoring the implementation of the strategy and the performance of the Group, protecting the rights and interests of shareholders and overseeing the overall corporate governance within the Group.

The Board Charter is available on the Company's website.

The Board's responsibilities include:

- reviewing and approving the strategic direction of the Group and establishing goals, both short-term and long-term, to ensure these strategic objectives are met and ensuring appropriate resources are available to meet these objectives;
- overseeing the Group, including its control and accountability systems;
- ensuring the business risks facing the Group are identified and reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring the performance of management against these goals and objectives and initiating corrective action when required;
- ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within the Group;
- reviewing and approving annual financial plans and monitoring corporate performance against both short-term and long-term financial plans;
- appointing the chief executive, evaluating performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning; and
- delegating to the chief executive the authority to manage and supervise the business of the Group with senior managers and other management, including the making of all decisions regarding the Group's operations that are not specifically reserved to the Board.

Composition of the Board

The Board comprises eight Directors whose appointment reflects the shareholding of the Company and the need to ensure that the Company is run in the best interest of all shareholders. All the Directors, including the Chairman, Mr Fok Kin Ning, Canning, are non-executives. The Board has considered the factors relevant to assessing the independence of a Director contained in the ASX Principles, and in light of this, the Board determined that the independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of the Group or its majority shareholder, nor are they associated with any significant supplier, customer or professional adviser of the Group. Further, an independent Director does not have any significant contractual relationship with the Group nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the Company.

Mr Justin Herbert Gardener and Mr John Michael Scanlon, being the only Directors who are not, or have not been, officers of a significant shareholder or have not been employed as an executive of the Group, are considered by the Board to be independent Directors. The Board does not consider that the length of tenure of either Mr Justin Herbert Gardener or Mr John Michael Scanlon has compromised their independence. In light of the majority ownership by CK Hutchison Holdings Limited ("CKHH"), the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

The Board has considered the skills that are appropriate for the Board as a whole and these include experience in:

- general business management, strategy and entrepreneurship;
- information and technology particularly in telecommunications or multimedia;
- marketing, sales and distribution in highly competitive markets;
- Government relations and policy;
- legal, governance and compliance risk management;
- human resources and remuneration;
- accounting, finance and audit; and
- banking, treasury and capital markets.

Details of the Directors' skills, experience and date of appointment are set out on pages 8 and 9. Details of the non-executive Director remuneration are set out in the Remuneration Report which forms part of the Directors' Report on pages 17 to 19.

Subject to the Company's Constitution requirements in relation to the retirement of Directors, the appointment of all the current Directors will continue until the next Annual General Meeting ("AGM") in 2018, and will be automatically renewed for successive 12-month periods unless otherwise terminated. An election of Directors is held at the AGM each year, and information on the Directors standing for re-election is provided to shareholders in the Notice of Meeting for the AGM. Any Director who has been appointed during the year must stand for election at the next AGM. Each Director must retire every three years, and if eligible, may stand for re-election. Retiring Directors are not automatically reappointed.

Prior to the appointment of a new Director, appropriate checks will be undertaken in areas such as education, employment and character references, and the balance of skills and experience collectively on the Board will be taken into consideration. Each new Director receives a letter of appointment detailing the Company's expectations having regard to his familiarity with the Company and its investment in Vodafone Hutchison Australia Pty Limited ("VHA"). During 2017, the terms of appointment were confirmed with all Directors.

Upon appointment to the Board, a new Director receives an induction process arranged by the Company Secretary which includes a package of orientation materials on the Company. Thereafter, the Company provides professional development materials to Directors and enables them to attend appropriate external seminars and information sessions to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

The Company evaluates the performance of the Board as a whole, the Board Committees and the Directors by questionnaire at the beginning of each year. The evaluation for the financial year ended 31 December 2016 was undertaken at the beginning of 2017 and that for the financial year ended 31 December 2017 has commenced. The objective of such evaluation is to ensure that the Board, its Committees and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them.

In connection with their duties and responsibilities, Directors and Board Committees have the right to seek independent professional advice at the Company's expense. Prior written notification to the Chairman is required.

Board Committees

The Board has two Committees to assist in the implementation of its corporate governance practices, fiduciary and financial reporting and audit responsibilities. These are an Audit & Risk Committee and a Governance, Nomination & Compensation Committee.

Each of these Committees has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. Details of these charters are available on the Company's website.

Audit & Risk Committee

The responsibility of the Audit & Risk Committee is to assist the Board in fulfilling its duties through review and supervision of the Group's financial reporting process and the Group's system of risk management, internal control and legal compliance.

This Committee comprises non-executive Directors, a majority of whom are independent Director and is chaired by an independent Director who is not the Chairman of the Board. The composition of the Committee meets the requirements of the ASX Listing Rules. It has appropriate financial expertise and knowledge of the telecommunications industry. Details of the Committee members, and their qualifications, expertise, experience and attendance at Committee meetings are set out on pages 8, 9, 15 and 16.

This Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within the Group. It is also responsible for overview of the relationship between the Group and its external auditor, including periodic review of the performance and the terms of appointment of the auditor. Furthermore, it considers any matters relating to the financial affairs of the Group and any other matter referred to it by the Board.

The main responsibilities delegated to this Committee are:

- to consider and recommend to the Board the appointment and remuneration of the Company's external auditor and to determine with the external auditor the nature and scope of the audit or review and approve audit or review plans;
- to assess the performance and independence of the external auditor, taking into account factors which may impair the auditor's judgement in audit matters related to the Company;
- to review the interim and annual financial statements of the Company before their submission to the Board;
- to ensure the Group's practices and procedures with respect to related party transactions are appropriate for compliance with the relevant legal and securities exchange requirements;
- to review the risk management practices and oversee the implementation and effectiveness of the risk management system including overseeing appropriate governance standards for tax management and the effectiveness of the tax control and governance framework including the monitoring of tax risk management strategies;
- to review with management and the external auditor the presentation and impact of significant risks and uncertainties associated with the business of the Group and their effects on the financial statements of the Group; and
- to ensure corporate compliance with applicable legislation.

Governance, Nomination & Compensation Committee

This Committee comprises non-executive Directors and is chaired by the Chairman of the Board. In light of the majority ownership by CKHH and that the Company does not currently have any executives, the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of members of this Committee be independent or that the Chair of this Committee be independent. Details of the Committee members, and their qualifications, expertise and experience are set out on pages 8, 9, 15 and 16. No meetings of this Committee were required during the year ended 31 December 2017.

Compensation responsibilities

This Committee is responsible for the review of remuneration and other benefits, and the Group's policies in relation to recruitment and retention of staff. It will, where relevant, obtain independent advice from external consultants on the appropriateness of the remuneration policies of the Group.

Details of the compensation philosophy and practices of the Company, including equity based remuneration schemes, are set out in the Remuneration Report. As the Company does not currently have any executives, no process is in place for the evaluation of the performance of executives, although formal performance evaluation has been a part of the Company's practices in the past.

Corporate Governance continued

Governance and nomination responsibilities

The governance and nomination responsibilities related to Board performance and evaluation are:

- to periodically assess and provide recommendations to the Chairman of the Board on the effectiveness of the Board as a whole, the Board Committees, the contribution of individual Directors, and assessment of Directors;
- to periodically review the Company's investor relations and public relations activities to ensure that procedures are in place for the effective monitoring of the shareholder base, receipt of shareholder feedback and response to shareholder concerns;
- to oversee the maintenance of an induction and education programme for new Directors, and continuing professional development programs for Directors;
- to ensure appropriate structures and procedures are in place so that the Board can function independently of management;
- to receive and consider any concerns of individual Directors relating to governance matters; and
- to review all related party transactions to ensure they reflect market practice and are in the best interests of the Group.

The governance and nomination responsibilities related to the Directors are:

- to recommend to the Board criteria regarding personal qualifications for Board membership such as background, experience, technical skills, affiliations and personal characteristics; and
- to consider and recommend to the Board the skills matrix required for the Board generally.

The governance and nomination responsibilities related to Board Committees are:

- to review from time to time and recommend to the Board the types, terms of reference and composition of Board Committees, and the nominees as chair of the Board Committees; and
- to review from time to time and make recommendations to the Board the length of service of members on Board Committees, meeting procedures, quorum and notice requirements, records and minutes, resignations and vacancies on Board Committees.

Company Secretary

The Company has two company secretaries, Ms Edith Shih and Ms Louise Sexton, who are responsible to the Board for ensuring that Board processes are followed and board activities are efficiently and effectively conducted.

External Auditors

The performance of the external auditor is reviewed annually and applications for the tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers was appointed as the external auditor in June 2014.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in note 13 to the financial statements. The Company's policy in relation to awarding non-audit work to the external auditor requires that all proposed non-audit service assignments in excess of $100,000 will be approved by the Audit & Risk Committee and will only be awarded to the external auditor after completion of a competitive tendering process which demonstrates that the external auditor is the preferred service provider on the basis of an objective assessment of price, capabilities and commitment. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit & Risk Committee.

The external auditor attends and is available for questioning at the AGM by shareholders in relation to the conduct of the audit.

Diversity

The Company recognises the corporate benefit of diversity as that term is defined in the ASX best practice recommendations and its Diversity Policy is available on the Company's website.

The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company. The Company supports diversity, with Directors from various parts of the world with experience of different cultures and possessing varied expertise, in finance and accounting, sales and marketing, operations, and technology relevant to operating a telecommunications company.

In assessing candidates for appointment to the Board, the Governance, Nomination & Compensation Committee will have regard to the diversity balance on the Board and the skills and experience of each candidate. The Board will give due consideration to ensuring that the diversity of the Board increases.

No objectives have been set for achieving gender diversity among employees or assessment undertaken as currently the Company has only one employee.

Risk Management

The Board acknowledges its responsibility for risk oversight and ensuring that significant business risks are appropriately managed, whilst acknowledging that such risks may not be wholly eliminated. Details of the Company's risk management policy and internal compliance and control system are available on the Company's website. Material business risks faced by the Company are those associated with the Company's investment in VHA.

The Audit & Risk Committee has been delegated responsibility as the primary body for risk oversight and for ensuring that appropriate risk management policies, systems and resources are in place.

As all former operational activities of the Company are now undertaken in VHA, the associated risks are now in that entity. The Company no longer has an internal audit function, but the Audit & Risk Committee receives and considers all VHA internal audit reports prepared by the risk management function of VHA for the VHA Audit and Risk Committee, including an annual review of the VHA risk management framework. One of the members of the Group's Audit & Risk Committee is a member of the VHA Audit and Risk Committee.

The VHA risk management framework ensures that adequate mechanisms are in place to identify, assess and manage strategic, financial, operational and regulatory risks and that VHA corporate performance is reviewed across a broad range of issues. In addition to oversight of VHA's risk management, other key aspects of the Group's risk management framework are regular reports from external auditors and detailed financial reporting reviews with its major shareholder's finance team.

As the Company no longer has executives performing the function of chief executive officer or chief financial officer, the Board has not received a declaration provided in accordance with section 295A of the *Corporations Act 2001*. However, the VHA Board has received such a declaration in respect of the VHA financial statements.

Code of Conduct

The need to ensure that a strong ethical culture within the Group has led to greater emphasis on the development of a strong culture designed to ensure that all Directors, managers and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life with the Group. The Corporate Code of Conduct applies to all Directors and employees and compliance with the values underlying the Company's culture forming part of the performance appraisal of senior employees and sales managers. Details of this Code are available on the Company's website.

Dealing in Shares

The Company has the following policy regarding dealing in its shares (which currently only applies to Directors and Company Secretaries as the Company does not employ any senior executives):

- the Chairman discusses any proposed dealing in HTAL shares with an independent Director prior to any dealing;
- Directors discuss any proposed dealing in HTAL shares with the Chairman prior to any dealing; and
- Senior executives discuss any proposed dealing in HTAL shares with the Company Secretary or the chief executive officer prior to any dealing. Unless there are unusual circumstances, dealings in HTAL shares by Directors and senior executives are limited to the period of one month after the release of the Company's half year and annual results to the ASX and from the lodgment of the Company's annual report with the ASX up to one month after the AGM of HTAL.

Directors and senior executives are prohibited from dealing in HTAL shares if the Director or senior executive is in possession of price sensitive information or would be dealing for a short-term gain. All Directors and senior executives within the Group have been advised of their obligations in regard to price sensitive information. Directors and senior executives are also aware of their obligations not to communicate price sensitive information to any other person who might deal in HTAL shares or communicate that information to another party.

The Company's practices are documented in a policy, details of which are available on the Company's website.

Continuous Disclosure and Shareholder Communication

The Board strongly believes that the Company's shareholders should be fully informed of all material matters that affect the Group in accordance with its continuous disclosure obligations. Financial reports and other significant information are available on the Company's website for access by its shareholders and the broader community. Procedures are in place to review whether any price sensitive information has been inadvertently disclosed in any forum, and if so, this information is immediately released to the market. The Company Secretary resident in Australia has been appointed as the person responsible for communications with the ASX.

The Company seeks to enhance its communication with shareholders through the introduction of new types of communication through cost effective electronic means and the provision of information in addition to the reports required by legislation. Shareholders have the option to receive communications from the Company and to communicate with the Company and the Share Registry electronically.

Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend. Notices of general meetings and the accompanying papers are provided within the prescribed time prior to the meetings on the Company's website and the ASX website (www.asx.com.au), by email to shareholders or by post to those shareholders who have elected to receive a hard copy version of such communication.

The Company's investor relations program is based upon responding to requests from shareholders and analysts for information to enable them to gain an understanding of the Company's business, governance, financial performance and prospects.

The Company's existing practices on information disclosure and shareholder communications are documented in Continuous Disclosure Policy and Shareholder Communications Policy, details of which are available on the Company's website.

Related Party Transactions

The Group draws great strength from its relationship with CKHH and other companies in the CKHH Group in relation to its financial support and management expertise. The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in note 16 to the financial statements.

Directors' Report

The Directors are pleased to present their report on the consolidated entity (the "Group") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL" or the "Company") and the entities it controlled at the end of or during the year ended 31 December 2017.

Principal activities

During the year, the Group's principal activity was the ownership of a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA") which provides telecommunications services in Australia.

Dividends

No dividend was declared or paid during the year.

Review of operations

Comments on the operations of the Group, results of those operations, the Company's business strategies and its prospects for future years are set out on pages 2 to 7. Details of the financial position of the Company are contained in page 24 of this report.

Significant changes in the state of affairs and matters subsequent to the end of the financial year

There was no significant change in the state of affairs of the Group during the financial year. No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Other than as set out in the Review of operations above, further information on business strategies and the future prospects of the Company has not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations and business activities, through its investment in VHA, are subject to environmental regulations under both Commonwealth and State legislation and the requirements of the *Telecommunications Act 1997*. The Group's risk review and audit program is designed to ensure that the Group meets its obligations under current legislation.

VHA's operations and business activities are subject to environmental regulations under both Commonwealth and State legislation and the requirements of the *Telecommunications Act 1997*, particularly with regard to:

- the impact of the construction, maintenance and operation of transmission facilities;
- reporting on carbon emissions from operations;
- site contamination; and
- waste management.

Management systems are in place in VHA to clearly define accountability and responsibility for compliance with legislation and for achieving specific environmental management objectives.

The Directors are not aware of any material breaches of environmental regulations by the Group or by VHA.

Directors

The following persons were Directors of HTAL during the whole of the year ended 31 December 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

Further information on the Directors is set out on pages 8 and 9.

Director	Other Responsibilities	Particulars of Directors' Interests in ordinary shares of HTAL
Fok Kin Ning, Canning	Non-executive Chairman, Chairman of Governance, Nomination & Compensation Committee	5,100,000*
Barry Roberts-Thomson	Deputy Chairman	83,918,337**
Justin Herbert Gardener	Chairman of Audit & Risk Committee, Member of Governance, Nomination & Compensation Committee	1,957,358
Lai Kai Ming, Dominic	Member of Governance, Nomination & Compensation Committee	–
John Michael Scanlon	Member of Audit & Risk Committee	–
Frank John Sixt	Member of Audit & Risk Committee	1,000,000
Ronald Joseph Spithill	–	–
Woo Chiu Man, Cliff	–	–

* Direct holding of 100,000 shares

** Direct holding of 4,540 shares

Notes:

Fok Kin Ning, Canning, holds a relevant interest in (i) 5,111,438 ordinary shares of CK Hutchison Holdings Limited ("CKHH"), a related body corporate of HTAL; and (ii) 1,202,380 ordinary shares of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), a related body corporate of HTAL.

Lai Kai Ming, Dominic holds a relevant interest in 34,200 ordinary shares of CKHH.

Frank John Sixt holds a relevant interest in (i) 136,800 ordinary shares of CKHH; and (ii) 17,000 American Depositary Shares (each representing 15 ordinary shares) of HTHKH.

Woo Chiu Man, Cliff holds a relevant interest in (i) 3,420 ordinary shares of CKHH; and (ii) 2,001,333 ordinary shares of HTHKH.

Directors' Report continued

Meetings of Directors

The number of meetings of HTAL's Board of Directors and each of the Board committees held during the year ended 31 December 2017 and the number of meetings attended by each Director were:

Director	Board Meetings held during the year	Board Meetings attended as Director	Audit & Risk Committee Meetings held during the year	Audit & Risk Committee Meetings attended as Member of the Committee	Governance, Nomination & Compensation Committee Meetings held during the year	Governance, Nomination & Compensation Committee Meetings attended as Member of the Committee
Fok Kin Ning, Canning	7	7	N/A	N/A	Nil	Nil
Barry Roberts-Thomson	7	7	N/A	N/A	N/A	N/A
Justin Herbert Gardener	7	7	3	3	Nil	Nil
Lai Kai Ming, Dominic	7	7	N/A	N/A	Nil	Nil
John Michael Scanlon	7	7	3	3	N/A	N/A
Frank John Sixt	7	7	3	3	N/A	N/A
Ronald Joseph Spithill	7	7	N/A	N/A	N/A	N/A
Woo Chiu Man, Cliff	7	7	N/A	N/A	N/A	N/A

No meeting of the Governance, Nomination & Compensation Committee was held during the year as any matters that arose for possible consideration by the Committee that were dealt with by the full Board.

Retirement, election and continuation in office of Directors

Mr Justin Herbert Gardener is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr John Michael Scanlon is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Company secretaries

Edith Shih

BSE, MA, MA, EdM, Solicitor, FCIS, FCS (PE)

Edith Shih has been a Company Secretary of the Company since 1999. Ms Shih is an executive director and company secretary of CKHH, a group she has been with since 1989, acting in the capacity of director, head group general counsel and company secretary of its subsidiaries and associated companies. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. She is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Louise Sexton

BA, LLM, MBA (Exec), GAICD

Louise Sexton has almost 25 years of experience as a company secretary in listed companies and has been a Company Secretary of the Company since 1999. Ms Sexton has practised as a solicitor since 1983 with experience in government, private practice and in-house corporate practice.

Remuneration Report

Following the merger of Hutchison 3G Australia Pty Limited and Vodafone Australia Limited in June 2009, the Company's employees, including all executives, working in the VHA business ceased to be employees of the Company and became employees of VHA during 2009. VHA is not a subsidiary of the Company and accordingly this report does not include any information relating to the employees or employment practices of VHA. As at 31 December 2017, the Company had one employee who is not 'key management personnel'. The Company does not have any employees who are 'key management personnel'.

The compensation philosophy and policies referred to remain in place notwithstanding their currently limited application.

Compensation philosophy and practice

The Governance, Nomination & Compensation Committee is responsible for making recommendations to the Board on compensation policies and packages for all staff, including Board members. The Company's compensation policy is designed to ensure that remuneration strategies are competitive, innovative, support the business objectives and reflect company performance. The Company's performance is measured according to the achievement of key financial and non-financial measures as approved by the Board, and key management personnel's remuneration packages (other than Directors) would be directly linked to these measures. The Group has been committed to ensuring it has compensation arrangements which would reflect individual performance, overall contribution to the Company's performance and developments in the external market. Written service agreements setting out remuneration and other terms of employment would be required for key management personnel.

Principles used to determine the nature and amount of remuneration

The Company's compensation policy is designed to ensure that remuneration strategies are competitive, innovative and support the business objectives while reflecting individual performance, overall contribution to the business and developments in the external market. Remuneration packages would generally involve a balance between fixed and performance based components, the latter being assessed against objectives which include both company and job specific financial and non-financial measures. These measures at the financial level directly relate to the key management's contribution to meeting or exceeding the Company's statement of comprehensive income and statement of financial position targets. At the non-financial level the measures would reflect the contribution to achieving a range of key performance indicators as well as building a high performance company culture. The performance conditions are chosen to reflect an appropriate balance between achieving financial targets and building a business and organisation to be sustainable for the long term.

Directors' fees

The remuneration of the non-executive and independent Directors, Mr Justin Herbert Gardener and Mr John Michael Scanlon, comprised a fixed amount only and was not performance based. The non-executive and non-independent Directors, Mr Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic, Mr Barry Roberts-Thomson, Mr Frank John Sixt, Mr Ronald Joseph Spithill and Mr Woo Chiu Man, Cliff, did not receive any remuneration for their services as Directors.

Retirement allowances for Directors

No retirement allowances are payable to non-executive Directors.

Key management personnel

The Directors of HTAL are the key management personnel of HTAL having the authority and responsibility for planning, directing and managing activities for the period 1 January 2017 to 31 December 2017.

The appointment of Mr Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic, Mr Frank John Sixt and Mr Woo Chiu Man, Cliff is part of and in conjunction with their executive duties within the CKHH group. They are not separately remunerated by the Company for their services. The remuneration details of these directors are available from the disclosure in their respective CKHH group annual reports.

Directors' Report continued

Details of remuneration

Details of the remuneration of each Director of HTAL including their personally-related entities, are set out in the following tables.

Directors of HTAL

2017	Short-term benefits			Post–employment benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
Fok Kin Ning, Canning	–	–	–	–	–	–
Barry Roberts-Thomson	–	–	–	–	–	–
Justin Herbert Gardener	50,000	–	–	4,750	–	54,750
Lai Kai Ming, Dominic	–	–	–	–	–	–
John Michael Scanlon	50,000	–	–	4,750	–	54,750
Frank John Sixt	–	–	–	–	–	–
Ronald Joseph Spithill	–	–	–	–	–	–
Woo Chiu Man, Cliff	–	–	–	–	–	–
Total	100,000	–	–	9,500	–	109,500

Mr Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic, Mr Frank John Sixt and Mr Woo Chiu Man, Cliff, as officers of CKHH group, are remunerated for their duties within the CKHH Group which include their directorships of HTAL.

2016	Short-term benefits			Post–employment benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Options $	Total $
Fok Kin Ning, Canning	–	–	–	–	–	–
Barry Roberts-Thomson	–	–	–	–	–	–
Chow Woo Mo Fong, Susan^	–	–	–	–	–	–
Justin Herbert Gardener	50,000	–	–	4,750	–	54,750
Lai Kai Ming, Dominic	–	–	–	–	–	–
John Michael Scanlon	50,000	–	–	4,750	–	54,750
Frank John Sixt	–	–	–	–	–	–
Ronald Joseph Spithill	–	–	–	–	–	–
Woo Chiu Man, Cliff^^	–	–	–	–	–	–
Total	100,000	–	–	9,500	–	109,500

^ Retired as Director with effect from 1 August 2016

^^ Appointed as Director with effect from 1 August 2016

Share-based compensation

The HTAL Employee Option Plan, which was approved by the Board on 4 June 2007, provided for the issue of options to executives and employees. This plan expired on 31 May 2017, the tenth anniversary of adoption. No options were granted under the plan in 2017, and no options remained outstanding.

No ordinary shares were issued on the exercise of options during the year to any of the Directors or former key management personnel.

No Directors were issued options during the year or hold options over the ordinary shares of the Company. No options were vested and unexercisable at the end of the year.

Shareholdings

The number of shares in the Company held during the financial year by each Director, including their personally-related entities, are set out below.

Directors of HTAL

Ordinary shares

Name	Balance at the start of the year	Received during the year on the exercise of options	Changes during the year	Balance at the end of the year
Fok Kin Ning, Canning	5,100,000*	–	–	5,100,000*
Barry Roberts-Thomson	83,918,337**	–	–	83,918,337**
Justin Herbert Gardener	1,957,358	–	–	1,957,358
Lai Kai Ming, Dominic	–	–	–	–
John Michael Scanlon	–	–	–	–
Frank John Sixt	1,000,000	–	–	1,000,000
Ronald Joseph Spithill	–	–	–	–
Woo Chiu Man, Cliff	–	–	–	–

* Direct holding of 100,000 shares

** Direct holding of 4,540 shares

Shares under option

As at the date of this report there were no unissued ordinary shares of HTAL under option issued pursuant to the HTAL Employee Option Plan, which ceased on 31 May 2017.

Shares issued on the exercise of options

No ordinary shares of HTAL were issued during the year ended 31 December 2017 or up to the date of this report on the exercise of options granted under the HTAL Employee Option Plan.

Loans to Directors and key management personnel

There were no loans made to the Directors of the Company, including their personally-related entities, during the years ended 31 December 2017 and 31 December 2016.

Other transactions with Directors and key management personnel

There were no other transactions with Directors for the years ended 31 December 2017 or ended 31 December 2016.

Directors' Report continued

Non-audit services

HTAL may decide to employ the auditor, PricewaterhouseCoopers, on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Details of the amounts paid to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in note 13, Remuneration of auditors, on page 40 of the financial report.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Directors' and officers' liability insurance

During the financial year, CKHH paid a premium to insure the Directors and officers of the Group against loss or liability arising out of a claim for a wrongful act, including any costs, charges and expenses that may be incurred in defending any actions, suits, proceedings or claims. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officer or the improper use by the officers of their position to gain advantage for themselves or someone else or to cause detriment to the Company.

Proceedings on behalf of HTAL

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of HTAL, or to intervene in any proceedings to which HTAL is a party, for the purpose of taking responsibility on behalf of HTAL for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of HTAL with leave of the Court under section 237 of the *Corporations Act 2001*.

Rounding of amounts to nearest thousand dollars

The Group is of a kind referred to in *ASIC 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 Directors' report and financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases to 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.

Director
26 February 2018

Director
26 February 2018

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2017, 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 audit; and

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

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

Rosalie Wilkie
Partner
PricewaterhouseCoopers

Sydney
26 February 2018

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

Financial Report

For the year ended 31 December 2017

Contents

These financial statements cover the consolidated financial statements for the group consisting of Hutchison Telecommunications (Australia) Limited and its controlled entities. The financial statements are presented in Australian dollars.

Hutchison Telecommunications (Australia) Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 177 Pacific Highway,
North Sydney NSW 2060

The financial statements were authorised for issue by the Directors on 26 February 2018. The Company has the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue	2	6,164	5,807
Other operating items		(1,222)	(1,246)
Share of net losses of a joint venture accounted for using the equity method	6	(42,499)	(68,014)
Loss before income tax		(37,557)	(63,453)
Income tax expense	3	–	–
Loss for the year	11	(37,557)	(63,453)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges (share of joint venture)		(207)	413
Other comprehensive income (loss) for the year, net of tax	11	(207)	413
Total comprehensive loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited		(37,764)	(63,040)

	Notes	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	20	(0.28)	(0.47)
Diluted earnings per share	20	(0.28)	(0.47)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	8,884	4,469
Loans and receivables	5	145,558	48,906
Other receivables		9	6
Total Current Assets		154,451	53,381
Non-current Assets			
Loans and receivables	5	91,000	–
Investment accounted for using the equity method	6	167,008	209,714
Total Non-current Assets		258,008	209,714
Total Assets		412,459	263,095
LIABILITIES			
Current Liabilities			
Payables	8	242	277
Other financial liabilities	9	324,025	136,862
Total Current Liabilities		324,267	137,139
Total Liabilities		324,267	137,139
Net Assets		88,192	125,956
EQUITY			
Contributed equity	10	4,204,488	4,204,488
Reserves	11	70,650	70,857
Accumulated losses	11	(4,186,946)	(4,149,389)
Total Equity		88,192	125,956

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to members of Hutchison Telecommunications (Australia) Limited					
	Notes	Contributed equity $'000	Capital Redemption Reserve $'000	Cash flow Hedging Reserve $'000	Share-based Payments Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2016		4,204,488	54,887	(323)	15,880	(4,085,936)	188,996
Loss for the year		–	–	–	–	(63,453)	(63,453)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	413	–	–	413
Total comprehensive loss for the year	11	–	–	413	–	(63,453)	(63,040)
Balance at 31 December 2016		4,204,488	54,887	90	15,880	(4,149,389)	125,956
Balance at 1 January 2017		4,204,488	54,887	90	15,880	(4,149,389)	125,956
Loss for the year		–	–	–	–	(37,557)	(37,557)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	(207)	–	–	(207)
Total comprehensive income (loss) for the year	11	–	–	(207)	–	(37,557)	(37,764)
Balance at 31 December 2017		4,204,488	54,887	(117)	15,880	(4,186,946)	88,192

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(1,258)	(1,226)
Interest received		5,673	5,377
Net cash inflows from operating activities	19	4,415	4,151
Cash Flows from Investing Activities			
Repayment of loans from joint venture		12,837	100,000
Net cash inflows from investing activities		12,837	100,000
Cash Flows from Financing Activities			
Repayment of borrowings – entity within the CKHH Group		(12,837)	(105,000)
Net cash outflows from financing activities		(12,837)	(105,000)
Net increase (decrease) in cash and cash equivalents		4,415	(849)
Cash and cash equivalents at 1 January		4,469	5,318
Cash and cash equivalents at 31 December	4	8,884	4,469

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

Notes to the Financial Statements

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies

Hutchison Telecommunications (Australia) Limited (the "Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company and its subsidiaries (the "Group" or "Consolidated Entity" or "HTAL") are described in the Directors' Report. The financial statements were authorised and issued by the board on the 26th of February 2018.

Vodafone Hutchison Australia Pty Limited or "VHA" is a joint venture in which HTAL has a 50% shareholding.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and comply with other requirements of the law. The accounting policies adopted are consistent with those of the previous financial year.

For financial reporting purposes the Company is considered a "for-profit" entity.

Statement of compliance

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS").

As a consequence of the financial reporting relief provided by ASIC Class Order 10/654, the consolidated financial statements are presented without the parent entity financial statements. Disclosures in relation to the parent entity required under paragraph 295(3)(a) of the *Corporations Act 2001* have been included in note 23.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) 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, after initially being recognised at cost in the consolidated balance sheet.

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.

(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 and estimates of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hutchison Telecommunications (Australia) Limited's functional and presentation currency.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised as described below:

Interest income

Interest income is recognised using the effective interest method.

(e) Income tax

The current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Consolidated Entity's liability for current tax is calculated using Australian tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(e) Income tax continued

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 assets are recognised for deductible temporary difference and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 statement of financial position 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 statement of financial position 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.

Tax is charged or credited to the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

Hutchison Telecommunications (Australia) Limited and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation.

(f) Impairment of assets

The investment in the joint venture is tested for impairment annually and when there is an indication that it 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.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(h) Other receivables

Other receivables are initially recognised at amortised cost, less any provision for impairment.

(i) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss and other comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income within other income or other expenses.

Amounts accumulated in equity are recycled in the statement of profit or loss and other comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss and other comprehensive income.

Note 1 Summary of Significant Accounting Policies continued

(j) Going concern

As at 31 December 2017, the Consolidated Entity has a deficiency of net current assets of $170 million (2016: net current assets deficiency of $84 million). Included in the Consolidated Entity's current liabilities is an amount of $324 million (2016: $137 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. The Consolidated Entity has unused financing facilities of $1,276 million at 31 December 2017. CKHH has confirmed its current intention is 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 these financial statements. Consequently, the Directors have prepared the financial statements on a going concern basis.

(k) Goodwill

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the net identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the statement of profit or loss and other comprehensive income as a bargain purchase gain.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates/joint ventures is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if, events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(l) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid or payable within 30 days of recognition.

(m) Employee benefits

(i) Wages and salaries, and leave provisions

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

(ii) Retirement benefits

Retirement benefits are delivered under the Retail Employees Superannuation Trust, although employees have an option to choose other funds. This fund is a defined contribution fund and is based on employer and employee contributions made to the fund.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(n) Contributed equity

Ordinary shares are classified as equity. Refer to note 10 for further information.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to ordinary equity holders of the Consolidated Entity; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(q) Segment 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 *Operating Segments* are reported separately. Refer to note 18 for details of the Consolidated Entity's operating segment, being investment in telecommunication services.

(r) 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 VHA. VHA uses a weighted average cost of capital ("WACC") methodology to compute its discount rate, with reference to external and internal data and risk assessment. VHA compares this WACC to external market data of a selection of peer companies, and is satisfied that the WACC for VHA is in the range that a market participant would apply. These calculations require the use of estimates and assumptions.

A discounted cash flow calculation is undertaken on the approved business plan. A discount cash flow calculation based on VHA four year financial plan extrapolated to five years was prepared. A terminal value is calculated on the cash flows. The cash flows are 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. HTAL's share of VHA value in use is in excess of the investment book value.

The Directors believe that the carrying values of the Consolidated Entity's investment in joint venture as at 31 December 2017 is appropriate and are not aware of any events or changes since the year end which may potentially impair the carrying values of the Consolidated Entity's investment in joint venture as at the statement of financial position date.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of taxable profits generated in the foreseeable future together with future tax planning strategies. As the Consolidated Entity continues to make losses no deferred tax assets have been recognized.

(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% interest in the 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.

(s) 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 Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar or cent.

Note 1 Summary of Significant Accounting Policies continued

(t) Parent entity financial information

The financial information for the parent entity disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of HTAL.

(u) New accounting standards and interpretations

Accounting standards issued and mandatorily effective in the current year

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. These are:

- AASB 2016–1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016–2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017–2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle.

The adoption of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Consolidated Entity's financial statements.

Accounting standards issued and effective from 1 January 2018 which will impact the joint venture:

AASB 9 – Financial Instruments, effective for the Group from 1 January 2018. This standard 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.

Management has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's receivables are currently classified as loans and receivables and measured at amortised cost. The Group does not expect the new guidance under AASB 9 to result in any significant change on the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9. Hence there will be no change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost. Management has performed an assessment of the impact of AASB 9 on the measurement of expected credit losses on adoption. The Group assessed historic, current and forecast information to estimate an expected credit loss for each class of receivable. Based on this assessment, the impact is not expected to be material.

AASB 9 introduces changes to hedge effectiveness and eligibility requirements to align more closely with an entity's risk management framework. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group's current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. Management therefore assessed there would be no material impact on hedged amounts reported with the adoption AASB 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 – Revenue from Contracts with Customers, is effective for the Group from 1 January 2018. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard will replace AASB 118 which covers principles to record revenues from contracts for the sale of goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Under AASB 15, revenue is recognised at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify contracts with customers
2. Identify the separate performance obligations
3. Determine the transaction price of the contract
4. Allocate the transaction price to each of the performance obligations; and
5. Recognise revenue as each performance obligation is satisfied.

The adoption of the new standard has the following impact on the Group's financial statements:

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 1 Summary of Significant Accounting Policies continued

(u) New accounting standards and interpretations continued

The investment accounted for using the equity method will be impacted by $2.1 million being 50% of the joint venture values. The impact is a reduction in the investment in joint venture of $2.1 million and an increase in the accumulated losses. AASB 15 impacts on the joint venture VHA are as follows:

- Accounting for Handset Receivables – AASB 15 requires that the total consideration received must be allocated to hardware and service components based on relative stand-alone selling prices rather than based on revenue measurement principles from previous guidance. This will result in higher amounts being allocated to the handset, of which revenue is recognised when the goods have been dispatched to the customer, instead of service revenue which is recognised monthly over the contract term. Hence, an estimated increase of $18.0 million in Trade and Other Receivables as of 1 January 2018 and a corresponding decrease in accumulated losses will be recognised.
- Accounting for contract costs – in 2017, the Group expensed subscriber acquisition costs related to commissions paid to dealers when a customer renewed their contract. These costs to retain a contract are required under AASB 15 to be initially recognised as an asset and expensed over the life of a customer contract consistent with the transfer of the goods or services to which the capitalised costs relate to the customer. The Group was not required to allocate commissions between the handset and service component per previous guidance. However, with the adoption of AASB 15, capitalised commission related to the handset component would be expensed. In total, this will result in an estimated decrease of $8.9 million in contract costs as of 1 January 2018 and a corresponding increase in accumulated losses.
- Accounting for Contract Liabilities – For certain customer contracts higher amounts will be allocated to the service component under AASB 15 based on relative stand-alone selling prices and result in delayed recognition of a portion of the revenue. The Group estimates that Contract Liabilities will increase by approximately $13.3 million, with a corresponding increase in accumulated losses on 1 January 2018.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Accounting standards issued but not yet effective

AASB 16 – Leases, is effective for HTAL from 1 January 2019 with early adoption permitted alongside the new revenue standard. The investment accounted for using the equity method will be impacted by 50% of the impact on the joint venture VHA.

The new standard will require the majority of operating leases to be accounted for on the balance sheet as the distinction between an operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

As the joint venture has a large number of operating leases it is expected that the new standard will have a significant impact on the financial statements of the joint venture, for example, operating expenses will reduce as rental expenses are removed and replaced with interest expense and depreciation. This will impact key metrics such as EBITDA for VHA.

The standard will affect primarily the accounting for the joint venture's operating leases. As at the reporting date, the joint venture's non-cancellable operating lease commitments is $1,553.7 million, see note 6. The joint venture's estimates that an insignificant portion of these commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The joint venture has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the joint venture's profit or loss and classification of cash flows going forward.

HTAL does not intend to adopt the standard before its effective date. HTAL and the joint venture intend to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

Note 2 Revenue

	2017 $'000	2016 $'000
Other revenue		
Interest	6,164	5,807

Note 3 Income tax

	2017 $'000	2016 $'000
(a) Income tax expense		
Deferred tax	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax expense	(37,557)	(63,453)
Tax at the Australian tax rate of 30% (2016: 30%)	(11,267)	(19,036)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of losses of a joint venture	12,750	20,404
	1,483	1,368
Deferred tax on temporary difference not recognised	(11)	2
Previously unrecognised tax losses now recouped to reduce current tax expense	(1,472)	(1,370)
Income tax expense	–	–
(c) Unrecognised tax losses		
Opening balance	179,229	183,797
Tax losses utilised during completion of income tax return	–	–
Tax losses recouped to reduce current tax expense	(4,907)	(4,568)
Unused tax losses for which no deferred tax assets have been recognised	174,322	179,229
Potential tax benefit @ 30%	52,297	53,769

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the company complies with the conditions for deductibility imposed by tax legislation.

(d) Recognised deferred tax assets

There are no recognised deferred tax assets at 31 December 2017 and 31 December 2016.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 4 Current assets – Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	8,884	4,469

Note 5 Loans and receivables

	2017 $'000	2016 $'000
Total current	145,558	48,906
Total non-current	91,000	–
Receivable from a joint venture (note 16)	236,558	48,906

Receivable from a joint venture

Weighted average interest on the loans and receivables from a joint venture of $236.6 million is charged at a rate of 4.10% p.a. during the year. The working capital facility is unsecured.

At 31 December 2016, the receivable from a joint venture of $48.9 million included the working capital facility of $36.1 million and the shareholders loan of $12.8 million. During 2017, the shareholders loan was repaid and terminated. Weighted average interest on the working capital facility was charged at 4.44% p.a. and the shareholders loan was charged at a fixed rate of 8% p.a. in 2016.

Further information relating to receivable from a joint venture is set out in note 16.

(a) Fair value

The carrying values of the current and non-current receivables are at cost and approximate to their fair value.

(b) Foreign currency and interest rate risk

The carrying amounts of the Consolidated Entity's current and non-current receivables and financial assets are denominated in the following currencies:

	2017 $'000	2016 $'000
Australian dollars	236,558	48,906
	236,558	48,906

For an analysis of the sensitivity of other financial assets to interest rate risk refer to note 21.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The receivable is current with no indication of impairment. The Consolidated Entity does not hold any collateral as security. Refer to note 21 for more information on the risk management policy of the Consolidated Entity.

Note 6 Non-current assets – Investment accounted for using the equity method

	2017 $'000	2016 $'000
Interest in a joint venture	167,008	209,714

As at 31 December 2017 and 31 December 2016, HTAL has only one joint venture, Vodafone Hutchison Australia Pty Limited. The Consolidated Entity has a 50% interest in VHA, which is resident in Australia and the principal activity of which is providing telecommunications services.

The Consolidated Entity's interest in VHA is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements and a reconciliation to the carrying amount of the investment in the consolidated financial statements are set out below:

	2017 $'000	2016 $'000
Current assets	1,124,321	2,129,475
Non-current assets	7,391,341	5,883,456
Current liabilities	(1,777,061)	(6,460,885)
Non-current liabilities	(7,531,448)	(2,166,636)
Net Assets / (Liabilities)	(792,847)	(614,590)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(396,424)	(307,295)
Goodwill	165,321	165,321
Joint venture accounting adjustments	398,111	351,688
Carrying amount of the investment	167,008	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 31 December 2017, HTAL's share of VHA's net current assets deficiency is $326.4 million (2016: net current assets deficiency of $2,165.7 million). The decrease is mainly driven by reclassification of VHA's Syndicated Bifurcated Facility from current liabilities to non-current liabilities as the facility was renewed in the 2017 financial year. 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.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 6 Non-current assets – Investment accounted for using the equity method continued

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

	2017 $'000	2016 $'000
Revenues	3,457,931	3,345,174
Expenses	(3,635,775)	(3,586,936)
Loss before income tax	(177,844)	(241,762)
Income tax expense	–	–
Loss for the year	(177,844)	(241,762)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	(413)	826
Total comprehensive loss	(178,257)	(240,936)
50% share of VHA's loss for the year	(88,922)	(120,881)
Joint venture accounting adjustments	46,423	52,867
Share of joint venture's loss	(42,499)	(68,014)
VHA's financial statements include the following specific items:		
Cash and cash equivalents	356,210	271,129
Current financial liabilities	500,232	5,385,142
Non-current financial liabilities	7,423,075	2,050,058
Depreciation and amortisation^	797,107	793,464
Interest income	4,186	4,435
Finance costs	356,723	364,846

^ Depreciation and amortisation under HTAL accounting estimates are $704.3 million for year ended 31 December 2017 (2016: $687.7 million). The differences are primarily related to differences in the estimated economic useful lives of property, plant and equipment.

	2017 $'000	2016 $'000
Reconciliation of interest in a joint venture		
Investment brought forward	209,714	277,315
Loss for the year	(42,499)	(68,014)
Share of change in fair value of cash flow hedges, net of tax	(207)	413
Interest in a joint venture at 31 December	167,008	209,714
VHA's commitments		
Operating leases	1,553,654	1,260,650
Other commitments	265,316	352,759
Capital commitments	508,572	326,532
VHA's contingent liabilities	114,792	60,887

Note 6 Non-current assets – Investment accounted for using the equity method continued

VHA's other commitments are for payment of information technology and network support services under contracts in existence at the reporting date but not recognised as liabilities.

VHA's contingent liabilities are guarantees which are cash backed.

The consolidated financial statements incorporates the assets, liabilities and results of the following joint venture in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of Shares	Equity Holding* 2017 %	Equity Holding* 2016 %
Vodafone Hutchison Australia Pty Limited** (formerly Hutchison 3G Australia Pty Limited)	Australia	Ordinary	50	50

* The proportion of ownership interest is equal to the proportion of voting power held.

** The ownership of this joint venture is through Hutchison 3G Australia Holdings Pty Limited.

Note 7 Controlled entities

The consolidated financial statements incorporates the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(b):

Name of controlled entity	Country of Incorporation	Class of Shares	Equity Holding* 2017 %	Equity Holding* 2016 %
Lindian Pty Limited**	Australia	Ordinary	100	100
Hutchison 3G Australia Holdings Pty Limited***	Australia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

** Lindian Pty Limited was deregistered during 2017.

*** This entity has been granted relief from the necessity to prepare financial reports in accordance with instrument 2016/914 issued by the Australian Securities and Investments Commission.

Note 8 Current liabilities – Payables

	2017 $'000	2016 $'000
Other creditors	168	215
Payables to joint venture (note 16)	74	62
	242	277

Payables to a joint venture

Further information relating to payables to a joint venture is set out in note 16.

The carrying amounts of the Consolidated Entity's other payables are denominated in Australian Dollars:

	2017 $'000	2016 $'000
Australian Dollars	242	277
	242	277

Liquidity risk

A summarised analysis of the Consolidated Entity's sensitivity of payables to liquidity rate risk can be found in note 21.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 9 Current liabilities – Other financial liabilities

	2017 $'000	2016 $'000
Loan from an entity within the CKHH Group (note 16)	324,025	136,862

Loan from an entity within the CKHH Group

Further information relating to the loan from an entity within the CKHH Group is set out in note 16. The loan from an entity within the CKHH Group is an interest free financing facility and is repayable on demand.

Financing arrangements

Unrestricted access was available at the statement of financial position date to the following lines of credit:

	2017 $'000	2016 $'000
Other financial liabilities		
Total facilities from an entity within the CKHH Group	1,600,000	1,600,000
Used at the statement of financial position date	(324,025)	(136,862)
Unused at the statement of financial position date	1,275,975	1,463,138

Note 10 Contributed equity

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Share capital				
Ordinary shares (fully paid)	13,572,508,577	13,572,508,577	4,204,488	4,204,488

(a) Share capital

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Movement in ordinary shares

There has been no movement in the number of shares issued during the years ended 31 December 2017 and 31 December 2016.

(c) Options

There are no options outstanding as at the statement of financial position date.

(d) Capital risk management

The Consolidated Entity's primary objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The Consolidated Entity defines capital as total equity attributable to shareholders of the Group, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Consolidated Entity actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Consolidated Entity and capital efficiency, projected operating cash flows and projected capital expenditures.

The Consolidated Entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'Total equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2017 and 31 December 2016 were as follows:

	2017	2016
Gearing ratio	78%	51%

Note 11 Reserves and accumulated losses

	2017 $'000	2016 $'000
(a) Reserves		
Capital reserve	54,887	54,887
Share of hedging reserve – cash flow hedges	(117)	90
Share-based payments reserve	15,880	15,880
	70,650	70,857
Movements:		
Capital reserve		
There has been no movement in the capital reserve during the year.		
Share of hedging reserve – cash flow hedges		
Balance at 1 January	90	(323)
Hedging movement, net of tax	(207)	413
Balance at 31 December	(117)	90
Share-based payments reserve		
There has been no movement in the share-based payments reserve during the year.		
(b) Accumulated losses		
Accumulated losses at 1 January	(4,149,389)	(4,085,936)
Loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(37,557)	(63,453)
Accumulated losses at 31 December	(4,186,946)	(4,149,389)

(c) Nature and purpose of reserves

Capital reserve

The capital reserve relates to the surplus arising on initial consolidation of a 19.9% stake in Hutchison 3G Australia Holdings Pty Limited.

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains and losses on a hedging instrument in a joint venture cash flow hedge that are recognised directly in equity, as described in note 1(i)(ii).

Amounts are recognised in the statement of profit or loss and other comprehensive income when the associated hedged transaction affects profit or loss.

Share-based payments reserve

The share-based payments reserve is used to:

(i) recognise the grant date fair value of options issued to employees but not exercised; and

(ii) recognise the fair value of the 850 MHz spectrum licence assigned from Telecom New Zealand ("TCNZ"). The fair value was determined by reference to the fair value of the option granted to TCNZ in exchange for the spectrum licence.

Notes to the Financial Statements continued
for the Financial Year Ended 31 December 2017

Note 12 Director and key management personnel compensation
(a) Director and key management personnel compensation

	2017 $	2016 $
Short term employee benefits	109,500	109,500

Other key management personnel (excluding Directors) were transferred to VHA on merger.

(b) Loans to key management personnel and other transactions with key management personnel
There were no loans made to Directors of the Company, including their personally-related entities, during the years ended 31 December 2017 and 31 December 2016. There were no other transactions with the Directors of the Company for the years ended 31 December 2017 and 31 December 2016.

Note 13 Remuneration of auditors

	2017 $	2016 $
PricewaterhouseCoopers Australia		
Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	103,500	107,000
Total remuneration for assurance services	103,500	107,000
Total auditors remuneration	103,500	107,000

It is the Consolidated Entity's policy to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax, compliance and advice. It is the Consolidated Entity's policy to seek competitive tenders for all major consulting projects.

Note 14 Contingencies
Details and estimates of maximum amounts of contingent liabilities as at 31 December 2017 are as follows:

	2017 $'000	2016 $'000
Guarantees		
Unsecured guarantees in respect of leases	–	–

No material losses are anticipated in respect of any of the above contingent liabilities.

The Directors are not aware of any other material contingent liabilities existing at the reporting date.

Note 15 Commitments
There were no commitments contracted for by HTAL or its controlled entities not recognised as liabilities, payable at 31 December 2017 and 31 December 2016. Commitments for the joint venture are disclosed in note 6.

Note 16 Related party transactions

(a) Parent entities

The holding company and parent entity is Hutchison Telecommunications (Amsterdam) B.V. which, at 31 December 2017, owns approximately 88% of the issued ordinary shares of Hutchison Telecommunications (Australia) Limited. The ultimate parent entity is CK Hutchison Holdings Limited (incorporated in Cayman Islands).

(b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: FOK Kin Ning, Canning; Barry ROBERTS-THOMSON; Justin Herbert GARDENER; LAI Kai Ming, Dominic; John Michael SCANLON; Frank John SIXT; Ronald Joseph SPITHILL and WOO Chiu Man, Cliff.

Mrs Chow Woo Mo Fong, Susan retired as director with effect from 1 August 2016.

Mr Woo Chiu Man, Cliff was appointed as director with effect from 1 August 2016 and continues in office at the date of this report.

Ms Tang Wing Yee, Angeline was appointed as Alternate Director to Mrs Chow Woo Mo Fong, Susan with effect from 29 April 2016 until the retirement of Mrs Chow Woo Mo Fong, Susan on 1 August 2016.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 12.

(d) Transactions with related parties

During the year, the following transactions occurred with related parties:

	2017 $'000	2016 $'000
Loans to related parties		
Advanced to joint venture	(200,000)	–
Repayments from joint venture	12,837	100,000
Loans from related parties		
Advanced from an entity within the CKHH Group	200,000	–
Repayments to an entity within the CKHH Group	(12,837)	105,000
Interest revenue		
Joint venture	6,073	5,701
Operating expenses		
Joint venture	485	485

Advances to the joint venture represent funds advanced under the terms of an agreement with the joint venture. The funds advanced from an entity within the CKHH Group are on an interest free basis under the agreement.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 16 Related party transactions continued

(e) Transactions of joint venture with related parties within the CKHH Group

During the year, the following transactions occurred with related parties:

	2017 $'000	2016 $'000
Purchases of goods and services		
Service fee paid/payable to other related parties	2,756	3,216
Roaming fee paid/payable to other related parties	(1,138)	(1,381)
Internet of things fee paid/payable to other related parties	759	176
Provision of services		
Service fee received/receivable from other related parties	1,040	1,045
Roaming income received/receivable from other related parties	1,734	1,397
Other transactions		
Guarantee fee paid/payable	74,919	77,305
Interest expenses paid / payable	6,073	7,097

(f) Outstanding balances

The following balances are outstanding at the statement of financial position date in relation to transactions with related parties:

	2017 $'000	2016 $'000
Current financial assets		
Joint venture (note 5)	145,558	48,906
Non-current financial assets		
Joint venture (note 5)	91,000	–
Payables		
Joint venture (note 8)	74	62
Current liabilities – Other financial liabilities		
Entity within the CKHH Group (note 9)	324,025	136,862

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Note 16 Related party transactions continued

(g) Outstanding balances of joint venture with related parties within the CKHH Group

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2017 $'000	2016 $'000
Current receivable		
Hutchison Telecommunications (Australia) Limited	74	62
Current payable		
CKHH Group	–	210,368
Interest payable to entities within jointly controlled parents' group	832	657
Non-current payable (accrued guarantee fee)		
CKHH Group	384,123	98,835
Interest payable to entities within jointly controlled parents' group	4,674	4,674
Swaps entered with CKHH Group		
Current assets	–	569,925
Current liabilities	551	7,170
Non-current assets	372,880	–
Interest expenses	11,625	22,273

(h) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except interest on some loans between the parties that are interest free. All of these loans have been disclosed.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 17 Deed of cross guarantee

During the year ended 31 December 2007, the Company, Hutchison 3G Australia Holdings Pty Limited ("H3GAH") and Hutchison 3G Australia Pty Limited ("H3GA") entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed of cross guarantee, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission.

On 10 June 2009, the Company announced that the merger of its subsidiary H3GA with Vodafone Australia Limited had completed. H3GA has been renamed VHA. As a result the parties to the deed of cross guarantee are now the Company and H3GAH.

(a) Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated retained earnings

HTAL and H3GAH represented a 'Closed Group' for the purposes of the Class Order. As there are no other parties to the deed of cross guarantee that are controlled by HTAL, H3GAH also represents the 'Extended Closed Group'.

Set out below is the Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated accumulated losses for the years ended 31 December 2017 and 31 December 2016.

	2017 $'000	2016 $'000
Statement of profit or loss and other comprehensive income		
Revenue	6,164	5,807
Other operating expenses	(1,222)	(1,246)
Income before income tax	4,942	4,561
Income tax expense	–	–
Income for the year	4,942	4,561
Share of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(4,081,698)	(4,086,259)
Income for the year	4,942	4,561
Accumulated losses at the end of the financial year	(4,076,756)	(4,081,698)

Note 17 Deed of cross guarantee continued

(b) Statement of financial position

Set out below is a statement of financial position as at 31 December 2017 of the Closed Group consisting of H3GAH and HTAL.

	2017 $'000	2016 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	8,884	4,469
Loans and receivable	145,558	48,906
Trade receivables	9	6
Total Current Assets	154,451	53,381
Non-current Assets		
Loans and receivable	91,000	–
Other financial assets	277,315	277,315
Total Non-current Assets	368,315	277,315
Total Assets	522,766	330,696
LIABILITIES		
Current Liabilities		
Payables	242	277
Other financial liabilities	324,025	136,862
Total Current Liabilities	324,267	137,139
Total Liabilities	324,267	137,139
Net Assets	198,499	193,557
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,767	70,767
Accumulated losses	(4,076,756)	(4,081,698)
Total Equity	198,499	193,557

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 18 Segment reporting

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 telecommunications services. As such, the Consolidated Entity believes it is appropriate that there is one operating segment, investment in telecommunications services.

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

	2017 $'000	2016 $'000
HTAL's share of the following items of VHA*		
Total Revenue	1,728,966	1,672,587
Net Losses	42,499	68,014

Further information reviewed by the chief operating decision maker with regards to the performance of the Consolidated Entity's investment in VHA is disclosed in note 6.

* after joint venture accounting adjustments

Note 19 Reconciliation of loss after income tax to net cash inflows from operating activities

	Notes	2017 $'000	2016 $'000
Loss after income tax		(37,557)	(63,453)
Share of losses of joint venture partnership accounted for using equity method	6	42,499	68,014
Change in operating assets and liabilities			
Increase in other financial assets		(492)	(430)
Decrease / Increase in payables		(35)	20
Net cash inflows from operating activities		4,415	4,151

	2017 $'000	2016 $'000
Net debt reconciliation		
Cash and cash equivalents	8,884	4,469
Borrowings	(324,025)	(136,862)
Net debt	(315,141)	(132,393)
Cash and cash equivalents	8,884	4,469
Gross debt	(324,025)	(136,862)
Net debt	(315,141)	(132,393)

	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2017	4,469	(12,837)	(124,025)	(132,393)
Cash flows	4,415	12,837	–	17,252
Other loans (non-cash) from shareholder	–	–	(200,000)	(200,000)
Net debt as at 31 December 2017	8,884	–	(324,025)	(315,141)

Note 20 Earnings per share

	2017 Cents	2016 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.28)	(0.47)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.28)	(0.47)

	Consolidated	
	2017 $'000	2016 $'000
(c) Earnings used in calculating earnings per share		
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	(37,557)	(63,453)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	(37,557)	(63,453)

	Consolidated	
	2017 Number	2016 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	13,572,508,577	13,572,508,577
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	13,572,508,577	13,572,508,577

There were no (2016: nil) options outstanding at 31 December 2017 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2017.

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 21 Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. It is the Consolidated Entity's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Risk management is carried out by the management of HTAL under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

For the presentation of market risks (including interest rate risk, exchange rate risk and market price risk), AASB 7 *"Financial instruments: disclosures"* requires disclosure of a sensitivity analysis for each type of market risk that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the reporting date on profit or loss and total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the reporting date and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of market risk does not reflect inter-dependencies between risk variables.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with AASB 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest risk

The Consolidated Entity's main interest rate risk arises from cash balances and other financial assets.

(ii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's financial assets to interest rate risk.

		Interest rate risk			
		-1%		+1%	
31/12/2017	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	8,884	(89)	–	89	–
Loans and receivable	236,557	(2,366)	–	2,366	–
Total increase (decrease)	245,441	(2,455)	–	2,455	–

		Interest rate risk			
		-1%		+1%	
31/12/2016	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	4,469	(45)	–	45	–
Loans and receivable	48,906	(361)	–	361	–
Total increase (decrease)	53,375	(406)	–	406	–

Note 21 Financial risk management continued

(b) Credit risk

Credit risk is managed on an entity basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to related parties. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 14 for details). Such guarantees are only provided in exceptional circumstances and are subject to board approval.

Credit risk further arises from loans and receivables from the joint venture VHA. The recoverability of the loan and receivable is supported by a letter of support from CK Hutchison Holdings Limited and from Vodafone Group Plc.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the support from related parties.

The Consolidated Entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The table below analyses the Consolidated Entity's financial assets and liabilities relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31/12/2017	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	1.8%	8,884	–	–	–	8,884
Loans and receivables	6.7%	145,558	91,000	–	–	236,558
Payables	–	(242)	–	–	–	(242)
Other financial liabilities	–	(324,025)	–	–	–	(324,025)
Total		(169,825)	91,000	–	–	(78,825)

31/12/2016	Weighted average interest rate	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Cash and cash equivalents	2.1%	4,469	–	–	–	4,469
Loans and receivables	4.8%	48,906	–	–	–	48,906
Payables	–	(277)	–	–	–	(277)
Other financial liabilities	–	(136,862)	–	–	–	(136,862)
Total		(83,764)	–	–	–	(83,764)

Note 22 Events occurring after the reporting date

There has been no other matter or circumstance that has arisen subsequent to the reporting date that has significantly affected, or may significantly affect:

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

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

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

Notes to the Financial Statements continued

for the Financial Year Ended 31 December 2017

Note 23 Parent entity disclosures

(a) Summary financial information

	2017 $'000	2016 $'000
Financial position		
ASSETS		
Current Assets	154,451	53,381
Non-current Assets	368,315	277,315
Total Assets	522,766	330,696
LIABILITIES		
Current Liabilities	324,267	137,139
Total Liabilities	324,267	137,139
Net Assets	198,499	193,557
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	15,880	15,880
Accumulated losses	(4,021,869)	(4,026,811)
Total Equity	198,499	193,557
Financial performance		
Loss for the year	4,942	4,561
Total comprehensive loss for the year	4,942	4,561

(b) Commitments

Operating leases

There were no commitments contracted for by HTAL but not recognised as liabilities, payable at 31 December 2017 and 31 December 2016.

The Directors of the Parent Entity are not aware of any other material contingent liabilities existing at the reporting date.

As at 31 December 2017, the Parent Entity has a deficiency of net current assets of $170 million (2016: deficiency of net current assets of $84 million). Included in the Parent Entity's current liabilities is an amount of $324 million (2016: $137 million) which relates to an interest free financing facility provided from a subsidiary of the ultimate parent entity, CKHH, which is repayable on demand. The Parent Entity has unused financing facilities of $1,276 million at 31 December 2017. CKHH has confirmed its current intention to provide sufficient financial support to enable the Parent Entity to meet its financial obligations as and when they fall due. This undertaking is provided for a minimum period of twelve months from the date of signing these financial statements. Consequently, the Directors have prepared the financial statements on a going concern basis.

(c) HTAL's investment in H3GAH

	2017 $'000	2016 $'000
Investment in H3GAH		
Investment at cost	3,664,655	3,664,655
Prior year Impairment recognised to date	3,387,340	3,387,340
Value of investment	277,315	277,315

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 23 to 50 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 31 December 2017 and of its performance for the financial 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; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 17 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 17.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of Vodafone Hutchison Australia Pty Limited required by section 295A of the *Corporations Act 2001*.

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

Director
26 February 2018

Director
26 February 2018

Independent Auditor's Report

Independent auditor's report

To the members of Hutchison Telecommunications (Australia) Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Hutchison Telecommunications (Australia) Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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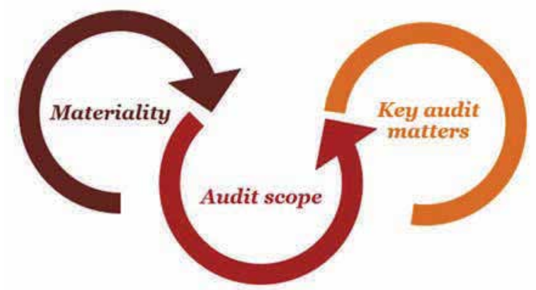
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $7.8 million, which represents approximately 5% of the Group's loss before tax (based on an average of the current year and preceding four years).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is a benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a five year average.
- We utilized a 5% threshold based on our professional judgment, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Company's Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's business activities are predominantly conducted through its 50% joint venture investment in Vodafone Hutchison Australia Pty Limited (VHA), a telecommunications service provider operating in Australia. The Group's share of the results of VHA are included in the Group's financial report as described in Note 1(b).
- We focussed our audit on the financial information of VHA as well as conducting procedures over the remaining balances of the Group in order to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Independent Auditor's Report continued

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Key audit matter	*How our audit addressed the key audit matter*
Estimate of useful life of network assets of VHA Depreciation of network assets constitutes a substantial operating cost for the joint venture. The cost of those 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 the Group's consolidated statement of profit or loss and other comprehensive income. The Directors have formed a judgement that the useful lives of certain network assets are different (usually longer) to the useful lives used to calculate depreciation charges by VHA. Accordingly, adjustments to the useful lives of assets are made when the Group's 50% interest in the joint venture VHA is incorporated into the Group's consolidated financial report each year. This is to reflect the application of the Group's network assets useful lives accounting policy being up to 20 years for certain categories as described in Note 1(r) (iii) of the financial statements. The Directors' estimate of the useful lives of network assets was a key audit matter as it requires the Directors' to exercise significant judgement to make a collective assessment on the likely future use of the network assets based on historical experience with similar assets and the potential impact of anticipated technological changes on existing assets. The estimation is impacted by company-specific factors along with broader industry considerations which results in useful lives of identical types of assets differing from company to company.	We tested the accuracy of the calculation for the adjustment to useful lives by a re-performance of depreciation calculations on a sample basis. We discussed the adjustments with management and the Directors, who explained that the rationale for making the adjustments was to reflect a longer useful life of these assets, consistent with the experience of the Group and Hutchison Whampoa Limited as the controlling entity and their assessment of the impact of anticipated technology developments. We evaluated the assessment of the useful life of network assets. In particular, we: • considered the Group's view of the impact of technological developments on existing assets. We noted that the introduction of new generation communication standards such as 4G/LTE did not necessarily result in a complete obsolescence of the existing 3G network assets as they remain integral to ensuring the operational effectiveness of the telecommunications network and that this was likely to occur again with the introduction of new generation technology. • considered the nature of the telecommunications industry where there are varying practices with regards to useful lives adopted by operators. We compared the estimate of useful lives against other telecommunication operators in Australia and overseas, and the Australian Taxation Office which suggested useful lives of between 8 – 25 years. We noted that the Group's estimate of useful life of these assets is within this range.

Recoverable amount of investment in joint venture

As explained in Note 1(b) of the financial report HTAL holds a 50% investment in a joint venture, VHA, a telecommunications service provider in Australia. As at 31 December 2017, the carrying value of the investment accounted for using the equity method of accounting amounted to $167 million.

An impairment assessment was prepared by the Directors using a value in use model (the Model) to estimate the recoverable amount of the investment. The Model was based on estimated future cash flows from the VHA investment discounted to present value. The forecast cash flows of VHA reflect the Group's view of its current underlying and future financial performance. The proportionate share of forecasted cash flows is considered to be the most appropriate basis to value HTAL's investment in VHA.

Considering whether the carrying amount of the investment in the joint venture in VHA is recoverable was a key audit matter due to the size of the balance and the level of judgement by Directors in determining the key assumptions in the Model. The continuing losses arising from HTAL's interest in VHA also gave rise to a higher risk of impairment of the investment. The areas that were most judgmental were the key assumptions used in the model being the long term revenue and market share growth rates.

We tested the key assumptions and mathematical accuracy of the Directors' future cash flow forecasts. In particular, we compared the cash flow forecasts with VHA's historical performance and we assessed their consistency with VHA's strategic, operational and financial plans. In order to assess the Group's ability to make reliable forecasts, we compared the current year actual results to the FY17 approved budget included in the prior year model and considered if any of the forecasts included assumptions that, with hindsight, had been optimistic. We found that actual performance was materially consistent with forecast performance.

We challenged the key assumptions made with respect to long term growth within the impairment assessment. Specifically:

- We considered the terminal value growth rates against our internally developed range of benchmarks which were based on observable industry data and found that the long term growth rate assumption of 2.7% is marginally higher than the RBA mid-point long term inflation target of 2.5% but consistent when measured against other companies within the sector where an average range of 2.7% has been observed.

- We stress tested the long term revenue and market share growth rates within the Model by making adjustments to the EBITDA margin rates used in the model within a reasonably foreseeable range. In this stress testing of the Model where the above adjustments were made, we found that no impairment would be required.

- The discount rate used by management in the Model is consistent with local market conditions based on our audit work performed over the inputs of the discount rate.

Independent Auditor's Report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Ownership Structure, VHA Key Operational Highlights 2017, Financial Summary, Chairman's message, Board of Directors, Corporate Governance, Director's Report, Shareholder Information and Corporate Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 17 to 19 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Rosalie Wilkie
Partner

Sydney
26 February 2018

Shareholder Information

The shareholder information set out below was applicable as at 26 February 2018.

Substantial shareholders

Substantial shareholders in the Company are:

Shareholder	Shareholding	% Issued Capital
CK Hutchison Holdings Limited and its subsidiaries#	12,009,393,175	88.48
Li Ka-Shing Unity Trustee Company Limited as trustee for The Li Ka-Shing Unity Trust##	12,009,393,175	88.48
Vodafone Group Plc and subsidiaries*	12,009,393,175	88.48
Spark New Zealand Trading Limited and Spark New Zealand Limited (formerly "Telecom Corporation of New Zealand Limited")	1,357,250,858	10.00

Notes:

Substantial shareholding includes relevant interest arising from an equitable mortgage of shares from Leanrose Pty Limited.

Substantial shareholding arises solely because Li Ka-Shing Unity Trustee Company Limited as trustee for The Li Ka-Shing Unity Trust is the registered holder of 25.97% of the shares in CK Hutchison Holdings Limited and therefore has a relevant interest in the same shares in the Company in which CK Hutchison Holdings Limited has a relevant interest. Li Ka-Shing Unity Trustee Company Limited as trustee for The Li Ka-Shing Unity Trust or otherwise does not hold any shares in the Company.

* *Substantial shareholding arises solely as a result of the relevant interests which Vodafone Group Plc and its subsidiaries have in shares in the Company in which CK Hutchison Holdings Limited and its subsidiaries have a relevant interest. Vodafone Group Plc's relevant interests arise under a Shareholders Agreement between Vodafone Group Plc, Hutchison Whampoa Limited (currently a subsidiary of CK Hutchison Holdings Limited) and other parties in relation to Vodafone Hutchison Australia Pty Limited. The acquisitions of such relevant interests were approved by shareholders on 2 April 2009. None of Vodafone Group Plc or any of its subsidiaries holds any shares in the Company.*

Distribution of equity securities

Range	Number of Shareholders
1 – 1,000	1,379
1,001 – 5,000	2,309
5,001 – 10,000	827
10,001 – 100,000	1,092
100,001 – OVER	254
Total	5,861

There were 4,224 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

The names of the 20 largest holders of quoted ordinary shares as at 26 February 2018 are as follows:

Shareholder	Shareholding	% Issued Capital	Rank
Hutchison Telecommunications (Amsterdam) B.V.	11,925,479,378	87.87	1
Spark New Zealand Trading Limited	1,357,250,858	10.00	2
Leanrose Pty Limited	83,913,797	0.62	3
HSBC Custody Nominees (Australia) Limited	15,394,288	0.11	4
Dimitrios Piliouras & Konstantina Piliouras	12,500,000	0.09	5
George Thomson	9,263,196	0.07	6
Kenneth Kin Kau Heung & Rene Conrad Heung	4,830,000	0.04	7
Citicorp Nominees Pty Limited	4,612,863	0.03	8
JP Morgan Nominees Australia	4,170,483	0.03	9
Arjee Pty Ltd	4,033,575	0.03	10
Hung Fong Chong	2,587,000	0.02	11
Yim Fong Leung	2,255,000	0.02	12
Yi Wei Sun	2,150,000	0.02	13
William Charles Wheelahan	2,000,000	0.01	14
Justin Herbert Gardener & Anne Louise Gardener	1,957,358	0.01	15
Yet Kwong Chiang & Ho Yuk Lin Chiang	1,883,334	0.01	16
Bin Lui	1,880,000	0.01	17
John Franciszek Chodorowski	1,652,456	0.01	18
Ping Ping Lu	1,620,000	0.01	19
Kurt Ruegg & Ursula Ruegg	1,500,000	0.01	20

Voting rights

The voting rights attaching to each class of equity securities are:

Ordinary shares

On a show of hands, every member present, in person or by proxy, attorney or representative, has one vote.

On a poll every member has one vote for each share.

Corporate Directory

Directors
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

Company Secretaries
Edith Shih
Louise Sexton

Investor Relations
Tel: 133 121
Email: investors@hutchison.com.au
www.hutchison.com.au

Registered Office
Level 1, 177 Pacific Highway
North Sydney NSW 2060
Tel: 133 121
www.hutchison.com.au

Share Registry
Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 8280 7111
www.linkmarketservices.com.au

Auditor
PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Securities Exchange Listing
HTAL shares are listed on the Australian Securities Exchange (ASX)
ASX Code: HTA

Notice of Annual General Meeting
The Annual General Meeting of HTAL will be held at:
177 Pacific Highway
North Sydney NSW 2060
Date: 2 May 2018
Time: 10.00 am

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