Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 215)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

	Post-IFRS 16 Basis [1]		
	1H 2020 HK$ million	**1H 2019 HK$ million**	**Change**
Service revenue	1,664	1,782	-7%
Service EBITDA	775	778	-
Total EBITDA	778	787	-1%
Total EBIT	147	160	-8%
Profit attributable to shareholders	146	188	-22%
Earnings per share (in HK cents)	3.03	3.90	-22%
Interim dividend per share (in HK cents)	2.28	2.93	-22%

	Pre-IFRS 16 Basis [1]		
	1H 2020 HK$ million	**1H 2019 HK$ million**	**Change**
Service revenue	1,664	1,782	-7%
Service EBITDA	556	545	+2%
Total EBITDA	559	554	+1%
Total EBIT	143	151	-5%
Profit attributable to shareholders	149	187	-20%

Note 1: Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 and 30 June 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the six months ended 30 June 2019 and 30 June 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis.

CHAIRMAN'S STATEMENT

The COVID-19 pandemic has posed unprecedented challenges to individuals and businesses around the world. The business climate of the mobile telecommunications market has inevitably been affected, and travel restrictions and other precautionary measures imposed to control the spread of COVID-19 have resulted in a major reduction in roaming revenue. Against this backdrop, the Group has taken a number of proactive measures to reduce the impact of the pandemic on its business. The Group's operating results for the first half of 2020 have demonstrated resilience in the face of adversity, particularly attributed to its effective cost structure.

Despite a 38% drop in roaming service revenue, the Group's local service revenue increased slightly by 1% over the same period last year. This increase was mainly driven by growing demand for corporate solution offerings, as enterprises are shifting to new modes of operations. The overall service revenue decreased by 7% to HK$1,664 million for the first half of 2020.

Service EBITDA increased by 2% as the Group's continuous cost improvement exercise further streamlined daily operations and improved operational efficiency. A healthy service EBITDA margin of 33% was recorded for the period.

On a Pre-IFRS 16 basis, the Group's total EBITDA increased by 1% to HK$559 million for the first six months of the year, while EBIT decreased by 5% to HK$143 million against the same period last year due to higher depreciation and amortisation.

On a Post-IFRS 16 basis, the Group's total EBITDA and EBIT decreased by 1% and 8% respectively against the same period last year. Profit attributable to shareholders and earnings per share were HK$146 million and 3.03 HK cents, a 22% decrease compared with HK$188 million and 3.90 HK cents respectively of the same period last year. The decrease was mainly due to lower interest income as the cash balance has significantly reduced from HK$9,555 million in the beginning of 2019 to HK$5,536 million as of 30 June 2020 subsequent to the distribution of HK$3,855 million special interim dividend and HK$471 million cash paid for the acquisition of a 24.1% interest in the Group's mobile operation in May 2019. The interest income forgone corresponded to an approximately 0.77 HK cents decrease in earnings per share. Excluding the effect of interest income reduction, profit attributable to shareholders dropped marginally by 3% against the same period last year.

As of 30 June 2020, the total number of customers in Hong Kong and Macau remained steady at approximately 3.3 million (as of 30 June 2019: approximately 3.3 million). The Group continued to focus on enhancing its customer retention programmes during the period, and achieved a stable monthly postpaid churn rate of 1.1% (1H 2019: 1.1%). Local postpaid net ARPU increased by 5% to HK$150 as a result of a higher contribution from the corporate market.

Dividend

The Board has declared an interim dividend of 2.28 HK cents (2019 interim dividend: 2.93 HK cents) per share for the first half of 2020, payable on Friday, 4 September 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 26 August 2020, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects the total full year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

Outlook

Uncertainties around the evolution of the COVID-19 pandemic will continue to persist, and the near-term business environment is expected to remain extremely challenging. Roaming business is likely to be depressed in the second half, while consumers and corporates become very cautious in their spending. Despite the turmoil and uncertainties posed by the pandemic, demands for automation and business solutions from various sectors impacted by the anti-epidemic measures have accelerated. This has translated into benefits for the Group, as more enterprises have taken up solution offerings from the Group to meet their ever-changing business demands, riding on the recently launched 5G services. The Group will continue to build on its B2B strengths, leveraging its advanced network infrastructure and its close ties with members of the CKHH Group, as well as its collaborative efforts with global partners.

The Group is committed to being a responsible corporate citizen. It fully recognises that investors and stakeholders are placing greater importance than ever on the sustainability practices of businesses. It continues to formulate responsible policies and initiatives to address ESG matters, as part of its determination to generate sustainable value for stakeholders.

While the COVID-19 pandemic remains fluid and rapidly evolving, the Group will remain vigilant and closely monitor its development. It will continue to adopt appropriate measures to safeguard the interest of its employees and business operations, and at the same time maintain its full service commitment to its customers.

To conclude, I would like to thank the Board of Directors and all staff members for their unwavering dedication, their consummate professionalism, and their invaluable contributions to the Group throughout an incredibly challenging period.

FOK Kin Ning, Canning
Chairman

Hong Kong, 28 July 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance Summary - Pre-IFRS 16 basis [1]

	1H 2020 HK$ million	1H 2019 HK$ million	Change
Revenue	1,982	2,515	-21%
Net customer service revenue	1,664	1,782	-7%
▪ Local service revenue	1,443	1,424	+1%
▪ Roaming service revenue	221	358	-38%
- Data	146	246	-41%
- Non-data	75	112	-33%
Hardware revenue	318	733	-57%
▪ Bundled sales revenue	149	213	-30%
▪ Standalone handset sales revenue	169	520	-68%
Net customer service margin	1,462	1,617	-10%
Net customer service margin %	*88%*	*91%*	*-3% points*
Standalone handset sales margin	3	9	-67%
Total margin	1,465	1,626	-10%
CACs	(258)	(371)	+30%
Less: Bundled sales revenue	149	213	-30%
CACs (net of hardware revenue)	(109)	(158)	+31%
Operating expenses	(830)	(949)	+13%
Operating expenses as a % of net customer service margin	*57%*	*59%*	*+2% points*
Share of EBITDA of a joint venture	33	35	-6%
EBITDA	559	554	+1%
Service EBITDA	556	545	+2%
Service EBITDA margin %	*33%*	*31%*	*+2% points*
CAPEX (excluding telecommunications licences)	(105)	(154)	+32%
EBITDA less CAPEX	454	400	+14%
Depreciation and amortisation [2]	(416)	(403)	-3%
EBIT	143	151	-5%
Service EBIT	140	142	-1%
Net interest and other finance income [2]	51	90	-43%
Profit before tax	194	241	-20%
Tax [2]	(45)	(46)	+2%
Profit attributable to non-controlling interests	-	(8)	+100%
Profit attributable to shareholders	149	187	-20%

Note 1: Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 and 30 June 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the six months ended 30 June 2019 and 30 June 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis.

Note 2: Depreciation and amortisation, net interest and other finance income and tax include the Group's share of joint venture's respective items.

Financial Performance Summary - Post-IFRS 16 basis [1]

	1H 2020 HK$ million	1H 2019 HK$ million	Change
Revenue	1,982	2,515	-21%
Net customer service revenue	1,664	1,782	-7%
▪ Local service revenue	1,443	1,424	+1%
▪ Roaming service revenue	221	358	-38%
- Data	146	246	-41%
- Non-data	75	112	-33%
Hardware revenue	318	733	-57%
▪ Bundled sales revenue	149	213	-30%
▪ Standalone handset sales revenue	169	520	-68%
Net customer service margin	1,462	1,617	-10%
Net customer service margin %	*88%*	*91%*	*-3% points*
Standalone handset sales margin	3	9	-67%
Total margin	1,465	1,626	-10%
CACs	(234)	(343)	+32%
Less: Bundled sales revenue	149	213	-30%
CACs (net of hardware revenue)	(85)	(130)	+35%
Operating expenses	(635)	(744)	+15%
Operating expenses as a % of net customer service margin	*43%*	*46%*	*+3% points*
Share of EBITDA of a joint venture	33	35	-6%
EBITDA	778	787	-1%
Service EBITDA	775	778	-
Service EBITDA margin %	*47%*	*44%*	*+3% points*
CAPEX (excluding telecommunications licences)	(105)	(154)	+32%
EBITDA less CAPEX	673	633	+6%
Depreciation and amortisation [2]	(631)	(627)	-1%
EBIT	147	160	-8%
Service EBIT	144	151	-5%
Net interest and other finance income [2]	43	82	-48%
Profit before tax	190	242	-21%
Tax [2]	(44)	(46)	+4%
Profit attributable to non-controlling interests	-	(8)	+100%
Profit attributable to shareholders	146	188	-22%

Note 1: Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 and 30 June 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under the IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the six months ended 30 June 2019 and 30 June 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis.

Note 2: Depreciation and amortisation, net interest and other finance income and tax include the Group's share of joint venture's respective items.

Review of Financial Results

The Group's total revenue for the first half of 2020 decreased by 21% to HK$1,982 million (1H 2019: HK$2,515 million).

Service revenue decreased by 7% to HK$1,664 million, largely due to a 38% decline in roaming service revenue which accounted for 13% of the Group's service revenue for the period (1H 2019: 20%).

Hardware revenue of HK$318 million was 57% lower than the same period in 2019, reflecting lower spending on consumables and a fall in demand for new smartphones.

The Group continued to adhere to a strict cost discipline regime during the first six months of 2020, with the aim of creating a low-cost, high-efficiency operational environment. Key costs (Pre-IFRS 16 basis), comprising CACs, staff costs and other operating expenses, decreased by 10% to HK$1,141 million.

On a Pre-IFRS 16 basis, the Group's total EBITDA increased by 1% to HK$559 million (1H 2019: HK$554 million), while EBIT decreased by 5% to HK$143 million against the same period last year due to higher depreciation and amortisation.

Service EBITDA (Pre-IFRS 16 basis) increased by 2% to HK$556 million for the first half of 2020, benefiting from the aforementioned savings in key costs, partly offset by lower total margin. Service EBITDA margin (Pre-IFRS 16 basis) improved to 33% (1H 2019: 31%).

On a Post-IFRS 16 basis, the Group's total EBITDA and EBIT decreased by 1% and 8% respectively against the same period last year. Profit attributable to shareholders and earnings per share were HK$146 million and 3.03 HK cents, a 22% decrease compared with HK$188 million and 3.90 HK cents respectively of the same period last year. The decrease was mainly due to lower interest income as the cash balance has significantly reduced from HK$9,555 million in the beginning of 2019 to HK$5,536 million as of 30 June 2020 subsequent to the distribution of HK$3,855 million special interim dividend and HK$471 million cash paid for the acquisition of a 24.1% interest in the Group's mobile operation in May 2019. The interest income forgone corresponded to an approximately 0.77 HK cents decrease in earnings per share. Excluding the effect of interest income reduction, profit attributable to shareholders dropped marginally by 3% against the same period last year. The impact of IFRS 16 on total EBIT and profit attributable to shareholders of the Group was insignificant.

Key performance indicators

	1H 2020	1H 2019	Change
Number of postpaid customers ('000)	1,458	1,491	-2%
Number of prepaid customers ('000)	1,851	1,837	+1%
Total customers ('000)	3,309	3,328	-1%
Postpaid customers to the total customer base (%)	44%	45%	-1% point
Postpaid customers' contribution to the net customer service revenue (%)	90%	87%	+3% points
Monthly churn rate of postpaid customers (%)	1.1%	1.1%	-
Postpaid gross ARPU (HK$)	196	205	-4%
Postpaid net ARPU (HK$)	170	175	-3%
Postpaid net AMPU (HK$)	151	160	-6%
Local postpaid gross ARPU (HK$)	175	173	+1%
Local postpaid net ARPU (HK$)	150	143	+5%

As of 30 June 2020, the total number of customers in Hong Kong and Macau remained steady at approximately 3.3 million (as of 30 June 2019: approximately 3.3 million). The Group continued to focus on enhancing its customer retention programmes, and was able to maintain a stable monthly postpaid churn rate of 1.1% (1H 2019: 1.1%). Local postpaid net ARPU increased by 5% to HK$150 as a result of higher contribution from the corporate market.

Net interest and other finance income

Net interest and other finance income (Post-IFRS 16 basis, with share of a joint venture) amounted to HK$43 million for the first half of 2020, compared with HK$82 million for the same period last year. This was mainly due to lower interest income as net cash balance reduced from HK$9,555 million in the beginning of 2019 to HK$5,536 million as of 30 June 2020 subsequent to the distribution of HK$3,855 million special interim dividend and HK$471 million cash settlement for the acquisition of the 24.1% interest in the mobile business in May 2019.

The Group continues to maintain a healthy financial position with a net cash position of HK$5,536 million as of 30 June 2020 (31 December 2019: HK$5,416 million). The improvement in net cash position during the first six month of the year was mainly due to better working capital management.

Capital expenditure

Capital expenditure on property, plant and equipment, which accounted for 6% (1H 2019: 9%) of the Group's service revenue, reduced by 32% to HK$105 million. The decrease was mainly due to timing of the 5G capital expenditure and rescheduling of other projects to better align with expected future benefits. The Group continues to be disciplined in scrutinising its projects with care and prudence and ensuring that adequate resources are made available in accordance with operational and technological needs.

Spectrum investment

In October 2019, the Group acquired 40 MHz in the 3500 MHz band for 15 years from 2020 for a spectrum utilisation fee of HK$202 million through auction. Other than that, spectrum investment remained unchanged compared with the position as at 31 December 2019.

Summary of spectrum investment as of 30 June 2020

	Spectrum band	Bandwidth	Year of expiry
Hong Kong	900 MHz	10 MHz	2026
	900 MHz	16.6 MHz	2021 ❶
	1800 MHz	23.2 MHz	2021 ❶
	2100 MHz	29.6 MHz	2031
	2300 MHz	30 MHz	2027
	2600 MHz	30 MHz ❷	2024
	2600 MHz	10 MHz ❷	2028
	3300 MHz	30 MHz	2034
	3500 MHz	40 MHz	2035
Macau	900 MHz	10 MHz	2023
	1800 MHz	20 MHz	2023
	2100 MHz	10 MHz	2023

❶ After the spectrum auction and licence renewal in 2018, the licence period of the existing 16.6 MHz in the 900 MHz band was extended from November 2020 to January 2021 to align with the new spectrum assignment period. Subsequently, the Group will hold 10 MHz in the 900 MHz band and 30 MHz in the 1800 MHz band from 2021 to 2036.

❷ The spectrum band was shared under 50/50 joint venture - Genius Brand Limited.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited 2020 HK$ million	Unaudited 2019 HK$ million
Revenue	4	1,982	2,515
Cost of inventories sold		(315)	(724)
Staff costs		(165)	(194)
Expensed customer acquisition and retention costs		(47)	(95)
Depreciation and amortisation		(608)	(603)
Other operating expenses		(710)	(750)
		137	149
Interest and other finance income	6	72	109
Interest and other finance costs	6	(20)	(17)
Share of result of a joint venture		(2)	(2)
Profit before taxation		187	239
Taxation	7	(41)	(43)
Profit and total comprehensive income for the period, net of tax		146	196
Attributable to:			
Shareholders of the Company		146	188
Non-controlling interests		-	8
		146	196
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	3.03	3.90
- diluted	8	3.03	3.90

Details of interim dividend payable to shareholders of the Company are set out in Note 9.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Note	Unaudited 30 June 2020 HK$ million	Audited 31 December 2019 HK$ million
Non-current assets			
Property, plant and equipment		2,250	2,326
Goodwill		2,155	2,155
Telecommunications licences		2,310	2,238
Right-of-use assets		566	435
Customer acquisition and retention costs		149	142
Contract assets		159	173
Other non-current assets		243	227
Deferred tax assets		129	169
Investment in a joint venture		307	336
Total non-current assets		8,268	8,201
Current assets			
Cash and cash equivalents	10	5,536	5,416
Trade receivables and other current assets	11	698	564
Contract assets		226	240
Inventories		69	55
Total current assets		6,529	6,275
Current liabilities			
Trade and other payables	12	1,539	1,509
Contract liabilities		175	142
Lease liabilities		342	300
Current income tax liabilities		3	24
Total current liabilities		2,059	1,975
Non-current liabilities			
Lease liabilities		221	129
Other non-current liabilities		589	409
Total non-current liabilities		810	538
Net assets		11,928	11,963
Capital and reserves			
Share capital		1,205	1,205
Reserves		10,723	10,758
Total equity		11,928	11,963

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited							
	Attributable to shareholders of the Company							
	Share capital HK$ million	Share premium HK$ million	(Accumulated losses)/ retained earnings HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 January 2020	1,205	11,185	(286)	148	(289)	11,963	-	11,963
Profit for the period	-	-	146	-	-	146	-	146
Dividends relating to 2019 paid in 2020 (Note 9)	-	-	(181)	-	-	(181)	-	(181)
Transfer between reserves	-	-	(25)	25	-	-	-	-
At 30 June 2020	1,205	11,185	(346)	173	(289)	11,928	-	11,928
At 1 January 2019	1,205	11,185	3,435	140	4	15,969	170	16,139
Profit for the period	-	-	188	-	-	188	8	196
Dividends relating to 2018 paid in 2019 (Note 9)	-	-	(4,009)	-	-	(4,009)	-	(4,009)
Acquisition of non-controlling interests [(i)]	-	-	-	-	(293)	(293)	(178)	(471)
At 30 June 2019	1,205	11,185	(386)	140	(289)	11,855	-	11,855

(i) On 31 May 2019, the Group effectively acquired the entire 24.1% interests in each of HTCL, which indirectly held 100% interests in HTMCL, and H3GHK from NTT DOCOMO, Inc., a subsidiary of Nippon Telegraph and Telephone Corporation, at a consideration of US$60 million (approximately HK$471 million). Consequently, HTCL, HTMCL and H3GHK became wholly-owned subsidiaries of the Group. The difference of HK$293 million between the proportionate share of the carrying amount of net assets of these subsidiaries and the consideration paid for the additional interests have been debited to other reserves of the Group.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited 2020 HK$ million	Unaudited 2019 HK$ million
Cash flows from operating activities			
Cash generated from operations		822	564
Interest and other finance costs paid		(14)	(13)
Tax paid		(22)	-
Net cash from operating activities		786	551
Cash flows from investing activities			
Purchases of property, plant and equipment		(105)	(154)
Additions to telecommunications licences		(202)	-
Proceeds from disposals of property, plant and equipment		-	1
Interest received		65	132
Loan to a joint venture		(28)	(26)
Net cash used in investing activities		(270)	(47)
Cash flows from financing activities			
Principal elements of lease payments		(215)	(226)
Dividends paid to the shareholders of the Company	9	(181)	(4,009)
Acquisition of non-controlling interests		-	(471)
Net cash used in financing activities		(396)	(4,706)
Increase/(decrease) in cash and cash equivalents		120	(4,202)
Cash and cash equivalents at 1 January		5,416	9,555
Cash and cash equivalents at 30 June		5,536	5,353

NOTES

1 General Information

Hutchison Telecommunications Hong Kong Holdings Limited was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. Its registered office address is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Group is engaged in mobile telecommunications business in Hong Kong and Macau. The shares of the Company are listed on the Main Board of the Stock Exchange.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These interim financial statements were approved for issuance by the Board on 28 July 2020.

2 Basis of Preparation

These interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 "Interim financial reporting". These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

These interim financial statements have been prepared under the historical cost convention and on a going concern basis.

The COVID-19 pandemic has evolved rapidly during the first six months of 2020, with the number of cases reported around the world continue to increase. Travel restrictions and other precautionary measures imposed by various governments to contain the virus have adversely affected the economic activities. In response to this adversity, the Group has taken a number of proactive measures to reduce the impact of the pandemic on its business. The Group's roaming revenue has inevitably been affected to some extent during the first half of the year but the related impact to the overall operating results has been largely offset by the continuous cost improvement exercise to further streamline the daily operations. Given the extent and duration of the COVID-19 pandemic remain uncertain, the Group's estimates and assumptions may evolve as conditions change and the 2020 full year actual results could differ from those estimates. The Group will remain vigilant and closely monitor the development of the COVID-19 situation and will evaluate its impact on the Group's financial position and operating results accordingly.

3 Significant Accounting Policies

The accounting policies applied and methods of computation used in the preparation of these interim financial statements are consistent with those used in 2019 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2020. In addition, the Group has early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) ahead of its effective date and applied the amendment from 1 January 2020. The adoption of these new or revised standards, amendments and interpretations does not have a material impact to the Group's results of operations or financial position.

4 Revenue

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

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Mobile telecommunications and other related service	1,664	1,782
Telecommunications hardware	318	733
	1,982	2,515

Disaggregation of revenue

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

	Six months ended 30 June	
	2020	2019
	HK$ million	HK$ million
Timing of revenue recognition:		
Over time	1,664	1,782
At a point in time	318	733
	1,982	2,515

5 Segment Information

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has identified only one reporting segment, i.e. mobile telecommunications business.

6 Interest and Other Finance Income, Net

	Six months ended 30 June 2020 HK$ million	2019 HK$ million
Interest and other finance income:		
Bank interest income	63	99
Interest income from a joint venture	9	10
	72	109
Interest and other finance costs:		
Notional non-cash interest accretion [(i)]	(14)	(12)
Guarantee and other finance fees	(6)	(5)
	(20)	(17)
Interest and other finance income, net	52	92

(i) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the condensed consolidated statement of financial position such as lease liabilities, licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

7 Taxation

	Six months ended 30 June					
	2020			2019		
	Current taxation HK$ million	Deferred taxation HK$ million	Total HK$ million	Current taxation HK$ million	Deferred taxation HK$ million	Total HK$ million
Hong Kong	1	40	41	11	32	43

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

8 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$146 million (30 June 2019: HK$188 million) and on the weighted average number of 4,819,096,208 (30 June 2019: 4,818,969,136) ordinary shares in issue during the period.

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

The diluted earnings per share for the six months ended 30 June 2019 was calculated by adjusting the weighted average number of 4,818,969,136 ordinary shares in issue with the weighted average number of 87,081 ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividend

	Six months ended 30 June	
	2020	2019
Interim dividend (HK$ million)	110	141
Interim dividend per share (HK cents)	2.28	2.93

In addition, final dividend in respect of year 2019 of 3.75 HK cents per share (30 June 2019: 3.20 HK cents per share) totalling HK$181 million (30 June 2019: HK$154 million) was approved and paid during the six months ended 30 June 2020. Special interim dividend in respect of year 2018 of 80.00 HK cents per share totalling HK$3,855 million was paid during the six months ended 30 June 2019.

10 Cash and Cash Equivalents

	30 June 2020 HK$ million	31 December 2019 HK$ million
Cash at banks and in hand	90	117
Short-term bank deposits	5,446	5,299
	5,536	5,416

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

11 Trade Receivables and Other Current Assets

	30 June 2020 HK$ million	31 December 2019 HK$ million
Trade receivables	310	303
Less: Loss allowance provision	(54)	(42)
Trade receivables, net of provision [(a)]	256	261
Other receivables	97	101
Prepayments and deposits	345	202
	698	564

The carrying values of trade receivables, other receivables and deposits approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(a) Trade receivables, net of provision

	30 June 2020 HK$ million	31 December 2019 HK$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 - 30 days	133	146
31 - 60 days	30	43
61 - 90 days	13	14
Over 90 days	80	58
	256	261

12 Trade and Other Payables

	30 June 2020 HK$ million	31 December 2019 HK$ million
Trade payables [(a)]	303	325
Other payables and accruals	1,059	1,009
Receipts in advance	89	102
Current portion of licence fees liabilities	88	73
	1,539	1,509

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

(a) Trade payables

	30 June 2020 HK$ million	31 December 2019 HK$ million
The ageing analysis of trade payables is as follows:		
0 - 30 days	155	180
31 - 60 days	61	20
61 - 90 days	3	13
Over 90 days	84	112
	303	325

GROUP CAPITAL RESOURCES AND LIQUIDITY

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Director, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group'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.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is mainly derived from operating income to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall cash position and determines when external source of finance is needed.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Cash

As at 30 June 2020, the Group recorded share capital of HK$1,205 million and total equity of HK$11,928 million.

As at 30 June 2020, the net cash of the Group was HK$5,536 million (31 December 2019: HK$5,416 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies.

Charges on Group Assets

As at 30 June 2020 and 31 December 2019, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

The Group has no committed borrowing facilities as at 30 June 2020 and 31 December 2019.

Contingent Liabilities

As at 30 June 2020, the Group provided performance, financial and other guarantees of HK$278 million (31 December 2019: HK$106 million).

Commitments

As at 30 June 2020, the Group had total capital commitments of property, plant and equipment of HK$456 million (31 December 2019: HK$271 million) and telecommunications licences of HK$2,040 million (31 December 2019: HK$2,242 million).

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years/periods up to year 2021. The variable licence fees for these spectrum bands were charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

Corporate Strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for shareholders. Please refer to the Chairman's Statement, and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objectives of the Group.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Human Resources

As at 30 June 2020, the Group employed 979 (31 December 2019: 986) staff members (full-time and part-time) and on average 963 (1H 2019: 1,197) staff members during the six months ended 30 June 2020. Staff costs during the six months ended 30 June 2020, including directors' emoluments, totalled HK$165 million (1H 2019: HK$194 million).

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, and long-service awards. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business, and attaches great importance on reducing energy consumption of its cellular network. In addition to environmental sustainability, the Group is also involved in a number of digital inclusion initiatives to help bridge the digital divide of the underprivileged. The Group is also continually improving its business practices and employee training in such best practices. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by a Director and comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts.

Review of Interim Financial Statements

The interim financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. The independent review report of the auditor will be included in the Interim Report to shareholders. The interim financial statements of the Group for the six months ended 30 June 2020 has also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Wednesday, 26 August 2020. In order to qualify for the interim dividend payable on Friday, 4 September 2020, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 26 August 2020.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the six months ended 30 June 2020 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, other than that set out below.

The Board established the Nomination Committee chaired by the Chairman of the Board, with all Directors as members. An ad hoc sub-committee, chaired by the Chairman comprising members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. The Board is of the view that the ultimate responsibilities for the selection, nomination and appointment of Directors rest with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews and determines the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted its own HTHKH Securities Code regulating Directors' dealings in securities (Group and otherwise) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with HTHKH Securities Code in their securities transactions throughout the six months ended 30 June 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the Board of Directors
"CACs"	expensed customer acquisition and retention costs plus the related staff costs, rental and other expenses
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215)
"COVID-19"	coronavirus disease 2019
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA
"ESG"	environmental, social and governance
"Group"	the Company and its subsidiaries
"H3GHK"	Hutchison 3G HK Holdings Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HTCL"	Hutchison Telephone Company Limited

DEFINITIONS (continued)

"HTHKH Securities Code"	Model Code for Securities Transactions by Directors
"HTMCL"	Hutchison Telephone (Macau) Company Limited
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"interim financial statements"	unaudited condensed consolidated interim financial statements
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"service EBITDA / EBIT"	EBITDA / EBIT excluding standalone handset sales margin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

As at the date of this announcement, the Directors are:

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors:
Mr LUI Dennis Pok Man
Mr WOO Chiu Man, Cliff

Executive Director:
Mr KOO Sing Fai

Non-executive Directors:
Mr LAI Kai Ming, Dominic
(also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)
Ms Edith SHIH
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr IP Yuk Keung
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna