Hutchison Telecoms

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

ASX Market Announcements
Australian Securities Exchange

Date: 27 March 2019

Subject: Annual Report 2018

The Company's 2018 Annual Report incorporating the full year accounts for the period ended 31 December 2018 is attached.

Yours faithfully

Louise Sexton
Company Secretary

2018
Annual Report

Hutchison Telecoms

Contents

AGM Details

The Annual General Meeting of HTAL will be held at:

177 Pacific Highway
North Sydney NSW 2060

Thursday 2 May 2019
at 10.00 am

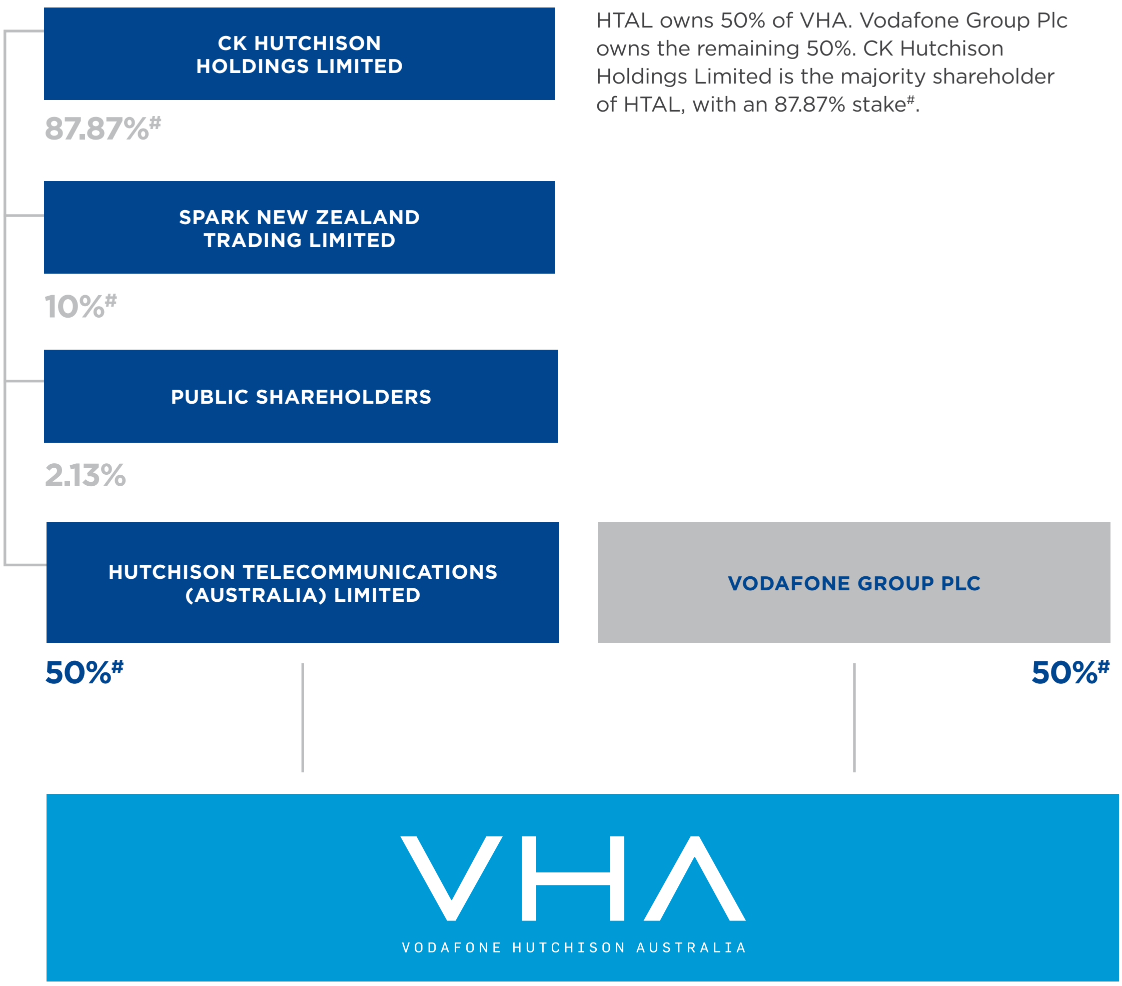
ABN 15 003 677 227

Hutchison Telecommunications (Australia) Limited ("HTAL" or the "Company") (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#.



Indirect ownership.

VHA **Key Operational Highlights** in 2018

In May 2018, VHA introduced Australia's first widely available

ENDLESS MOBILE DATA PLANS

>6 MILLION

MOBILE CUSTOMERS

With the addition of 211,000 mobile customers in 2018

360 MILLION GIGABYTES

GROWING CUSTOMER DATA USAGE

due to VHA's significant network investment in metropolitan and regional areas, which increased 45% from 2017

FINANCIAL PERFORMANCE

IN LINE WITH EXPECTATIONS

VHA's 2018 financial performance was in line with expectations, given aggressive competition among the major Mobile Network Operators over recent years and capital intensity required to maintain and evolve mobile telecommunications networks

VHA-TPG Merger

VHA and TPG Telecom Limited (ASX:TPM) announced a proposed merger of equals in August 2018 to establish Australia's leading full-service challenger telecommunications provider

$5 ROAMING

In November 2018, VHA launched $5 Roaming to an additional 11 destinations, making the product

AVAILABLE IN MORE THAN 80 COUNTRIES

5G SPECTRUM ACQUIRED

VHA's 50:50 joint venture with TPG Telecom, Mobile JV Pty Ltd, acquired substantial 5G spectrum holdings in all available metropolitan and regional areas in the 3.6 GHz band, for $263 million

Financial Summary

VHA Financial and Operating Metrics

	2018 $'000	2017 $'000	YoY change %
The items below represent the 50% share of VHA attributable to HTAL			
Total revenue ($m)	**1,823.4**	1,729.0	5.5%
Total revenue adjustment AASB 15[1]	**(22.3)**		
Total revenue without AASB 15[1]	**1,845.7**	1,729.0	6.8%
Service revenue ($m)[2]	**1,235.1**	1,224.2	0.9%
Service revenue adjustment AASB 15[1]	**(2.7)**		
Service revenue without AASB 15[1]	**1,237.8**	1,224.2	1.1%
EBITDA ($m)	**551.1**	485.9	13.4%
Net EBITDA adjustment AASB 15[1]	**7.6**		
Net EBITDA without AASB 15[1]	**543.5**	485.9	11.6%
Share of net loss of VHA ($m)[3]	**(5.0)**	(42.5)	(88.2%)
Net loss adjustment AASB 15[1]	**(10.5)**		
Net Profit/(loss) without AASB 15[1]	**5.5**	(42.5)	(113.0%)
The items below represent totals for VHA			
Postpaid customers ('000)	**3,454**	3,388	2.0%
Prepaid customers ('000)[4]	**2,209**	2,082	6.1%
VHA customers subtotal ('000)	**5,663**	5,470	3.5%
MVNO customers ('000)[4]	**356**	338	5.3%
Total network customers ('000)	**6,019**	5,808	3.6%
Fixed Customers ('000)	**33**	–	100%
ARPU ($)[5]	**37.45**	38.23	(2.0%)
ARPU inclusive of Kogan and Lebara ($)[6]	**35.52**	37.16	(4.4%)

VHA achieved further growth in its customer base during 2018, with the addition of 211,000 customers.

Total network customers increased 3.6% to 6.02 million.

Notes:

1 AASB 15 became effective for the Group on 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 table presents the difference between pre AASB 15 and post AASB 15 adjustment. Included in the adjustments are changes in fair value recognition of revenue and discounts on customer contracts, together will change in the recognition of subscriber costs for these contracts.

2 Reclassification $11.8 million of fixed and insurance revenue into service revenue. The December 2017 figures reclassed for comparative was $6 million.

3 Reconciliation for the Share of net loss of VHA is set out on page 36.

4 Reclassification of Kogan and Lebara customers from MVNO to Prepaid. As Kogan and Lebara customers (602k) are contracted to VHA, these categories have been reclassified from MVNO to Prepaid. Prior to the reclassification, the December 2017 figures for Prepaid and MVNO were 1,709k and 711k respectively.

5 ARPU represents a rolling 12 month average postpaid and prepaid service revenue per user per month at the end of the period excluding MVNOs. This computation does not take into account the reclassification of Kogan and Lebara from MVNO category to Prepaid category.

6 Updated ARPU reflects the change in basis of calculation as a result of the reclassification of Kogan and Lebara from MVNO category to the Prepaid category. The prior year comparative has also been updated based on this change.

Chairman's Message

I AM PLEASED TO REPORT TO YOU ON OUR PERFORMANCE IN 2018, BASED ON THE CONTINUED IMPROVEMENT IN VODAFONE HUTCHISON AUSTRALIA'S BUSINESS.

Fok Kin Ning, Canning
Chairman

HTAL reported a $4.5 million profit for the year ended 31 December 2018, compared with a loss of $37.6 million in the prior year. HTAL's share of VHA's net loss included in HTAL's results was $5.0 million for the year ended 31 December 2018 compared with a net loss of $42.5 million in 2017.

HTAL's revenue from ordinary activities increased from $6.2 million in 2017 to $10.6 million for the year ended 31 December 2018. The significant growth in revenue is primarily driven by a full 12 months of interest income received on loans to VHA. However, this will be a non-recurring uplift as the overall loan balance was reduced by a loan repayment during December 2018.

Review of VHA's results

In 2018, VHA achieved modest financial growth in an intense competitive environment and despite the need for ongoing significant investment to maintain, enhance and evolve its networks, products and customer service.

With strong support from CK Hutchison Holdings Limited and Vodafone Group Plc, VHA has again produced a stable financial performance, while maintaining its position as a price leader and achieving market-leading customer sentiment.

Key 2018 achievements and highlights:

- Reached six million mobile customers;
- Full launch of fixed broadband services on the National Broadband Network;
- Continued significant investment in network and technology, including evolution to 5G;
- Introduced Australia's first widely-available endless data plans;
- Expanded $5 Roaming to more than 80 countries;
- Leading Net Promoter Score (NPS) and lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the Mobile Network Operators;
- Announced proposed merger with TPG Telecom Limited ("TPG Telecom") to become a leading full-service telecommunications company in Australia and a more effective challenger to the dominant carriers in the market; and
- Acquired 5G spectrum through Mobile JV Pty Ltd, its spectrum joint venture with TPG Telecom.

2018 financial results

VHA's 2018 financial performance was in line with expectations, given aggressive competition among the major Mobile Network Operators over recent years and increased capital investments required to maintain and evolve mobile telecommunications networks.

HTAL's share of VHA total revenue increased 5.5% to $1,823.4 million from $1,729.0 million, driven by growth in VHA's customer base and higher device sales. In a direct year on year comparison, without the AASB 15 accounting change, HTAL's share of VHA total reported revenue would have been $1,845.7 million, a 6.8% increase.

HTAL's share of VHA's EBITDA increased 13.4% year on year to $551.1 million from $485.9 million, driven by revenue growth, expenditure optimisation and non-recurring benefits of $33.5 million. In a direct year on year comparison, without the AASB 15 accounting change, HTAL's share of VHA total reported EBITDA would have been $543.5 million, an 11.8% increase.

In a year on year comparison using previous year calculation methodology, VHA ARPU (Average Revenue Per User) was $37.45, a decrease of 2.0% YoY from $38.23 due to ongoing competition among the major Mobile Network Operators and increased inclusions on VHA mobile plans. In the first half of 2018, non-Vodafone branded partners Kogan and Lebara were re-classified from MVNO to Pre-paid. With the inclusion of Kogan and Lebara customers, VHA ARPU on this basis was $35.52, a decrease of 4.4% YoY from $37.16.

The loss position improved with HTAL's share of VHA net loss declining 88.2% to $5.0 million, driven by the improvement in VHA's EBITDA partially offset by an increase in depreciation and amortisation expenses.

VHA and TPG Telecom propose merger of equals

VHA and TPG Telecom announced a merger of equals transaction in August 2018 to establish Australia's leading full-service challenger telecommunications provider. The merger is subject to regulatory approvals, and will provide the new merged group with increased financial strength and scale to compete more effectively, and drive innovation, service and product improvements to Australian customers. HTAL and Vodafone Group Plc, as VHA shareholders, will each own 25.05% of the new merged group with TPG Telecom shareholders owning the remaining 49.9%.

VHA reaches 6 million mobile customers, achieves leading customer sentiment

VHA passed the 6 million mobile customer mark in 2018, with the addition of 211,000 customers. Total mobile network customers increased 3.6% to 6.02 million, driven by 6.1% growth in prepaid customers, a 2.0% lift in postpaid customers and a 5.3% increase in wholesale and partner customers.

VHA also had 33,000 fixed broadband customers following the full launch of Vodafone nbn™ services in April 2018.

VHA continued to achieve strong customer sentiment, recording the leading Net Promoter Score (NPS) among the Mobile Network Operators throughout 2018. VHA's NPS performance is driven by customer perceptions of network performance and reliability, trustworthiness, customer control over spend, and value for money.

VHA again recorded the lowest rate of customer complaints to the Telecommunications Industry Ombudsman of the major telecommunications companies throughout 2018. In the December 2018 quarter, VHA's complaints ratio was 50% lower than the industry average and less than half that of the major Mobile Network Operators.

National 5G spectrum acquisition builds on VHA's future network plans

In December 2018, Mobile JV Pty Ltd, the 50:50 joint venture company of VHA and TPG Telecom acquired substantial spectrum holdings in all available metropolitan and regional areas in the 3.6GHz band, for $263 million. VHA has the right to use half of the spectrum licences acquired by Mobile JV Pty Ltd. This builds on VHA's work over recent years to prepare for 5G, with projects including the virtualisation of its core network, fibre transmission rollout and detailed infrastructure planning.

Mobile JV Pty Ltd is an ongoing joint venture and will not terminate if the merger between VHA and TPG Telecom does not proceed.

Expanding and enhancing the VHA mobile network

In 2018, VHA's total network and technology spend was approximately $1.3 billion, including the construction of more than 180 new sites and upgrade of over 850 existing sites across Australia. This included the construction of 22 new sites as part of the Australian Government's Mobile Black Spot Program. VHA's significant network investment in metropolitan and regional areas helped support growing customer data usage, which increased 45% from 2017 to more than 360 million gigabytes in 2018.

The VHA mobile network also continued to be recognised for its strong performance. In May 2018, VHA was awarded Best Mobile Operator at the telecommunications industry CommsDay Edison Awards. The OpenSignal Mobile Network update report showed VHA's network performance continues to improve, with VHA performing strongly in 4G download speed, 4G latency and overall download speeds. The P3 Public Benchmark networking test recognised improvements across all aspects of VHA's network performance in the five major cities.

Chairman's Message
continued

Expanding and enhancing the VHA mobile network continued

In May 2018, VHA successfully launched its first 4.9G site in Parramatta, in Sydney's western suburbs. This was the first of five sites to be launched that will act as trial locations to deliver a higher quality network experience in the lead up to the introduction of 5G.

In September 2018, VHA announced a successful trial of its self-install mobile coverage solution – the Vodafone Regional Coverage Hub. The device delivers 4G voice and data services, and Internet of Things (IoT) connectivity, in locations where commercial networks are not traditionally deployed, or where coverage is patchy or unavailable.

VHA entry into fixed broadband

In April 2018, VHA officially launched Vodafone nbn™, following a soft launch in Sydney, Melbourne, Canberra, Newcastle and Geelong in December 2017. In a strategic move to complement its mobile network and offer customers a converged internet experience, using the National Broadband Network (NBN), VHA has grown the availability of its fixed network to other major Australian cities, expanded its fixed retail distribution footprint and added content access and enhanced features.

Like its mobile offering, Vodafone nbn™ focuses on the customer experience with Instant Connect and 4G Back-Up allowing customers to access the internet via VHA's 4G mobile network prior to NBN installation and in the event of a fault. These features have been well received by customers and some of them have been implemented by VHA's competitors in response.

VHA continues significant investment in customers

VHA continues to focus heavily in retaining existing customers and acquiring new customers, introducing new competitive offers and innovative products.

In May 2018, VHA introduced Australia's first widely available endless mobile data plans. Known as Red Plus, the plans offer customers protection against excess data use charges by providing between 50 and 120 gigabytes per month at the maximum data speed available on the VHA network, followed by endless data at streaming speeds of 1.5Mbps.

VHA's $5 Roaming continues to be a key driver of postpaid customer connections and retentions. In November 2018, VHA launched $5 Roaming to an additional 11 destinations, making the product available in more than 80 countries. $5 Roaming remains the most competitive offering of its kind in the Australian market.

VHA strengthens Enterprise business

VHA continued its Enterprise strategy in 2018, building on its award-winning offerings for small and medium sized business customers. VHA signed major business customers across a variety of industries including travel, global logistics, and finance.

VHA extended its endless data offerings with the introduction of Business Advance mobile plans – Australia's first plans with endless data for small or medium businesses (SMBs).

In August 2018, VHA won the Canstar Blue award for Most Satisfied Customers – Small Business Mobile Phone Providers for the second year in a row.

DreamLab goes global

In 2018, Vodafone Foundation continued to help improve the health and wellbeing of Australians through its technology-driven partnerships with the Garvan Institute of Medical Research and Hello Sunday Morning.

In May 2018, the Foundation's DreamLab app, which helps solve cancer using the processing power of idle smartphones while users sleep, launched in the UK and New Zealand. The DreamLab community now consists of more than 300,000 users, known as 'dreamers'. In November 2018, the app's first scientific findings were released, with 'Project Decode' discovering 141 new subtypes of cancer. By donating the computing power to process 75 million research calculations, DreamLab users halved the time it would have otherwise taken to reach this discovery and provided an important research milestone for the program.

Outlook

With strong support from CK Hutchison Holdings Limited and its joint shareholder Vodafone Group Plc, VHA is well-placed to continue achieving steady, modest customer and financial growth, despite ongoing aggressive competition among the Mobile Network Operators.

As it has done in recent years, in 2019, VHA will continue to invest in innovative, competitive mobile and fixed services and products which offer value inclusions and flexible options to Australian customers.

VHA will also continue to invest in its mobile and fixed networks, including the evolution to 5G.

However, VHA has publicly expressed concerns that the Australian Government's notice to not permit equipment of Chinese suppliers to be used in 5G networks will reduce vendor competition and increase costs for Mobile Network Operators.

VHA also notes the challenges for all retailers in the fixed broadband market due to limited margins associated with reselling the NBN services.

VHA has entered into a Scheme Implementation Deed with TPG Telecom to create a substantial converged telecommunications provider through a merger of equals. Increased investment requires increased scale, and the proposed merger would create a more effective challenger to the dominant telecommunications players in the market. The two companies own highly complementary telecommunications infrastructure, with VHA established in mobile and TPG Telecom established in fixed.

The merger is subject to approval by several regulatory bodies, including the Australian Competition and Consumer Commission (ACCC), and by TPG Telecom shareholders. VHA and TPG Telecom commenced an informal merger review process with the ACCC and it has indicated it will provide its view on the proposed VHA-TPG Telecom merger in May 2019.

HTAL remains committed to its investment in VHA, and will continue to support VHA 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 67, 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 and Hutchison Whampoa Limited ("HWL") since 1985 and 1984 respectively, both of which became wholly owned subsidiaries of CKHH 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 ("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 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 69 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 82, 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 65, 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. Since 2000, he has been a director of HWL which became a wholly owned subsidiary of CKHH 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. He has been a member of the board of commissioners of PT Duta Intidaya Tbk since May 2018. 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 or commissioner 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 35 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 77, 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 67, 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. Since 1991, he has been a director of Cheung Kong (Holdings) Limited and HWL, both of which became wholly owned subsidiaries of CKHH 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 77, 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 65, has been a Director since August 2016. Mr Woo has been an executive director and chief executive officer of HTHKH since January 2017 and was re-designated as co-deputy chairman and a non-executive director of HTHKH in August 2018. 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. He was deputy managing director of Hutchison Telecommunications (Hong Kong) Limited from 2000 to 2004. He was also an executive director of Hutchison Telecommunications International Limited from March 2005 to December 2005. 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 27 February 2019 and approved by the Board of 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. This report reflects the main corporate governance practices of the Company and its subsidiaries (collectively, the "Group") in place from 1 January 2018, noting where the Company does not comply with the ASX Corporate Governance Principles and Recommendations (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 Gardener or Mr Scanlon has compromised their independence. In light of the majority ownership by 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' skill sets, 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 2019, 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 are undertaken in areas such as education, employment and character references, and the balance of skill sets 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 their familiarity with the Company and its investment in 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 facilitates their attendance at 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 2017 was undertaken at the beginning of 2018 and that for the financial year ended 31 December 2018 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 2018.

Corporate Governance continued

The Board continued

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.

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.

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 skill sets, 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.

Company Secretaries

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 14 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.

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 the Continuous Disclosure Policy and the 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 17 to the financial statements.

Directors' Report

The Directors are pleased to present their report on the consolidated entity (the "Group") consisting of HTAL and the entities it controlled at the end of or during the year ended 31 December 2018.

Principal activities

During the year, the Group's principal activity was the ownership of a 50% interest in VHA which provides telecommunications services in Australia.

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 2018 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 is subject to the *National Greenhouse and Environmental Reporting Act 2007* ("NGER") and is required to report information about greenhouse gas emissions, energy production, energy consumption and other information specified by the NGER. VHA has fulfilled its reporting requirements for its operations annually since 2009 under the NGER.

Dividends

No dividend was declared or paid during the year.

Directors

The following persons were Directors of HTAL during the whole of the year ended 31 December 2018 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 CKHH, a related body corporate of HTAL; and (ii) 1,202,380 ordinary shares of 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.

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 2018 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	10	10	N/A	N/A	Nil	Nil
Barry Roberts-Thomson	10	10	N/A	N/A	N/A	N/A
Justin Herbert Gardener	10	10	3	3	Nil	Nil
Lai Kai Ming, Dominic	10	10	N/A	N/A	Nil	Nil
John Michael Scanlon	10	9	3	2	N/A	N/A
Frank John Sixt	10	10	3	3	N/A	N/A
Ronald Joseph Spithill	10	9	N/A	N/A	N/A	N/A
Woo Chiu Man, Cliff	10	10	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 were dealt with by the full Board.

Retirement, election and continuation in office of Directors

Mr Fok Kin Ning, Canning is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr Frank John Sixt 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. She has been with the Cheung Kong (Holdings) Limited group since 1989 and from 1991 to 2015 with HWL, both of which became wholly owned subsidiaries of CKHH in June 2015. She has acted in various capacities within the HWL Group including, director, head group general counsel and company secretary of HWL and 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 and The Hong Kong Institute of Chartered Secretaries, holding Chartered Secretary and Chartered Governance Professional dual designations.

Louise Sexton

BA, LLM, MBA (Exec), GAICD

Louise Sexton has almost 26 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 2018, 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 2018 to 31 December 2018.

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.

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

2018	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.

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

Share-based compensation

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.

Shares issued on the exercise of options

No ordinary shares of HTAL were issued during the year ended 31 December 2018 or up to the date of this report on the exercise of options.

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 2018 and 31 December 2017.

Other transactions with Directors and key management personnel

There were no other transactions with Directors for the years ended 31 December 2018 or ended 31 December 2017.

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 14, Remuneration of auditors, on page 41 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
27 February 2019

Director
27 February 2019

Auditor’s Independence Declaration

pwc

Auditor’s Independence Declaration

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2018, 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
27 February 2019

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

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Financial Report

For the year ended 31 December 2018

Contents

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

HTAL 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 27 February 2019. 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 2018

	Notes	2018 $'000	2017 $'000
Revenue	3	10,619	6,164
Other operating expenses		(1,162)	(1,222)
Share of net losses of VHA joint venture accounted for using the equity method	7	(4,982)	(42,499)
Profit/(loss) before income tax		4,475	(37,557)
Income tax expense	4	–	–
Profit/(loss) for the year	12	4,475	(37,557)
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 VHA joint venture)		212	(207)
Other comprehensive income (loss) for the year, net of tax	12	212	(207)
Total comprehensive income/(loss) for the year attributable to members of Hutchison Telecommunications (Australia) Limited		4,687	(37,764)

	Notes	Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	21	0.03	(0.28)
Diluted earnings per share	21	0.03	(0.28)

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 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	18,598	8,884
Loans and receivables	6	434	145,558
Other receivables		6	9
Total Current Assets		19,038	154,451
Non-current Assets			
Loans and receivables	6	160,765	91,000
Investment accounted for using the equity method	7	159,638	167,008
Total Non-current Assets		320,403	258,008
Total Assets		339,441	412,459
LIABILITIES			
Current Liabilities			
Payables	9	372	242
Other financial liabilities	10	248,790	324,025
Total Current Liabilities		249,162	324,267
Total Liabilities		249,162	324,267
Net Assets		90,279	88,192
EQUITY			
Contributed equity	11	4,204,488	4,204,488
Reserves	12	70,862	70,650
Accumulated losses	12	(4,185,071)	(4,186,946)
Total Equity		90,279	88,192

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 2018

		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 2017		4,204,488	54,887	90	15,880	(4,149,389)	125,956
Loss for the year		–	–	–	–	(37,557)	(37,557)
Share of VHA joint venture's changes in the fair value of cash flow hedges		–	–	(207)	–	–	(207)
Total comprehensive loss for the year	12	–	–	(207)	–	(37,557)	(37,764)
Balance at 31 December 2017		4,204,488	54,887	(117)	15,880	(4,186,946)	88,192
Adjustment on the adoption of AASB 15 (net of tax)		–	–	–	–	(2,600)	(2,600)
Balance at 1 January 2018		4,204,488	54,887	(117)	15,880	(4,189,546)	85,592
Profit for the year		–	–	–	–	4,475	4,475
Share of VHA joint venture's changes in the fair value of cash flow hedges		–	–	212	–	–	212
Total comprehensive income for the year	12	–	–	212	–	4,475	4,687
Balance at 31 December 2018		4,204,488	54,887	95	15,880	(4,185,071)	90,279

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 2018

	Notes	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Payments to suppliers and employees (inclusive of GST)		(982)	(1,258)
Interest received		10,696	5,673
Net cash inflows from operating activities	20	9,714	4,415
Cash Flows from Investing Activities[1]			
Repayment of loans from VHA joint venture		–	12,837
Net cash inflows from investing activities		–	12,837
Cash Flows from Financing Activities[1]			
Repayment of borrowings – entity within the CKHH Group		–	(12,837)
Net cash outflows from financing activities		–	(12,837)
Net increase in cash and cash equivalents		9,714	4,415
Cash and cash equivalents at 1 January		8,884	4,469
Cash and cash equivalents at 31 December	5	18,598	8,884

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

1 The cash flows in respect of the $75 million decrease in Loans and Receivables and decrease in Other financial liabilities are composed of a $40 million drawdown on the working capital facility with VHA and a $115 million repayment of borrowings from CKHH Group. The net decrease of $75 million Loans to VHA joint Venture (an investing activity) and Proceeds from borrowings within CKHH Group of $75 million (a financing activity) were respectively satisfied by an entity within CKHH Group which extends the loans to the Group.

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 27th of February 2019.

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, unless otherwise stated.

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 25.

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.

The carrying amount of equity accounted investment is tested for impairment accordance with note 1(f).

(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 HTAL's functional and presentation currency.

Note 1 Summary of significant accounting policies continued

(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.

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.

HTAL and its wholly owned Australian subsidiaries have not implemented the tax consolidation legislation.

(f) Impairment of assets

The investment in the VHA 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 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, collectability is then reviewed on an ongoing basis.

(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 and are subsequently remeasured to fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. 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 risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationships between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair value of derivative financial instruments designated in hedge relationships are separately identified and disclosed. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

As at 31 December 2018, the Consolidated Entity has not engaged in any hedging activities and only equity accounts for the share of the fair value changes of the cash flow hedge from the VHA joint venture investment.

(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.

(j) Going concern

As at 31 December 2018, the Consolidated Entity has a deficiency of net current assets of $230 million (2017: net current assets deficiency of $170 million). Included in the Consolidated Entity's current liabilities is an amount of $249 million (2017: $324 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 $1,351 million at 31 December 2018. 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 acquire, and the fair value of the acquirer's previously held equity interest in the acquire (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 acquirer'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 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 11 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 consider:

- 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.

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 19 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 discounted cash flow calculation based on VHA five-year financial plan 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 VHA 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 VHA joint venture as at 31 December 2018 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 VHA 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 if management considers that it is probable that sufficient 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 profile. Despite the Consolidated Entity being in a net profit position, no deferred tax assets have been recognized as there is no convincing evidence that sufficient future taxable profit will be available against which unused tax losses or unused tax credits can be utilised.

(iii) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the VHA 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 VHA 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 VHA joint venture should be extended to reflect the experience of the Group's 50% interest in VHA. Further, the Government recently issued security guidance advising network operators that the use of 5G equipment supplied by banned vendors from certain countries would not be permitted due to national security concerns. This had the effect of excluding Chinese vendors such as Huawei, who is VHA's current provider of Radio Access Network (RAN) equipment, from taking part in the rollout of 5G mobile network infrastructure over national security concerns. VHA uses Huawei in its 3G and 4G radio access network. A RFP (request for proposal) for alternative RAN vendors was initiated in late 2018 and a selection decision is not expected until Q2 2019. VHA will then formulate its future RAN investment plan optimizing and balancing its existing network assets with the costs and benefits of upgrading to 5G.

At the reporting date, there was no substantial information or plans that would require the VHA joint venture or the Group to revise the useful life of its existing RAN assets.

(s) Rounding of amounts to nearest thousand dollars

The Consolidated Entity is of a kind referred in 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.

(t) Parent entity financial information

The financial information for the parent entity disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and VHA joint venture entities are accounted for at cost in the financial statements of HTAL.

(u) New accounting standards and interpretations

(i) 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 2018. These are:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below.

(ii) Other accounting standards

A number of minor amendments have been made to other accounting standards, the impacts of which are not material to the financial statements of HTAL.

(iii) New Accounting standards issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 – Leases

AASB 16 *Leases* was issued in February 2016. The new standard will require the majority of operating leases to be accounted for on the consolidated statement of financial position 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 standard will be effective for the Group and VHA joint venture from 1 January 2019 and both have elected to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The right of use assets will be measured at the amount of the lease liabilities calculated on adoption plus the net impact of certain right of use asset adjustments. The lease liabilities will be measured at the present value of the remaining lease payments that are unpaid as at 1 January 2019.

The standard will primarily affect the accounting for the Group's and VHA joint venture's operating leases, in particular those for corporate, retail, and network sites; and will also affect the accounting for sub-leasing arrangements. As part of the transition to AASB 16 *Leases*, the VHA joint venture has elected to apply the following practical expedients permitted within the transitional guidance of the standard:

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

As at the reporting date, the VHA joint venture has non-cancellable operating lease commitments of $1,760 million. For these commitments, the VHA joint venture expects to recognise based on current assessments the following:

- Lease liabilities amounting to approximately $1,008 million to $1,233 million
- Right of use assets amounting to approximately $950 million to $1,175 million, after approximately $58 million of adjustments for prepayments, onerous provisions, sub-leasing arrangements and accrued lease payments recognised at 31 December 2018.

Overall, net assets of the VHA joint venture will be unchanged, and net current assets will be approximately $135 million to $355 million lower due to the presentation of a portion of the lease liability as a current liability.

The difference between the operating lease commitments as at 31 December 2018 and the lease liabilities to be recognised on transition as at 1 January 2019 is mostly due to the following:

- Discounting to present value the lease commitments for each identified lease portfolio that were fully in scope of AASB 16 and not impacted by practical expedients applied; and
- Recognition of a net lease liability obligation for leases associated with the site sharing agreement with Optus.

Both the Group and the VHA joint venture's activities as a lessor are not material and hence the Group and VHA joint venture does not expect any significant impact on the financial statements, outside of the investments in subleases as noted above.

Note 2 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Adoption of AASB 9

This standard became effective for the Group and VHA joint venture 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 the following was the impact of adoption of the new standard on 1 January 2018:

- The majority of the Group and VHA joint venture's receivables is currently classified as loans and receivables and measured at amortised cost. The new guidance under AASB 9 has not resulted in any significant change to the classification and measurement of its financial assets as these financial assets meet the conditions for classification at amortised cost under AASB 9.
- There has been no impact on the Group and VHA joint venture's accounting for financial liabilities as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss. 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 and VHA joint venture have assessed historic, current and forecast information to estimate an expected credit loss for each class of receivable. Based on this assessment, the impact was not 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 VHA joint venture's current hedge relationships will qualify as continuing hedges upon the adoption of AASB 9. Management has therefore assessed there is no material impact on hedged amounts reported with the adoption AASB 9.
- The new standard also introduces expanded disclosure requirements and changes in presentation. Where appropriate, these have been reflected in the Group's and VHA joint venture's disclosures about its financial instruments.

(b) Adoption of AASB 15

The Group and VHA joint venture have adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption has been recognised in retained earnings as at 1 January 2018 and no comparatives have been restated. The adoption of the new standard has the following impact on the VHA joint venture's financial statements:

- 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. Previous methodology allocated revenue to the separate components by applying a valuation method measured at fair value by reference to comparable SIM-only plans which were offered in the market by VHA. The new methodology results 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. Discounts provided to customers on bundles are allocated to hardware and services based on their stand-alone selling prices. With the adoption of AASB 15, the impact for the VHA joint venture was an increase of $18 million of Trade and Other Receivables for legacy customer contracts and an increase of $13 million in other current liabilities to reflect the impacts of accounting for the stand alone selling price, which together result in a corresponding net $5 million decrease in accumulated losses recognised as of 1 January 2018.
- Accounting for contract costs – Under AASB 15, incremental costs associated with acquiring and renewing a contract that are expected to be recovered are required to be initially recognised as an asset and expensed over the expected life of a customer contract consistent with the transfer of the goods and services to which the capitalised costs relate to the customer. The carrying values of these assets are reviewed on a regular basis and, where material, the expected lifetime credit loss is written off against the carrying value. Contracts costs associated with acquiring and renewing a service contract are capitalised and amortised over the life of the customer contract. Contracts costs associated with the sale of handsets are capitalised and amortised upfront in line with transfer of handsets to the customer. Under the prior year interpretation of Urgent Issues Group (UIG)1042 *'Subscriber Acquisition Costs in the Telecommunications Industry'*, the direct costs of acquiring customer contracts were recognised as an asset and amortised over the lesser of the period during which the future economic benefits were expected to be obtained and the period of the contract. The costs included both service and handset components for acquiring new customers. Following the adoption of AASB 15, transition adjustments resulted in a decrease of $10 million of contract costs and a corresponding increase in accumulated losses recognised as at 1 January 2018.
- Accounting for Contract Liabilities – Contract liabilities relate to unearned revenue. Any unearned revenue from Postpaid services provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. With the adoption of AASB 15, the balances of unearned revenue at 31 December 2017 of $138 million are reclassified from other current liabilities to contract liabilities as at 1 January 2018.

Accordingly, HTAL's share in the cumulative effect of cited VHA joint venture changes made to the 1 January 2018 balance sheet for the adoption of AASB 15 *Revenue from Contracts with Customers* were as follows:

Balance sheet (extract)	31 Dec 2017 As originally presented $'000	AASB 15 $'000	1 Jan 2018 Restated $'000
Non-current Assets			
Investment accounted for using the equity method	167,008	(2,600)	164,408
Total Assets	412,459	(2,600)	409,859
Net Assets	88,192	(2,600)	85,592
Accumulated losses	(4,186,946)	(2,600)	(4,189,546)
Total Equity	88,192	(2,600)	85,592

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on HTAL's statement of profit or loss and other comprehensive income and balance sheet was as follows:

	For the year ended 31 December 2018 $'000	Balances Without the Adoption of AASB 15 $'000	Effect of Change Higher/ (Lower) $'000
PROFIT OR LOSS			
Revenue	10,619	10,619	–
Operating expenses	(1,162)	(1,162)	–
Share of net losses of VHA joint venture accounted for using the equity method	(4,982)	5,524	(10,506)
Profit/(loss) for the period	4,475	14,981	(10,506)

	As at 31 December 2018 $'000	Balances Without the Adoption of AASB 15 $'000	Effect of Change Higher/ (Lower) $'000
BALANCE SHEET			
Current Assets	19,038	19,038	–
Other financial assets	160,765	160,765	–
Investment accounted for using the equity method	159,638	170,144	(10,506)
Total Non-Current Assets	320,403	330,909	(10,506)
Total Assets	339,441	349,947	(10,506)
Total Liabilities	249,162	249,162	–
Net Assets	90,279	100,785	(10,506)
Equity			
Contributed equity	4,204,488	4,204,488	–
Reserves	70,862	70,862	–
Accumulated losses	(4,185,071)	(4,174,565)	(10,506)
Total Equity	90,279	100,785	(10,506)

Notes to the Financial Statements continued

For the year ended 31 December 2018

Note 3 Revenue

	2018 $'000	2017 $'000
Other revenue		
Interest	10,585	6,164
Other income	34	–
	10,619	6,164

Note 4 Income tax

	2018 $'000	2017 $'000
(a) Income tax expense		
Deferred tax	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from operations before income tax expense	4,475	(37,557)
Tax at the Australian tax rate of 30% (2017: 30%)	1,343	(11,267)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of losses of VHA joint venture	1,495	12,750
	2,838	1,483
Deferred tax on temporary difference not recognised	12	(11)
Previously unrecognised tax losses now recouped to reduce current tax expense	(2,850)	(1,472)
Income tax expense	–	–
(c) Unrecognised tax losses		
Opening balance	174,322	179,229
Tax losses utilised during completion of income tax return	–	–
Tax losses recouped to reduce current tax expense	(9,496)	(4,907)
Unused tax losses for which no deferred tax assets have been recognised	164,826	174,322
Potential tax benefit @ 30% (2017: 30%)	49,448	52,297

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 2018 and 31 December 2017.

Note 5 Current assets – Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	18,598	8,884

Note 6 Loans and receivables

	2018 $'000	2017 $'000
Total current	434	145,558
Total non-current	160,765	91,000
Receivable from VHA joint venture (note 17)	161,199	236,558

Receivable from VHA joint venture

At 31 December 2018, the $161.2 million pertains to unsecured working capital facility (2017: $236.6 million). The weighted average interest on the working capital facility was charged at 4.0 % p.a. (2017: 4.10%).

Further information relating to receivable from VHA joint venture is set out in note 17.

(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:

	2018 $'000	2017 $'000
Australian dollars	161,199	236,558
	161,199	236,558

For an analysis of the sensitivity of other financial assets to interest rate risk refer to note 22.

(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 non-current with no indication of impairment. The Consolidated Entity does not hold any collateral as security. Refer to note 22 for more information on the risk management policy of the Consolidated Entity.

Notes to the Financial Statements continued

For the year ended 31 December 2018

Note 7 Non-current assets – Investment accounted for using the equity method

	2018 $'000	2017 $'000
Interest in VHA joint venture	159,638	167,008

As at 31 December 2018 and 31 December 2017, HTAL has only one joint venture, VHA. 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 VHA 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:

(a) Summarised Statement of Financial position of VHA

	2018 $'000	2017 $'000
Current assets	1,372,576	1,124,321
Non-current assets	6,816,640	7,391,341
Current liabilities	(3,387,483)	(1,777,061)
Non-current liabilities	(5,723,800)	(7,531,448)
Net Assets/(Liabilities)	(922,067)	(792,847)
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the VHA joint venture's net assets	(461,034)	(396,424)
Goodwill	165,321	165,321
VHA joint venture accounting adjustments	455,351	398,111
Carrying amount of the investment	159,638	167,008

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 2018, HTAL's share of VHA's net current assets deficiency is $1,007.5 million (2017: net current assets deficiency of $326.4 million). The increase is mainly driven by reclassification of VHA's $1.7 billion Syndicated Bifurcated Facility from non-current liabilities to current liabilities as the facility term ends in September 2019. 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.

(b) Summarised statement of profit or loss and other comprehensive income of VHA

	2018 $'000	2017 $'000
Revenues	3,646,890	3,457,931
Expenses	(3,771,333)	(3,635,775)
Loss before income tax	(124,443)	(177,844)
Income tax expense	–	–
Loss for the year	(124,443)	(177,844)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	423	(413)
Total comprehensive loss	(124,020)	(178,257)
50% share of VHA's loss for the year	(62,222)	(88,922)
VHA joint venture accounting adjustments	57,240	46,423
Share of VHA joint venture's loss	(4,982)	(42,499)
VHA's financial statements include the following specific items:		
Cash and cash equivalents	642,713	356,210
Current financial liabilities	(2,050,761)	(500,232)
Non-current financial liabilities	(5,544,204)	(7,423,075)
Depreciation and amortisation^	(868,690)	(797,107)
Interest income	3,808	4,186
Finance costs	(361,802)	(356,723)

^ Depreciation and amortisation under HTAL accounting estimates are $754.2 million for year ended 31 December 2018 (2017: $704.3 million). The differences are primarily related to differences in the estimated economic useful lives of property, plant and equipment.

(c) Reconciliation of interest in VHA joint venture

	2018 $'000	2017 $'000
Investment brought forward	167,008	209,714
Adjustment on the adoption of AASB 15 (net of tax)	(2,600)	–
Loss for the year	(4,982)	(42,499)
Share of change in fair value of cash flow hedges, net of tax	212	(207)
Interest in VHA joint venture at 31 December	159,638	167,008

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

Notes to the Financial Statements continued

For the year ended 31 December 2018

Note 8 Controlled entities

The consolidated financial statements incorporate 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 *	
			2018 %	2017 %
Hutchison 3G Australia Holdings Pty Limited**	Australia	Ordinary	100	100

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

** 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 9 Current liabilities – Payables

	2018 $'000	2017 $'000
Other creditors	219	168
Payables to VHA joint venture (note 17)	153	74
	372	242

Further information relating to payables to VHA joint venture is set out in note 17.

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

	2018 $'000	2017 $'000
Australian Dollars	372	242
	372	242

(a) Liquidity risk

A summarised analysis of the Consolidated Entity's sensitivity of payables to liquidity rate risk can be found in note 22.

Note 10 Current liabilities – Other financial liabilities

	2018 $'000	2017 $'000
Loan from an entity within the CKHH Group (note 17)	248,790	324,025

(a) 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 17. The loan from an entity within the CKHH Group is an interest free financing facility and is repayable on demand.

(b) Financing arrangements

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

	2018 $'000	2017 $'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	(248,790)	(324,025)
Unused at the statement of financial position date	1,351,210	1,275,975

Note 11 Contributed equity

	2018 Shares	2017 Shares	2018 $'000	2017 $'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 2018 and 31 December 2017.

(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 loans receivables 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 2018 and 31 December 2017 were as follows:

	2018	2017
Gearing ratio	72%	78%

Notes to the Financial Statements continued

For the year ended 31 December 2018

Note 12 Reserves and accumulated losses

(a) Reserves

	2018 $'000	2017 $'000
Capital reserve	54,887	54,887
Share of hedging reserve – cash flow hedges	95	(117)
Share-based payments reserve	15,880	15,880
	70,862	70,650
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	(117)	90
Hedging movement, net of tax	212	(207)
Balance at 31 December	95	(117)

Share-based payments reserve
There has been no movement in the share-based payments reserve during the year.

(b) Accumulated losses

	2018 $'000	2017 $'000
Adjustment on the adoption of AASB 15 (net of tax)	(2,600)	–
Accumulated losses at 1 January	(4,186,946)	(4,149,389)
Profit/(loss) attributable to the members of Hutchison Telecommunications (Australia) Limited	4,475	(37,557)
Accumulated losses at 31 December	(4,185,071)	(4,186,946)

(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 VHA 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.

Note 13 Director and key management personnel compensation

(a) Director and key management personnel compensation

	2018 $	2017 $
Short term employee benefits	109,500	109,500

Other key management personnel (excluding Directors) were transferred to VHA on merger in 2009.

(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 2018 and 31 December 2017. There were no other transactions with the Directors of the Company for the years ended 31 December 2018 and 31 December 2017.

Note 14 Remuneration of auditors

	2018 $	2017 $
PricewaterhouseCoopers Australia		
Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001	105,350	103,500
Total remuneration for assurance services	105,350	103,500
Total auditors remuneration	105,350	103,500

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 15 Contingencies

There were no contingencies for HTAL or its controlled entities at 31 December 2018 and 31 December 2017. The Directors are not aware of any other material contingent liabilities existing at the reporting date.

Contingencies for VHA joint venture are disclosed below:

Guarantees	2018 $'000	2017 $'000
Secured guarantees	46,195	92,181
Unsecured guarantees	18,935	22,611
Total contingencies	65,130	114,792

VHA's contingent liabilities consist of $46.2 million (2017: $92.2 million) secured guarantees. In order the to support the issuance of the guarantees, VHA has placed $23.1 million deposit with the issuing bank.

Notes to the Financial Statements continued

For the year ended 31 December 2018

Note 16 Commitments

There were no commitments contracted by HTAL or its controlled entities not recognised as liabilities, payable at 31 December 2018 and 31 December 2017.

Commitments for the VHA joint venture are disclosed below:

	2018 $'000	2017 $'000
VHA's commitments		
Operating leases	1,760,478	1,553,654
Other commitments	127,666	265,316
Capital commitments	360,801	508,572

VHA's operating leases pertain to various sites, offices, retail shops and warehouses under non-cancellable operating leases expiring within one to forty years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

VHA's capital commitments pertain to the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities or payables.

Commitments in respect of Mobile JV Pty Ltd

Mobile JV Pty Ltd is a 50% spectrum joint venture between VHA and TPG Telecom Limited ("TPG Telecom"). It was a successful bidder in the recent auction for the 3.6GHz spectrum in December 2018. Mobile JV Pty Ltd will pay $263.3 million in March 2020 for the lots it acquired in this auction. VHA is responsible for funding one half of the purchase price, being $131.65 million, at the time of payment. This amount is not included table above.

Note 17 Related party transactions

(a) Parent entities

The holding company and parent entity is Hutchison Telecommunications (Amsterdam) B.V. which, at 31 December 2018, 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.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 13.

(d) Transactions with related parties

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

	2018 $'000	2017 $'000
Loans to related parties		
Advanced to VHA joint venture	(40,000)	(200,000)
Repayments from VHA joint venture	115,235	12,837
Loans from related parties		
Advanced from an entity within the CKHH Group	40,000	200,000
Repayments to an entity within the CKHH Group	(115,235)	(12,837)
Interest revenue		
VHA joint venture	10,369	6,073
Operating expenses		
VHA joint venture	(485)	(485)

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

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

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

	2018 $'000	2017 $'000
Purchases of goods and services		
Service fee paid/payable to other related parties	(2,486)	(2,756)
Roaming fee paid/payable to other related parties	(403)	(379)
Provision of services		
Service fee received/receivable from other related parties	1,020	1,040
Roaming income received/receivable from other related parties	1,091	1,734
Other transactions		
Guarantee fee paid/payable	(72,079)	(74,919)
Interest expenses paid/payable	(10,369)	(6,073)

(f) Outstanding balances

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

	2018 $'000	2017 $'000
Current financial assets		
VHA joint venture (note 6)	434	145,558
Non-current financial assets		
VHA joint venture (note 6)	160,765	91,000
Payables		
VHA joint venture (note 9)	(153)	(74)
Current liabilities – Other financial liabilities		
Entity within the CKHH Group (note 10)	(248,790)	(324,025)

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 17 Related party transactions continued

(g) Outstanding balances of VHA 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:

	2018 $'000	2017 $'000
Current receivable		
Hutchison Telecommunications (Australia) Limited	153	74
Current payable		
Swap payments to entities within jointly controlled parents' group	(964)	–
Interest payable to entities within jointly controlled parents' group	(191)	(832)
Non-current payable		
Accrued guarantee fee payable to entities within jointly controlled parents' group	(1,674)	(384,123)
Interest payable to entities within jointly controlled parents' group	–	(4,674)
Swaps entered with CKHH Group		
Current assets	14,671	–
Current liabilities	–	(551)
Non-current assets	41,142	372,880
Net interest revenue/(expenses)	22,792	(11,625)

(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 these loans have been disclosed.

Note 18 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 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. There has been no changes to the Deeds of cross guarantee as at 31 December 2018 in comparison to 31 December 2017.

(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 2018 and 31 December 2017.

	2018 $'000	2017 $'000
Statement of profit or loss and other comprehensive income		
Revenue	10,619	6,164
Other operating expenses	(1,162)	(1,222)
Income before income tax	9,457	4,942
Income tax expense	–	–
Income for the year	9,457	4,942
Share of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(4,076,756)	(4,081,698)
Income for the year	9,457	4,942
Accumulated losses at the end of the financial year	(4,067,299)	(4,076,756)

(b) Statement of financial position

Set out below is a statement of financial position as at 31 December 2018 and 31 December 2017 of the Closed Group consisting of H3GAH and HTAL.

	2018 $'000	2017 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	18,598	8,884
Loans and receivable	434	145,558
Other receivables	6	9
Total Current Assets	19,038	154,451
Non-current Assets		
Loans and receivable	160,765	91,000
Other financial assets	277,315	277,315
Total Non-Current Assets	438,080	368,315
Total Assets	457,118	522,766
LIABILITIES		
Current Liabilities		
Payables	372	242
Other financial liabilities	248,790	324,025
Total Current Liabilities	249,162	324,267
Total Liabilities	249,162	324,267
Net Assets	207,956	198,499
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	70,767	70,767
Accumulated losses	(4,067,299)	(4,076,756)
Total Equity	207,956	198,499

Note 19 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 2018, 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:

	2018 $'000	2017 $'000
HTAL's share of the following items of VHA*		
Total Revenue	1,823,445	1,728,966
Net loss	(4,982)	(42,499)

* After VHA joint venture accounting adjustments.

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 7.

Note 20 Reconciliation of profit/(loss) after income tax to net cash inflows from operating activities

	2018 $'000	2017 $'000
Profit/(loss) after income tax	4,475	(37,557)
Share of losses of VHA joint venture partnership accounted for using equity method (see note 7)	4,982	42,499
Change in operating assets and liabilities		
Increase/(decrease) in other financial assets	127	(492)
Decrease/(increase) in payables	130	(35)
Net cash inflows from operating activities	9,714	4,415

	2018 $'000	2017 $'000
Net debt reconciliation		
Cash and cash equivalents	18,598	8,884
Borrowings	(248,790)	(324,025)
Net debt	(230,192)	(315,141)

	Cash $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2018	8,884	–	(324,025)	(315,141)
Cash flows	9,714	–	–	9,714
Other loans (non-cash) from shareholder	–	–	75,235	75,235
Net debt as at 31 December 2018	18,598	–	(248,790)	(230,192)

Note 21 Earnings per share

	CONSOLIDATED	
	2018 Cents	2017 Cents
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Consolidated Entity	0.03	(0.28)
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Consolidated Entity	0.03	(0.28)

	CONSOLIDATED	
	2018 $'000	2017 $'000
(c) Earnings used in calculating earnings per share		
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	4,475	(37,557)
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	4,475	(37,557)

	CONSOLIDATED	
	2018 Number	2017 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 (2017: nil) options outstanding at 31 December 2018 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2018.

Note 22 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 rate risk

The Consolidated Entity's main interest rate risk arises from cash balances and other financial assets. Management has assessed there is minimal material interest rate risk on both the other loans receivables from VHA and the loan from an entity within the CKHH Group. This is because a 25 basis points change in the Australian market rate on the loans and receivables will result in an immaterial $27k change in interest revenue based on 31 December 2018. There is no interest rate risk in relation to the loan from an entity within the CKHH Group as it is an interest free financing facility.

(ii) Foreign currency exchange risk

Management has assessed there is minimal foreign currency exchange risk as the Consolidated Entity does not carry any material balances in foreign currency.

(iii) 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%	
31/12/2018	Carrying amount $'000	Post-tax loss $'000	Other equity $'000	Post-tax loss $'000	Other equity $'000
Financial assets					
Cash and cash equivalents	18,598	(186)	–	186	–
Loans and receivable	161,199	(1,612)	–	1,612	–
Total increase (decrease)	179,797	(1,798)	–	1,798	–

		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	–

(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 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 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.

31/12/2018	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	1.1%	18,598	–	–	–	18,598
Loans and receivables	4.0%	434	160,765	–	–	161,199
Payables	–	(372)	–	–	–	(372)
Other financial liabilities	–	(248,790)	–	–	–	(248,790)
Total		(230,130)	160,765	–	–	(69,365)

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)

Note 23 Proposed merger between joint venture investment VHA and TPG Telecom

On 30 August 2018, HTAL's joint venture investment VHA entered into a Scheme Implementation Deed with TPG Telecom under which the companies have agreed a proposed merger of equals to establish a fully integrated telecommunications operator in Australia.

The merger will be implemented via a TPG Telecom Scheme of Arrangement, with the new merged group listed on the Australian Securities Exchange ("ASX") and renamed 'TPG Telecom Limited' in conjunction with the implementation of the scheme.

The implementation of the Scheme remains subject to approval by the Federal Court and TPG Telecom shareholders as well as other regulatory approval processes. On the 13th December 2018, the Australian Competition and Consumer Commission ("ACCC") released a Statement of Issues detailing the concerns it had with the proposed merger and the impact on competition in Australia's mobile market. VHA management are currently working with the ACCC to respond to its concerns. At present, the ACCC is due to provide its decision on 11 April 2019. If the required regulatory clearances are obtained the merger is currently expected to complete in 2019.

VHA is also undertaking a restructure of its debt facilities as a condition of the Scheme Implementation Deed. VHA has obtained commitments from a syndicate of banks. The refinancing is expected to complete concurrently with the implementation of the merger.

Following completion of the merger, VHA shareholders will own 50.1% of the equity of the merged group, with TPG Telecom shareholders owning the remaining 49.9%. At the completion of the merger, HTAL shareholders will own 25.05% of the equity of the merged group (2018: 50%).

Further details about the planned merger are set out in the market announcements made on 30 August 2018.

Note 24 Events occurring after the reporting date

There has been no other matter or circumstances that has arisen after the reporting date that has significantly affected or may significantly affect:

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

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

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

Note 25 Parent entity disclosures

(a) Summary financial information

	2018 $'000	2017 $'000
Financial position		
ASSETS		
Current Assets	179,802	154,451
Non-current Assets	277,314	368,315
Total Assets	457,116	522,766
LIABILITIES		
Current Liabilities	249,162	324,267
Total Liabilities	249,162	324,267
Net Assets	207,954	198,499
EQUITY		
Contributed equity	4,204,488	4,204,488
Reserves	15,880	15,880
Accumulated losses	(4,012,412)	(4,021,869)
Total Equity	207,956	198,499
Financial performance		
Profit/(Loss) for the year	9,457	4,942
Total comprehensive Profit/(Loss) for the year	9,457	4,942

(b) Commitments and Contingencies

There were no commitments contracted for by HTAL but not recognised as liabilities, payable at 31 December 2018 and 31 December 2017.

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

As at 31 December 2018, the Parent Entity has a deficiency of net current assets of $69 million (2017: deficiency of net current assets of $170 million). Included in the Parent Entity's current liabilities is an amount of $249 million (2016: $324 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 $1,351 million at 31 December 2018. 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

	2018 $'000	2017 $'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 2018 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 18 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 18.

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
27 February 2019

Director
27 February 2019

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 2018 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 2018
- 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 consolidated 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.

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

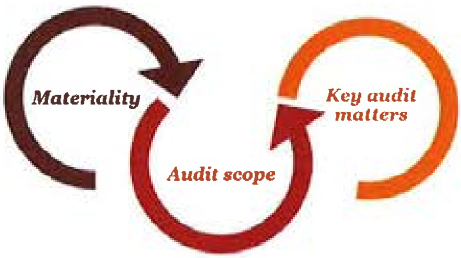
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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.

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 management structure of the Group, its accounting processes and controls and the industry in which it operates.

Hutchison Telecommunications (Australia) Limited (HTAL) is an entity listed on the ASX whose primary activity is to hold a 50% interest in a joint venture, Vodafone Hutchison Australia Pty Limited (VHA). VHA operates the Vodafone brand in Australia within the telecommunications industry and primarily services the Australian market through providing mobile and fixed broadband services. The Group's share of the results of VHA are included in the Group's financial report as described in Note 1(b).



Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Given the nature of the entities in the Group and the key metrics relevant to users of the financial statements, we focused our procedures on the financial information of VHA as well as conducting procedures over the remaining balances of the Group 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.

Key audit matter	*How our audit addressed the key audit matter*
Estimate of useful life of network assets of VHA *(Refer to note 1.r.iii)* Depreciation of network assets constitutes a substantial operating cost for the joint venture. The assets are depreciated over their estimated useful lives (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 of HTAL have formed a judgement that the useful lives of certain VHA network assets are longer than the useful lives determined by VHA that are used to calculate depreciation charges. Accordingly, adjustments to the useful lives of assets are made to reflect the application of the Group's network assets useful lives when the Group's 50% interest in the joint venture VHA is incorporated into the Group's consolidated financial report each year and are termed as "Depreciation overlay adjustments". This is described in Note 1(r) (iii) of the financial statements. The HTAL Directors' estimate of the useful lives of network assets was a key audit matter as it required 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 could result in useful lives of identical types of assets differing from company to company. The Directors are in the process of considering the appropriateness of estimates of useful lives for network assets which will be dependent on future plans for 5G roll out which has been impacted by the Australian Government's stance on the security risk associated with Huawei equipment.	We performed the following audit procedures, amongst others: • We tested the accuracy of the calculation for the depreciation overlay adjustment by performing a comparison of useful lives across the asset classes per the fixed asset registers of HTAL and VHA and their resulting differences in net book value (NBV). We then recalculated the total impact of identified depreciation expense differences between HTAL's policy and VHA's policy on useful lives and then reconciled this to the depreciation overlay adjustment recognised by HTAL in the year. • Enquired with management and the Directors of HTAL about: o Any changes to judgements on the depreciation overlay adjustments made, with consideration of any known developments at the controlling entity level (Hutchison Whampoa Limited). o Their assessment of the impact of anticipated technology, industry or regulatory developments. • Evaluated the continued appropriateness of the Group's assessment of the useful life of network assets and whether relevant information, of which we were aware from our other audit procedures, had been considered and included in the assessment. In particular: o Through discussions with the technology strategy department, we obtained an understanding of the impact of technological developments on existing assets. o We obtained an understanding of the impacts of regulatory developments on network assets. Further information regarding this has been disclosed in note r (iii) of the financial statements. o We 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

Key audit matter	How our audit addressed the key audit matter
	telecommunication operators in Australia and overseas, which suggested useful lives of between 8 – 25 years were commonly adopted. We noted that the Group's estimate of the useful life of these assets is within this range. • Evaluated the adequacy of disclosures made by the Group in the financial report in view of the requirements of Australian Accounting Standards.
Recoverable amount of investment in joint venture *(Refer to note 7) [$159.6m]* 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 the Directors in determining the key assumptions and impairment triggers. The continuing losses arising from HTAL's interest in VHA also gave rise to a higher risk of impairment of the investment. Further, HTAL's management have performed an impairment assessment of their investment in VHA by identifying impairment triggers for consideration and by the use of a value in use impairment model.	We performed the following audit procedures, amongst others: • Compared the consistency of HTAL's assessment of impairment triggers with the requirements of AASB 128 – Investment in Associates and Joint Ventures. We then assessed the reasonableness of the assessment through inspection of supporting documents and publically available information. We noted that HTAL concluded that there was no impairment based on the following considerations, which we considered in light of the results of our audit procedures: o Whilst VHA is a net loss position for FY18, this has improved year-on-year and the net loss is primarily driven by depreciation and amortisation of network assets. VHA's revenue increased by $180m in FY18 to $3.6bn (FY17: $3.4b), and VHA continues to maintain a positive EBITDA figure of $1,102m (FY17: $972m). This trend is not indicative of VHA being under significant financial difficulty. o Within FY18 operations, VHA has undertaken a planned merger with a third-party telecommunications service provider in Australia where the publicised enterprise value of VHA amounts to approximately $7.5 billion, which after accounting for VHA's net debt exceeds the recoverable amount of the investment in VHA. • We assessed the impairment model used and performed the following key procedures, amongst others:

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Key audit matter	*How our audit addressed the key audit matter*
	o Developed an understanding of the key assumptions used in the model and assessed whether they were consistent with publically available relevant information. o Recomputed a sample of underlying calculations within the impairment model. o Assessed the Group's ability to make reliable forecasts through a three year comparison of VHA management's forecast against actual results from 2016 to 2018 as it relates to EBITDA, consumer base and capital expenditures. We noted no material differences with regards to the Group's yearly forecasts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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 the *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 2018.

In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2018 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
27 February 2019

Shareholder Information

The shareholder information set out below was applicable as at 27 February 2019.

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	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 26.02% 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	1,382
1,001 – 5,000	2,378
5,001 – 10,000	868
10,001 – 100,000	1,099
100,001 – OVER	248
Total	**5,975**

There were 3,176 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 27 February 2019 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	15,044,967	0.11	4
Dimitrios Pilliouras & Konstantina Pilliouras <Energia Super Fund A/C>	13,400,000	0.10	5
Citicorp Nominees Pty Limited	5,289,720	0.04	6
Kenneth Kin Kau Heung & Rene Conrad Heung <RK Super Fund A/C>	4,830,000	0.04	7
J P Morgan Nominees Australia Pty Limited	4,170,483	0.03	8
Arjee Pty Ltd	4,033,575	0.03	9
Dimitrios Pillouras	4,000,000	0.03	10
George Thomson <Thomson Superfund A/C>	3,354,440	0.02	11
Hung Fong Chong	2,596,000	0.02	12
Yim Fong Leung	2,255,000	0.02	13
George Thomson	2,064,735	0.02	14
Yu Jie Zhi	2,000,000	0.01	15
Justin Herbert Gardener & Anne Louise Gardener <JH & AL Gardener S/F A/C>	1,957,358	0.01	16
Yi Wei Sun	1,900,000	0.01	17
Bin Lui	1,880,000	0.01	18
Yet Kwong Chiang & Ho Yuk Lin Chiang	1,870,965	0.01	19
Ping Ping Lu	1,620,000	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 2019
Time: 10.00 am

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