

ASX Market Announcements  
Australian Securities Exchange

Date: 23 March 2017

**Subject: Annual Report 2016**

The Company's 2016 Annual Report incorporating the full year accounts for the period ended 31 December 2016 is attached.

Yours faithfully



Louise Sexton  
Company Secretary

# 2016 Annual Report



Hutchison  
Telecoms

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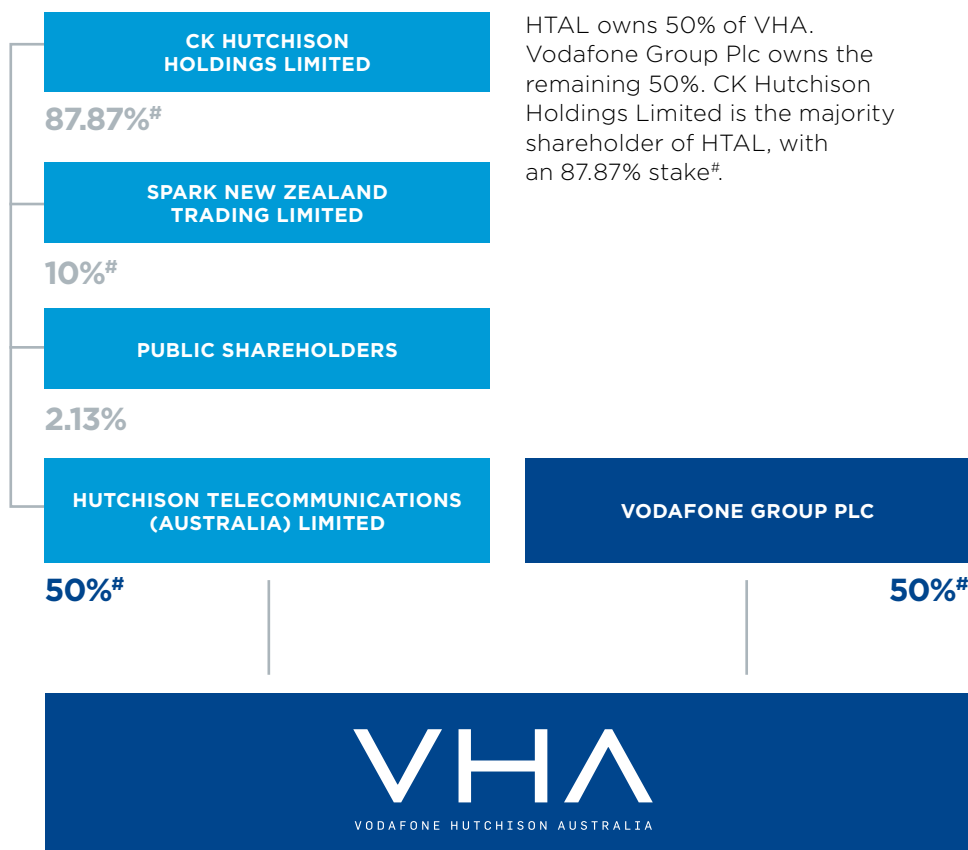
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### AGM Details

The Annual General Meeting of HTAL will be held at:  
177 Pacific Highway  
North Sydney NSW 2060  
Friday 28 April 2017 at 10.00 am  
ABN 15 003 677 227

**Hutchison Telecommunications (Australia) Limited (“HTAL”) (ASX: HTA) has a 50% interest in Vodafone Hutchison Australia Pty Limited (“VHA”). HTAL was listed on the ASX in 1999 and in 2003 launched Australia’s first 3G service under the 3 brand. In 2009, HTAL’s operations were merged with Vodafone Australia to form VHA. VHA offers mobile telecommunications under the Vodafone brand in Australia.**

## Ownership Structure



# Indirect ownership.

## **VHA Key Operational Highlights in 2016**

- ➔ Continued growth in customer numbers, EBITDA and underlying revenue.
- ➔ Improved company Net Promoter Score.
- ➔ Top-performing network in Australia's major cities for aggregate voice and data in the CommsDay P3 network benchmark tests.
- ➔ Expansion of international roaming products, 40% increase in roaming revenue.
- ➔ Growth in the Enterprise segment.
- ➔ Welcomed Universal Service Obligation and domestic roaming inquiries.
- ➔ Opening of VHA's new national headquarters, "Vodafone Central".

# Financial Summary

## VHA Financial and Operating Metrics

	2016	2015	YoY change
<b>The items below represent the 50% share of VHA attributable to HTAL</b>			
Total revenue (\$m)	<b>1,672.6</b>	1,825.8	(8.4%)
Gross service revenue <sup>1</sup> (\$m)	<b>1,417.9</b>	1,571.4	(9.8%)
Net service revenue <sup>2</sup> (\$m)	<b>1,181.3</b>	1,375.2	(14.1%)
EBITDA (\$m)	<b>456.1</b>	406.4	12.2%
Share of net loss of VHA <sup>3</sup> (\$m)	<b>(68.0)</b>	(187.5)	63.7%
<b>The items below represent totals for VHA</b>			
- Postpaid customers ('000)	<b>3,354</b>	3,249	3.2%
- Prepaid customers ('000)	<b>1,652</b>	1,730	(4.5%)
VHA customers subtotal ('000)	<b>5,006</b>	4,979	0.5%
- Mobile Virtual Network Operator ("MVNO") customers ('000)	<b>556</b>	458	21.4%
Total network customers ('000)	<b>5,562</b>	5,437	2.3%
Gross ARPU <sup>4</sup> (\$)	<b>45.87</b>	52.38	(12.4%)
Net ARPU <sup>5</sup> (\$)	<b>37.97</b>	45.68	(16.9%)

Notes:

- Gross service revenue** represents total monthly amount billed to the customer excluding any handset/device charges, plus incoming mobile termination revenue.
- Net service revenue** represents gross service revenue excluding amounts attributable to a handset/device in postpaid contract bundled plans. The amount attributable to a handset/device is based on the price differential between a contract bundled plan and a comparable SIM-only plan at the time of acquisition or re-sign.
- Reconciliation for the **Share of net loss of VHA** is set out on page 35.
- Gross ARPU** represents a rolling 12 month average gross service revenue per user per month at the end of the period excluding MVNOs.
- Net ARPU** represents a rolling 12 month average net service revenue per user per month at the end of the period excluding MVNOs.

# Chairman's Message



**Fok Kin Ning, Canning**  
Chairman

I am pleased to provide you with the summary of our performance in 2016, based on the continued improvement in Vodafone Hutchison Australia's business.

Hutchison Telecommunications (Australia) Limited ("HTAL") reports a \$63.5 million loss for the year ended 31 December 2016, compared with a loss of \$182.9 million in the prior year. HTAL's share of Vodafone Hutchison Australia Pty Limited's ("VHA") net loss included in HTAL's results for the year was \$68.0 million for the year ended 31 December 2016 compared with a net loss of \$187.5 million in 2015.

HTAL's revenue from ordinary activities represents interest income received on loans to VHA. HTAL's revenue from ordinary activities for the year ended 31 December 2016 decreased from \$6.0 million in 2015 to \$5.8 million.

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

## VHA highlights

During 2016, VHA achieved continuity of growth, despite competition for mobile customers intensifying in the Australian telecommunications sector both in the products on offer and on the public policy and regulatory front.

With strong support from HTAL and its joint shareholder Vodafone Group Plc, VHA has continued to achieve solid growth through its strategic focus on a strong network, "worry-free" products and excellence in customer service.

Key achievements and highlights:

- Continued growth in customer numbers, EBITDA and underlying revenue;
- Improved company Net Promoter Score;
- Top-performing network in Australia's major cities for aggregate voice and data in the CommsDay P3 network benchmark tests;
- Expansion of international roaming products, 40% increase in roaming revenue;
- Growth in the Enterprise segment;
- Opening of VHA's new national headquarters, "Vodafone Central";
- Cash flow positive; and
- Improved loss position.

## VHA 2016 financial results

*References to VHA's financial results reflect the 50% share of VHA attributable to HTAL. References to customer metrics reflect the total customer base of VHA.*

VHA achieved another solid financial performance in 2016, recording further growth in customer base and EBITDA, and decrease in net loss.

HTAL's share of VHA's EBITDA increased 12.2% to \$456.1 million for the full year from \$406.4 million in 2015, driven by growth in customer base and ARPU, and commercial optimisation.

In a year on year comparison, HTAL's share of VHA's total revenue increased 5.7% and gross ARPU increased 3.6% if incoming revenue impacted by the Australian Competition and Consumer Commission's reduction of industry mobile termination rates ("MTR") is excluded.

Driven entirely by the changes in MTR, which were effective 1 January 2016, HTAL's share of VHA's revenue declined 8.4% to \$1,672.6 million and gross ARPU decreased 12.4% to \$45.87.

VHA turned free cash flow positive for the first time since 2010. Operating free cash flow also increased.

HTAL's share of VHA's net loss declined 63.7% to \$68.0 million driven by the increase in EBITDA, and reduction in depreciation and interest.

## Growing the VHA business

VHA's customer base continued to grow with VHA adding 125,000 customers during 2016. Total network customers are up 2.3% to 5.56 million on the back of a 3.2% lift in postpaid customers and 21.4% growth in Mobile Virtual Network Operator customers. In an increasingly competitive market, VHA prepaid handset ARPU and revenue grew year on year, despite a slight decline in prepaid customer base. VHA has also expanded its operations with the purchase of Lebara's

## VHA was ranked as the network with the best combined voice and data performance in major cities with a population over 100,000 in the independent CommsDay P3 network benchmark tests.

Australian mobile business assets. With this acquisition, VHA took over Lebara's mobile customer base and procured the right to use the Lebara brand in Australia. Lebara Mobile has a strong brand presence and loyal customer base, particularly in migrant communities, and VHA sees opportunities to grow this business further.

VHA also increased its retail presence with the opening of 18 new stores around the country.

### Building a network for the future

Following VHA's multi-billion investment in its network over recent years, VHA continues to be recognised for its network performance. VHA was ranked as the network with the best combined voice and data performance in major cities with a population over 100,000 in the independent CommsDay P3 network benchmark tests released in December 2016. Of the three Australian mobile networks, VHA also achieved the biggest improvement from 2015.

During 2016, VHA continued to expand and upgrade its network, adding 111 new sites and performing over 2,200 upgrades across the country. VHA's 4G services now reach more than 22 million Australians. Its network expansion program includes more than 100 new sites to be built in regional areas by the end of 2017 through VHA investment and the Australian Government's Mobile Black Spot Program.

The rollout of VHA's fibre transmission network is progressing well, with 500 sites now connected. VHA also continues preparations for the future launch of 5G, the next generation mobile network. VHA conducted two successful 5G demonstrations, including Australia's first live public trial, in collaboration with two of its technology partners.

### Delivering a worry-free mobile experience

VHA has continued to drive connections, customer retention and revenue through its "worry-free" product platform. VHA expanded its popular \$5 Roaming product, allowing customers to use their plan inclusions in almost 60 countries for an extra \$5 per day. It also extended its \$0 Roaming to New Zealand trial and launched pre-paid international roaming add-ons. VHA's roaming propositions delivered an increase in roaming revenue and Net Promoter Score ("NPS") among roamers.

There has been a strong response to VHA's MyMix product which allows prepaid customers to select a level of data and call inclusions, and a recharge period of their choice. VHA's product offering is underpinned by Australia's only money-back Network Satisfaction Guarantee, which reinforces VHA's confidence in its network.

### Increasing customer sentiment and reducing complaints

VHA customers' willingness to recommend VHA products and services to others has reached its highest levels in more than six years. In one of the biggest indicators of the significant shift in customer sentiment, VHA's brand NPS rose 13 points from January to December 2016. VHA also continues its focus on reducing customer complaints to the Telecommunications Industry Ombudsman, recording a complaints ratio 22% lower than the industry average in the December quarter.

### Driving competition in Enterprise

VHA's Enterprise strategy, which focusses on small to medium businesses, is working well with the unit achieving growth in business connections and revenue in 2016. By delivering personalised value and leveraging its global strengths, the unit is building a loyal customer base with a very high willingness of business customers to recommend VHA products and services to others.

### Leading the charge for a fairer telco playing field

VHA's public policy agenda is a key component of VHA's strategy and business purpose. The Australian mobile market is unique internationally, and is characterised by an extreme geography and a strong incumbent which has benefited significantly from a legacy fixed network and significant ongoing government and industry funding and subsidies. This has led to an extensive mobile competition divide between metropolitan and regional areas, and a monopoly in 60% of the mobile coverage area in Australia. In 2016, VHA accelerated its campaign to bring increased competition to regional and rural areas through telecommunications policy and regulatory reform, and welcomed several significant developments in the second half of the year.

The Australian Competition and Consumer Commission ("ACCC") commenced an inquiry into whether a domestic roaming declaration would be in the long term interest of Australian mobile users. Domestic roaming is an infrastructure sharing solution which allows mobile customers to use the network of another operator when outside their network provider's footprint. It is used extensively overseas and has been regulated in most western economies with a large land area and low population density. VHA lodged a comprehensive submission to the ACCC



### **VHA argues domestic roaming is Australia's greatest opportunity to deliver choice of provider to Australians in regional, rural and remote areas.**

arguing that domestic roaming is Australia's greatest opportunity to deliver choice of provider to Australians in regional, rural and remote areas. VHA's submission, which is supported by extensive international experience and expert economic opinion, argues the incumbent's 1.4 million square kilometre monopoly has been created by a natural monopoly and substantial direct and indirect government subsidies. In light of the experience in international markets including the USA, Canada and France, VHA argues regulated domestic roaming would also drive investment in new regional infrastructure.

The ACCC is also undertaking a market study into the state of competition within the Australian telecommunications market, and VHA is participating in this process.

The Australian Government has tasked the Productivity Commission with a review of the Universal Service Obligation ("USO"), which currently sees around \$300 million per year in industry and public funding provided to the incumbent for its copper network and payphones. This follows calls for reform from VHA and other bodies and regional parties, including the Australian Regional Telecommunications Review Committee and Infrastructure Australia. In December 2016, the Productivity Commission released its draft report which stated the USO is 'past its use-by date', and highlighted concerns about the lack of accountability and transparency required of the funding recipient.

#### Employees key to VHA success

To drive increased employee collaboration and engagement, VHA has relocated its Sydney-based corporate offices in November 2016 to purpose-built headquarters at 177 Pacific Highway, North Sydney. As the anchor tenant with signage rights, the move has seen the Vodafone brand return to the Sydney skyline. With a focus on technology-enabled flexible working, "Vodafone Central" features a variety of working spaces and cutting-edge technology in all rooms allowing employees inside and out of the building to be 'in the room'. These facilities empower employees to work the way in which they can produce the best outcomes for VHA customers and the business. The new headquarters brought together VHA's approximately 1,000 Sydney-based corporate staff from its former North Sydney and Chatswood offices.

Building on its suite of policies and initiatives to support employees, which includes an industry-leading paid parental leave scheme and ten days' of annual domestic violence leave, VHA has introduced a Super Bump. To help address the superannuation inequality between women and men, all female employees with a minimum of twelve months' continuous service will receive an additional super contribution of \$500 per annum.

#### Making a difference through mobile

In November 2016, the Vodafone Foundation marked the first anniversary of its DreamLab app which uses the processing power of idle smartphones to help the Garvan Institute of Medical Research with vital cancer research. Since launch, the app has been downloaded more than 75,000 times and has processed almost 50% of a research project to help identify personalised and more effective treatments for cancer patients. In addition to breast, ovarian, pancreatic and prostate cancer research, DreamLab is now supporting lung cancer, brain cancer, melanoma and sarcoma projects.

The Vodafone Foundation is also a proud supporter of Hello Sunday Morning ("HSM"), a non-profit organisation which encourages Australians to think about their relationship with alcohol. HSM's Daybreak smartphone app has been shown to reduce harmful levels of drinking by 50% amongst users. Over the past three years, the number of Australians using HSM has increased 360% to over 120,000, and HSM's national brand awareness has increased 142%.

## **The strength of the VHA business is based on its network, customer propositions and customer service delivery, and it will continue to build on the momentum in these areas of recent years.**

### Outlook

VHA is well-positioned to continue its growth in 2017. The strength of the VHA business is based on its network, customer propositions and customer service delivery, and it will continue to build on the momentum in these areas of recent years. VHA's strategy is underpinned by its company purpose – to give customers the freedom and choice to connect the way they want.

During 2017, VHA will launch fixed broadband services via the National Broadband Network to complement its mobile network. The move is in response to strong demand from customers seeking a bundled mobile and fixed broadband solution from VHA. VHA's entrance into the fixed broadband market will mirror its approach to mobile, which has seen it achieve consistent, steady and sustainable growth.

Enterprise will continue to be a key focus for VHA as it looks to grow its customer base, market share and revenue in this segment through its mobile strategy and the launch of fixed broadband services. VHA will take a strategic approach to network expansion and enhancement, retail expansion and marketing activities by leveraging new opportunities to reach existing and potential new customers. To build capability and flexibility in its network, VHA has launched a major five-year program to virtualise its core and IP networks. It will also deliver a Voice Over WiFi product which will allow mobile customers to make and receive voice calls and SMS/MMS over a fixed internet service.

VHA will also continue its focus on delivering products tailored to customer needs, and a seamless, simple customer experience. VHA will also continue its policy and regulatory agenda to bring increased competition and choice to regional Australian customers.

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



**Fok Kin Ning, Canning**  
Chairman

## Board of Directors



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

Fok Kin Ning, Canning, aged 65, has been a Director since February 1999. Mr Fok has been a non-executive director of CK Hutchison Holdings Limited ("CKHH") since January 2015 and was re-designated as an executive director and group co-managing director of CKHH in June 2015. He has been a director of Cheung Kong (Holdings) Limited since 1985, became a non-executive director in 1993 and was re-designated as a director in June 2015. Mr Fok has been an executive director of Hutchison Whampoa Limited ("HWL") since 1984, group managing director since 1993 and was re-designated as a director in June 2015. He has been chairman and a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") since 2009 and of Hutchison Port Holdings Management Pte. Limited ("HPPM") 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 Cheung Kong Infrastructure Holdings Limited ("CKI") since 1997. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses. Mr Fok was previously a director from 1992 to 2014 and chairman from 2002 to 2014 of Hutchison Harbour Ring Limited ("HHR", now known as China Oceanwide Holdings Limited). He was previously alternate director to a director of HTHKH from 2010 to July 2016. Mr Fok has also been a director of Vodafone Hutchison Australia Pty Limited ("VHA") since 2001. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.



**Barry Roberts-Thomson** (Deputy Chairman)

Barry Roberts-Thomson, aged 67, 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 80, 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 63, has been a Director since May 2004 and Alternate Director to Mr Sixt since May 2006 and to Mr Fok since 5 December 2016. Mr Lai has been an executive director and deputy managing director of CKHH since June 2015. He has been an executive director of HWL since 2000 and was re-designated as a director in June 2015. Mr Lai has been a non-executive director of HTHKH since 2009 and alternate director to directors of HTHKH since 2010. He has been alternate director to a director of TOM Group Limited ("TOM") since August 2016. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Lai acts as director for the purpose of overseeing the management of such businesses. He was previously a director from 1994 to 2014 and deputy chairman from 2001 to 2014 of HHR, and alternate director to a director of HHR from 2007 to 2014. He has also been a director of VHA since October 2016. He was previously Alternate Director to Mrs Chow Woo Mo Fong, Susan, a then Director of HTAL from 2006 to July 2016. Mr Lai has over 30 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.



**John Michael Scanlon** (Director)

John Michael Scanlon, aged 75, 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 65, has been a Director since January 1998 and Alternate Director to Mr Lai since February 2008. Mr Sixt has been a non-executive director of CKHH since January 2015 and was re-designated as an executive director, group finance director and deputy managing director of CKHH in June 2015. He has been an executive director of Cheung Kong (Holdings) Limited since 1991, became a non-executive director in 1998 and was re-designated as a director in June 2015. Mr Sixt has been an executive director of HWL since 1991, group finance director since 1998 and was re-designated as a director in June 2015. He has been chairman and a non-executive director of TOM since 1999 and an executive director of CKI since 1996. Mr Sixt has also been a director of Husky Energy since 2000. He has been alternate director to a director of HKEIML as the trustee-manager of HKEI and of HKEIL since 2015. The aforementioned companies are either the ultimate holding company of HTAL, or subsidiaries or associated companies of CKHH in which Mr Sixt acts as chairman or director for the purpose of overseeing the management of such businesses. Mr Sixt was previously a non-executive director of HTHKH from 2009 to December 2016 and of HPHM as the trustee-manager of HPH Trust from 2011 to December 2016. He was previously a non-executive director (re-designated from an executive director to a non-executive director in January 2014) of Power Assets from 1998 to December 2016. He has also been a director of VHA since 2001. He was previously Alternate Director to Mrs Chow Woo Mo Fong, Susan, a then Director of HTAL from 2008 to July 2016. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.



**Ronald Joseph Spithill** OAM (Director) BScTech

Ronald Joseph Spithill, aged 75, 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 CEO 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 63, has been a Director since 1 August 2016. Mr Woo has been an executive director and chief executive officer of HTHKH since January 2017. The aforementioned companies are either subsidiaries or associated companies of the ultimate holding company of HTAL in which Mr Woo acts as director or senior executive for the purpose of overseeing the management of such businesses. He has been alternate director to a director of VHA since October 2016. He held various senior technology management positions in the telecommunications industry before joining in 1998 the group of HWL, a wholly owned subsidiary of CKHH. He was deputy managing director of Hutchison Telecommunications (Hong Kong) Limited from 2000 to 2004. He was also executive director from March 2005 to December 2005 and alternate director to a director from 2005 to 2010 of Hutchison Telecommunications International Limited. He was seconded to VHA as chief technology officer from 2012 to 2013 and was part of the core management team. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years. Mr Woo holds a Bachelor's degree in Electronics and a Diploma in Management for Executive Development. He is a Chartered Engineer and also a Member of The Institution of Engineering and Technology (UK) and the Hong Kong Institution of Engineers.

# Corporate Governance

This Corporate Governance Statement is dated 23 February 2017 and approved by the Board of Hutchison Telecommunications (Australia) Limited ("HTAL" or the "Company"). Information about the Company and its corporate governance is available on the Company's website at [www.hutchison.com.au](http://www.hutchison.com.au).

The Company and its Directors are committed to high standards of corporate governance. Set out below is a description of the main corporate governance practices of the Company and its subsidiaries (collectively, the "Group"). These practices were reviewed and updated in 2014 in response to the release of the 3rd edition of the ASX Corporate Governance Principles and Recommendations (the "ASX Principles"). This report reflects the Company's corporate governance practices in place from 1 January 2016, and where the Company does not comply with the ASX Principles.

## The Board

### Role of the Board

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

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

The Board's responsibilities include:

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

### Composition of the Board

The Board comprises eight Directors whose appointment reflects the shareholding of the Company and the need to ensure that the Company is run in the best interest of all shareholders. All the Directors, including the Chairman, Mr Fok, 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 Gardener and Mr 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 CK Hutchison Holdings Limited ("CKHH"), the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

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

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

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

Subject to the *Corporations Act 2001* requirements in relation to the retirement of Directors, the current Directors have not been appointed for a specified term. An election of Directors is held at the Annual General Meeting ("AGM") each year, and information on the Directors standing for re-election is provided to shareholders in the Notice of Meeting for the AGM. Any Director who has been appointed during the year must stand for election at the next AGM. Each Director must retire every three years, and if eligible, may stand for re-election. Retiring Directors are not automatically reappointed.

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

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

The Company evaluates the performance of the Board as a whole, the Board Committees and the Directors by questionnaire at the beginning of each year. The evaluation for the financial year ended 31 December 2015 was undertaken at the beginning of 2016 and that for the financial year ended 31 December 2016 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 2016.

### **Compensation responsibilities**

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

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

# Corporate Governance continued

## Governance and nomination responsibilities

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

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

The governance and nomination responsibilities related to the Directors are:

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

The governance and nomination responsibilities related to Board Committees are:

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

## Company Secretary

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

## External Auditors

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

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in note 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.

## Diversity

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

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

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

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

## Risk Management

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

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

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

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

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

## Code of Conduct

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

## Dealing in Shares

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

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

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

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

## Continuous Disclosure and Shareholder Communication

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

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

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

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

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

## Related Party Transactions

The Group draws great strength from its relationship with CKHH and other companies in the CKHH Group in relation to its financial support and management expertise. The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in note 17 to the financial statements.



# Directors' Report

The Directors are pleased to present their report on the consolidated entity (the "Group") consisting of Hutchison Telecommunications (Australia) Limited ("HTAL" or the "Company") and the entities it controlled at the end of or during the year ended 31 December 2016.

## Principal activities

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

## Dividends

No dividend was declared or paid during the year.

## Review of operations

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

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

There was no significant change in the state of affairs of the Group during the financial year. No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

## Likely developments and expected results of operations

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

## Environmental regulation

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

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

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

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

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

## Directors

The following persons were Directors of HTAL during the whole of the year ended 31 December 2016 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

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

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

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

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**
Chow Woo Mo Fong, Susan <sup>^</sup>	Member of Governance, Nomination & Compensation Committee	N/A
Justin Herbert Gardener	Chairman of Audit & Risk Committee, Member of Governance, Nomination & Compensation Committee	1,957,358
Lai Kai Ming, Dominic <sup>^^</sup>	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 <sup>^^^</sup>	–	–

\* Direct holding of 100,000 shares

\*\* Direct holding of 4,540 shares

<sup>^</sup> Retired as Director and ceased to be member of the Governance, Nomination & Compensation Committee with effect from 1 August 2016

<sup>^^</sup> Appointed as member of the Governance, Nomination & Compensation Committee with effect from 1 August 2016

<sup>^^^</sup> Appointed as Director with effect from 1 August 2016

Notes:

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

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

# Directors' Report continued

## Meetings of Directors

The number of meetings of HTAL's Board of Directors and each of the Board committees held during the year ended 31 December 2016 and the number of meetings attended by each Director were:

Director	Board Meetings held during the period as Director	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 period as Member of the Committee	Governance, Nomination & Compensation Committee Meetings attended as Member of the Committee
Fok Kin Ning, Canning	8	6	N/A	N/A	Nil	Nil
Barry Roberts-Thomson	8	8	N/A	N/A	N/A	N/A
Chow Woo Mo Fong, Susan <sup>^</sup>	4	4	N/A	N/A	Nil	Nil
Justin Herbert Gardener	8	8	3	3	Nil	Nil
Lai Kai Ming, Dominic <sup>^^</sup>	8	8	N/A	N/A	Nil	Nil
John Michael Scanlon	8	8	3	3	N/A	N/A
Frank John Sixt	8	8	3	3	N/A	N/A
Ronald Joseph Spithill	8	7	N/A	N/A	N/A	N/A
Woo Chiu Man, Cliff <sup>^^^</sup>	4	4	N/A	N/A	N/A	N/A

<sup>^</sup> Retired as Director and ceased to be member of the Governance, Nomination & Compensation Committee with effect from 1 August 2016

<sup>^^</sup> Appointed as member of the Governance, Nomination & Compensation Committee with effect from 1 August 2016

<sup>^^^</sup> Appointed as Director with effect from 1 August 2016

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

## Retirement, election and continuation in office of Directors

Mr Barry Roberts-Thomson is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr Lai Kai Ming, Dominic is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr Ronald Joseph Spithill is a Director retiring by rotation in accordance with the Constitution who, being eligible, offers himself for re-election.

Mr Woo Chiu Man, Cliff, having been appointed since the last annual general meeting, in accordance with the Constitution, retires as a Director at the annual general meeting and, being eligible, offers himself for re-election.

## Company secretaries

### Edith Shih

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

Ms Shih has over 19 years of experience as a company secretary in listed companies and has been a Company Secretary of the Company since 1999. Since January 2017, she has been an executive director and since June 2015, she has been the head group general counsel and company secretary of CKHH. She has also been the head group general counsel since 1993 and company secretary since 1997 of Hutchison Whampoa Limited which is a wholly owned subsidiary of CKHH. She has been with the CKHH group since 1989, overseeing legal, corporate finance, regulatory, compliance and corporate governance affairs of the CKHH group, with in-depth knowledge of the business operations of the CKHH group. She is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

### Louise Sexton

BA, LL.M, MBA (Exec), GAICD

Ms Sexton has over 23 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 2016, 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 Gardener and Mr Scanlon, comprised a fixed amount only and was not performance based. The non-executive and non-independent Directors, Mr Fok, Mrs Chow, Mr Lai, Mr Roberts-Thomson, Mr Sixt, Mr Spithill and Mr Woo, 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

There were no key management personnel having authority and responsibility for planning, directing and controlling the activities of the Company for the period from 1 January 2016 to 31 December 2016.

## Directors' Report continued

### Details of remuneration

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

#### Directors of HTAL

2016	Short-term benefits			Post-employment benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Options \$	Total \$
Fok Kin Ning, Canning	-	-	-	-	-	-
Barry Roberts-Thomson	-	-	-	-	-	-
Chow Woo Mo Fong, Susan <sup>^</sup>	-	-	-	-	-	-
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 <sup>^^</sup>	-	-	-	-	-	-
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>9,500</b>	<b>-</b>	<b>109,500</b>

<sup>^</sup> Retired as Director with effect from 1 August 2016

<sup>^^</sup> Appointed as Director with effect from 1 August 2016

2015	Short-term benefits			Post-employment benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Options \$	Total \$
Fok Kin Ning, Canning	-	-	-	-	-	-
Barry Roberts-Thomson	-	-	-	-	-	-
Chow Woo Mo Fong, Susan	-	-	-	-	-	-
Justin Herbert Gardener	50,000	-	-	4,750	-	54,750
Lai Kai Ming, Dominic	-	-	-	-	-	-
John Michael Scanlon	50,000	-	-	4,750	-	54,750
Frank John Sixt	-	-	-	-	-	-
Ronald Joseph Spithill	-	-	-	-	-	-
<b>Total</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>9,500</b>	<b>-</b>	<b>109,500</b>

Mr Fok, Mrs Chow, Mr Lai, Mr Sixt and Mr Woo, as officers of CKHH group, are remunerated for their duties within the CKHH Group which include their directorships of HTAL.

## Share-based compensation

The HTAL Employee Option Plan, which was approved by the Board on 4 June 2007, provides for the issue of options to executives and employees. No options were granted under the plan in 2016, and no options remained outstanding.

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

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

## Share holdings

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 (or at the appointment date)	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**
Chow Woo Mo Fong, Susan <sup>^</sup>	–	–	–	N/A
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 <sup>^^</sup>	–	–	–	–
Tang Wing Yee, Angeline <sup>^^^</sup>	–	–	–	N/A

\* Direct holding of 100,000 shares

\*\* Direct holding of 4,540 shares

<sup>^</sup> Retired as Director with effect from 1 August 2016

<sup>^^</sup> Appointed as Director with effect from 1 August 2016

<sup>^^^</sup> Appointed as Alternate Director to Mrs Chow Woo Mo Fong, Susan with effect from 29 April 2016 until the retirement of Mrs Chow Woo Mo Fong, Susan on 1 August 2016

## Shares under option

As at the date of this report there were no unissued ordinary shares of HTAL under option issued pursuant to the HTAL Employee Option Plan.

## Shares issued on the exercise of options

No ordinary shares of HTAL were issued during the year ended 31 December 2016 or up to the date of this report on the exercise of options granted under the HTAL Employee Option Plan.

## Loans to Directors and key management personnel

There were no loans made to the Directors of the Company, including their personally-related entities, during the years ended 31 December 2016 and 31 December 2015.

## Other transactions with Directors and key management personnel

There were no other transactions with Directors for the years ended 31 December 2016 and 31 December 2015.

## 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 39 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**

23 February 2017



**Director**

23 February 2017

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2016, 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.

A handwritten signature in black ink that reads 'DS Wiadrowski'.

DS Wiadrowski  
Partner  
PricewaterhouseCoopers

Sydney  
23 February 2017

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# Financial Report

For the year ended 31 December 2016

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

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

Level 1, 177 Pacific Highway,  
North Sydney NSW 2060

The financial statements were authorised for issue by the Directors on 23 February 2017. 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 2016

	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>	2	5,807	6,028
Other operating items		(1,246)	(1,299)
Finance costs	3	–	(4)
Share of net losses of a joint venture accounted for using the equity method	7	(68,014)	(187,523)
<b>Loss before income tax</b>		(63,453)	(182,798)
Income tax expense	4	–	(70)
<b>Loss for the year</b>	12	(63,453)	(182,868)
<b>Other comprehensive income (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of cash flow hedges (share of joint venture)		413	(825)
<b>Other comprehensive income (loss) for the year, net of tax</b>	12	413	(825)
<b>Total comprehensive loss for the year attributable to members of Hutchison Telecommunications (Australia) Limited</b>		(63,040)	(183,693)
	Notes	Cents	Cents
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	21	(0.47)	(1.35)
Diluted earnings per share	21	(0.47)	(1.35)

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 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	4,469	5,318
Other financial assets	6	48,906	136,676
Trade receivables		6	5
<b>Total Current Assets</b>		<b>53,381</b>	<b>141,999</b>
<b>Non-current Assets</b>			
Other financial assets	6	–	11,801
Investment accounted for using the equity method	7	209,714	277,315
<b>Total Non-current Assets</b>		<b>209,714</b>	<b>289,116</b>
<b>Total Assets</b>		<b>263,095</b>	<b>431,115</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	9	277	257
Other financial liabilities	10	136,862	241,862
<b>Total Current Liabilities</b>		<b>137,139</b>	<b>242,119</b>
<b>Total Liabilities</b>		<b>137,139</b>	<b>242,119</b>
<b>Net Assets</b>		<b>125,956</b>	<b>188,996</b>
<b>EQUITY</b>			
Contributed equity	11	4,204,488	4,204,488
Reserves	12	70,857	70,444
Accumulated losses	12	(4,149,389)	(4,085,936)
<b>Total Equity</b>		<b>125,956</b>	<b>188,996</b>

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 2016

	Notes	Attributable to members of Hutchison Telecommunications (Australia) Limited					
		Contributed equity \$'000	Reserves			Accumulated losses \$'000	Total equity \$'000
			Capital redemption \$'000	Cash flow hedging \$'000	Share-based payments \$'000		
<b>Balance at 1 January 2015</b>		4,204,488	54,887	502	15,880	(3,903,068)	372,689
Loss for the year		–	–	–	–	(182,868)	(182,868)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	(825)	–	–	(825)
<b>Total comprehensive loss for the year</b>	12	–	–	(825)	–	(182,868)	(183,693)
<b>Balance at 31 December 2015</b>		4,204,488	54,887	(323)	15,880	(4,085,936)	188,996
<b>Balance at 1 January 2016</b>		4,204,488	54,887	(323)	15,880	(4,085,936)	188,996
Loss for the year		–	–	–	–	(63,453)	(63,453)
Share of joint venture's changes in the fair value of cash flow hedges		–	–	413	–	–	413
<b>Total comprehensive income (loss) for the year</b>	12	–	–	413	–	(63,453)	(63,040)
<b>Balance at 31 December 2016</b>		4,204,488	54,887	90	15,880	(4,149,389)	125,956

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 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees (inclusive of GST)		(1,226)	(1,120)
Interest received		5,377	4,627
Finance costs paid		–	(4)
<b>Net cash inflows from operating activities</b>	20	4,151	3,503
<b>Cash Flows from Investing Activities</b>			
Loans to joint venture		–	(100,000)
Repayment of loans from joint venture		100,000	–
<b>Net cash inflows (outflows) from investing activities</b>		100,000	(100,000)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings – entity within the CKHH Group		–	100,000
Repayment of borrowings – entity within the CKHH Group		(105,000)	–
<b>Net cash (outflows) inflows from financing activities</b>		(105,000)	100,000
<b>Net (decrease) increase in cash and cash equivalents</b>		(849)	3,503
Cash and cash equivalents at 1 January		5,318	1,815
<b>Cash and cash equivalents at 31 December</b>	5	4,469	5,318

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

# Notes to the Financial Statements

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

### (a) Basis of preparation

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

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

#### (i) 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 Orders 10/654 and 10/655, 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 24.

#### (ii) Going concern disclosures

As at 31 December 2016, the Consolidated Entity has a deficiency of net current assets of \$84 million (2015: net current assets deficiency of \$100 million). Included in the Consolidated Entity's current liabilities is an amount of \$137 million (2015: \$242 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 \$1,463 million at 31 December 2016. 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.

#### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) which are stated at fair value, as explained in the significant accounting policies set out below.

### (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.

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

As at 31 December 2016, HTAL has only one joint venture.

#### (iii) Equity method

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

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

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

# Notes to the Financial Statements continued

## Note 1 Summary of significant accounting policies continued

### (c) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges set out in note 1(i)(ii).

### (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.

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

## Note 1 Summary of significant accounting policies continued

### (f) Impairment of assets

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

### (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) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the assets is impaired.

### (i) Derivative financial instruments and hedging activities

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

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

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

#### (i) Fair value hedge

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

#### (ii) Cash flow hedge

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

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

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

### (j) Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value is an exit price regardless of whether that price is directly observable in active markets or estimated using another valuation technique.

The fair value of forward exchange contracts is determined using forward exchange market rates at the statement of financial position date.

### (k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.



# Notes to the Financial Statements continued

## Note 1 Summary of significant accounting policies continued

### (l) Goodwill

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

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

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

### (m) 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.

### (n) 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.

### (o) 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.

### (p) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

#### (ii) Diluted earnings per share

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

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

## Note 1 Summary of significant accounting policies continued

### (q) 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.

### (r) Segments reporting

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

Operating segments have been identified based on the information provided to the chief operating decision maker. Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. Refer to note 19 for details of the Consolidated Entity's operating segment, being investment in telecommunications services.

### (s) Critical accounting estimates and assumptions

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

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

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

A discounted cash flow calculation is undertaken on the approved business plan. A terminal value is calculated on the cash flows. The cash flows are then discounted using a suitable discount rate consistent with recent internal assessments of the Consolidated Entity's weighted average cost of capital. The resulting net present value is compared to the balance of the Consolidated Entity's equity accounted for investment in a joint venture.

The Directors believe that the carrying values of the Consolidated Entity's investment in joint venture as at 31 December 2016 is appropriate and are not aware of any events or changes since the year end which may potentially impair the carrying values of the Consolidated Entity's investment in joint venture as at the statement of financial position date.

#### (ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of taxable profits generated in the foreseeable future together with future tax planning strategies.

#### (iii) Joint venture accounting adjustments

Depreciation of operating assets constitutes a substantial operating cost for the joint venture. The cost of fixed assets is charged as a depreciation expense over the estimated useful lives of the respective assets using the straight-line method and this is reflected in the "share of net losses of a joint venture accounted for using the equity method" in HTAL's consolidated statement of profit or loss and other comprehensive income. The Directors are of the view that the estimated useful lives of network assets within the joint venture should be extended to reflect the experience of the group. Accordingly, adjustments to the useful lives of assets have been made when the Group's 50% interest in joint venture VHA is incorporated into the Group's consolidated financial statements. This is to reflect the use of the Group's fixed assets useful lives.

### (t) Rounding of amounts to nearest thousand dollars

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

# Notes to the Financial Statements continued

## Note 1 Summary of significant accounting policies continued

### (u) Parent entity financial information

The financial information for the parent entity disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of HTAL.

### (v) New accounting standards and interpretations

The Consolidated Entity has adopted all of the new and revised effective / applicable standards, amendments and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the Consolidated Entity's operations and mandatory for annual periods beginning on or after 1 January 2016.

The Consolidated Entity has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2016:

Reference	Standard(s)
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture [AASB 10 & AASB 128]
AASB 2015-1	Amendments to Australian Accounting Standards – Annual improvement to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The Group is still assessing the impact of the new standards and interpretations set out below on the financial statements.

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

## Note 2 Revenue

	2016 \$'000	2015 \$'000
<b>Other revenue</b>		
Interest	5,807	6,028

## Note 3 Expenses

	2016 \$'000	2015 \$'000
<b>Loss before income tax includes the following specific expenses:</b>		
Finance costs		
Interest and finance charges	–	4

## Note 4 Income tax

	2016 \$'000	2015 \$'000
<b>(a) Income tax expense</b>		
Deferred tax	–	70
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from operations before income tax expense	(63,453)	(182,798)
Tax at the Australian tax rate of 30% (2015: 30%)	(19,036)	(54,839)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of losses of a joint venture	20,404	56,256
	1,368	1,417
Deferred tax on temporary difference not recognised	2	63
Previously unrecognised tax losses now recouped to reduce current tax expense	(1,370)	(1,410)
Income tax expense	–	70
<b>(c) Unrecognised tax losses</b>		
Opening balance	183,797	188,565
Tax losses utilised during completion of income tax return	–	(67)
Tax losses recouped to reduce current tax expense	(4,568)	(4,701)
Unused tax losses for which no deferred tax assets have been recognised	179,229	183,797
Potential tax benefit @ 30%	53,769	55,139

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 2016 and 31 December 2015.

## Note 5 Current assets – Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and in hand	4,469	5,318

## Note 6 Other financial assets

	2016 \$'000	2015 \$'000
Receivable from a joint venture (note 17)	48,906	148,477
Total current	48,906	136,676
Total non-current	–	11,801

### Receivable from a joint venture

Weighted average interest on the current receivable from a joint venture of \$36.1 million (2015: \$136.7 million) is charged at a rate of 4.44% p.a. (2015: 4.58% p.a.) during the year. The interest on the remaining receivable from a joint venture of \$12.8 million (2015: \$11.8 million) is charged at a fixed rate of 8% p.a. (2015: 8% p.a.).

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

## Notes to the Financial Statements continued

### Note 6 Other financial assets continued

#### (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:

	2016 \$'000	2015 \$'000
Australian dollars	48,906	148,477
	48,906	148,477

For an analysis of the sensitivity of other financial assets to foreign exchange and 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 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.

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

	2016 \$'000	2015 \$'000
Interest in a joint venture	209,714	277,315

The Consolidated Entity has a 50% interest in VHA, which is resident in Australia and the principal activity of which is providing mobile telecommunications services.

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

	2016 \$'000	2015 \$'000
Current assets	2,129,475	1,071,542
Non-current assets	5,883,456	7,112,468
Current liabilities	(6,460,885)	(3,302,339)
Non-current liabilities	(2,166,636)	(5,255,325)
<b>Net Assets</b>	<b>(614,590)</b>	<b>(373,654)</b>
Proportion of the Consolidated Entity's ownership	50%	50%
Share of the joint venture's net assets	(307,295)	(186,827)
Goodwill	165,321	165,321
Joint venture accounting adjustments	351,688	298,821
<b>Carrying amount of the investment</b>	<b>209,714</b>	<b>277,315</b>

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 2016, HTAL's share of VHA's net current assets deficiency is \$2,165.7 million (2015: net current assets deficiency of \$1,115.4 million). The increase is mainly driven by reclassification of VHA's Syndicated Bifurcated Facility from non-current liabilities to current liabilities as the facility is due to expire within the 2017 financial year. Both of VHA's ultimate shareholders, CKHH and Vodafone Group Plc have confirmed their current intention to jointly provide financial support to enable VHA to meet its financial obligations as and when they fall due for a minimum period of twelve months from the date of signing the VHA financial statements.

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

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

	2016 \$'000	2015 \$'000
Revenues	3,345,174	3,651,553
Expenses	(3,586,936)	(4,081,721)
Loss before income tax	(241,762)	(430,168)
Income tax expense	–	–
<b>Loss for the year</b>	(241,762)	(430,168)
Other comprehensive loss		
Changes in the fair value of cash flow hedges, net of tax	826	(1,650)
<b>Total comprehensive loss</b>	(240,936)	(431,818)
50% share of VHA's loss for the year	(120,881)	(215,084)
Joint venture accounting adjustments	52,867	27,561
<b>Share of joint venture's loss</b>	(68,014)	(187,523)
<b>VHA's financial statements include the following specific items:</b>		
Cash and cash equivalents	271,129	291,608
Current financial liabilities	5,385,142	2,194,060
Non-current financial liabilities	2,050,058	5,137,296
Depreciation and amortisation <sup>^</sup>	793,464	827,880
Interest income	4,435	3,120
Finance costs	364,846	418,243
<b>Reconciliation of interest in a joint venture</b>		
Investment brought forward	277,315	465,663
Loss for the year	(68,014)	(187,523)
Share of change in fair value of cash flow hedges, net of tax	413	(825)
<b>Interest in a joint venture at 31 December</b>	209,714	277,315
<b>VHA's commitments</b>		
Operating leases	1,260,650	1,053,111
Other commitments	352,759	476,257
Capital commitments	326,532	271,802
<b>VHA's contingent liabilities</b>	60,887	67,265

<sup>^</sup> Depreciation and amortisation under HTAL accounting policies are \$687.7 million for year ended 31 December 2016 (2015: \$772.8 million). The differences are primarily related to differences in the estimated economic useful lives of property, plant and equipment.

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

Name of entity	Country of Incorporation	Class of Shares	Equity Holding*	
			2016 %	2015 %
Vodafone Hutchison Australia Pty Limited ** (formerly Hutchison 3G Australia Pty Limited)	Australia	Ordinary	50	50

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

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

# Notes to the Financial Statements continued

## Note 8 Controlled entities

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

Name of Controlled Entity	Country of Incorporation	Class of Shares	Equity Holding*	
			2016 %	2015 %
Lindian Pty Limited	Australia	Ordinary	100	100
Hutchison 3G Australia Holdings Pty Limited**	Australia	Ordinary	100	100

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

\*\* This entity has been granted relief from the necessity to prepare financial reports in accordance with Class Order (98/1418) issued by the Australian Securities and Investments Commission.

## Note 9 Current liabilities – Payables

	2016 \$'000	2015 \$'000
Other creditors	215	208
Payables to joint venture (note 17)	62	49
	277	257

### Payables to a joint venture

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

### Foreign currency and interest rate risk

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

	2016 \$'000	2015 \$'000
Australian Dollars	277	257
	277	257

Refer to note 22 for an analysis of the Consolidated Entity's exposure to foreign currency risk in relation to trade and other payables. A summarised analysis of the sensitivity of trade payables to foreign exchange and interest rate risk can be found in note 22.

## Note 10 Current liabilities – Other financial liabilities

	2016 \$'000	2015 \$'000
Loan from an entity within the CKHH Group (note 17)	136,862	241,862

### Loan from an entity within the CKHH Group

Further information relating to the loan from an entity within the CKHH Group is set out in note 17. The loan from an entity within the CKHH Group is an interest free financing facility and is repayable on demand.

### Financing arrangements

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

	2016 \$'000	2015 \$'000
<b>Other financial liabilities</b>		
Total facilities from an entity within the CKHH Group	1,600,000	1,600,000
Used at the statement of financial position date	(136,862)	(241,862)
Unused at the statement of financial position date	1,463,138	1,358,138

## Note 11 Contributed equity

	2016 Shares	2015 Shares	2016 \$'000	2015 \$'000
<b>Share capital</b>				
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 2016 and 31 December 2015.

### (c) Options

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

### (d) Capital risk management

The Consolidated Entity's objectives when managing capital is to safeguard its ability to continue as a going concern as discussed in note 1(a). Management also maintain an optimal capital structure to reduce the cost of capital.

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 2016 and 31 December 2015 were as follows:

	2016 \$'000	2015 \$'000
Total payables, borrowings and other financial liabilities	137,139	242,119
Less: cash and cash equivalents (note 5)	(4,469)	(5,318)
Net debt	132,670	236,801
Total equity	125,956	188,996
Total capital	258,626	425,797
<b>Gearing ratio</b>	<b>51%</b>	<b>56%</b>



# Notes to the Financial Statements continued

## Note 12 Reserves and accumulated losses

	2016 \$'000	2015 \$'000
<b>(a) Reserves</b>		
Capital reserve	54,887	54,887
Share of hedging reserve – cash flow hedges	90	(323)
Share-based payments reserve	15,880	15,880
	70,857	70,444
<b>Movements:</b>		
<b>Capital reserve</b>		
There has been no movement in the capital reserve during the year.		
<b>Share of hedging reserve – cash flow hedges</b>		
Balance at 1 January	(323)	502
Hedging movement, net of tax	413	(825)
Balance at 31 December	90	(323)
<b>Share-based payments reserve</b>		
There has been no movement in the share-based payments reserve during the year.		
<b>(b) Accumulated losses</b>		
Accumulated losses at 1 January	(4,085,936)	(3,903,068)
Loss attributable to the members of Hutchison Telecommunications (Australia) Limited	(63,453)	(182,868)
Accumulated losses at 31 December	(4,149,389)	(4,085,936)

### (c) Nature and purpose of reserves

#### Capital reserve

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

#### Hedging reserve – cash flow hedges

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

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

#### Share-based payments reserve

The share-based payments reserve is used to:

- (i) recognise the grant date fair value of options issued to employees but not exercised; and
- (ii) recognise the fair value of the 850 MHz spectrum licence assigned from Telecom New Zealand (“TCNZ”). The fair value was determined by reference to the fair value of the option granted to TCNZ in exchange for the spectrum licence.

## Note 13 Director and key management personnel compensation

### (a) Director and key management personnel compensation

	2016 \$	2015 \$
Short term employee benefits	109,500	109,500

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

### (b) Loans to key management personnel

There were no loans made to Directors of the Company, including their personally-related entities, during the years ended 31 December 2016 and 31 December 2015.

### (c) Other transactions with key management personnel

There were no other transactions with the Directors of the Company for the years ended 31 December 2016 and 31 December 2015.

## Note 14 Remuneration of auditors

	2016 \$	2015 \$
<b>PricewaterhouseCoopers Australia</b>		
Assurance services		
Audit services		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	107,000	95,665
Total remuneration for assurance services	107,000	95,665
<b>Total auditors remuneration</b>	107,000	95,665

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

Details and estimates of maximum amounts of contingent liabilities as at 31 December 2016 are as follows:

	2016 \$'000	2015 \$'000
<b>Guarantees</b>		
Unsecured guarantees in respect of leases held by a joint venture	–	28

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

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

## Note 16 Commitments

There were no commitments contracted for but not recognised as liabilities, payable at 31 December 2016 and 31 December 2015, except for as disclosed in note 7.

## Note 17 Related party transactions

### (a) Parent entities

The holding company and parent entity is Hutchison Telecommunications (Amsterdam) B.V. which, at 31 December 2016, 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).

# Notes to the Financial Statements continued

## Note 17 Related party transactions continued

### (b) Directors

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

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

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

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

### (c) Key management personnel compensation

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

### (d) Transactions with related parties

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

	2016 \$'000	2015 \$'000
<b>Loans to related parties</b>		
Advanced to joint venture	–	100,000
Repayments from joint venture	100,000	–
<b>Loans from related parties</b>		
Advanced from an entity within the CKHH Group	–	100,000
Repayments to an entity within the CKHH Group	105,000	–
<b>Interest revenue</b>		
Joint venture	5,701	5,948
<b>Operating expenses</b>		
Joint venture	485	578

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

### (e) Outstanding balances

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

	2016 \$'000	2015 \$'000
<b>Current financial assets</b>		
Joint venture (note 6)	48,906	136,676
<b>Non-current financial assets</b>		
Joint venture (note 6)	–	11,801
<b>Payables</b>		
Joint venture (note 9)	62	49
<b>Current liabilities – Other financial liabilities</b>		
Entity within the CKHH Group (note 10)	136,862	241,862

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

### (f) 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.

## 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 into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed of cross guarantee, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

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

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

Set out below is the Closed Group consolidated statement of profit or loss and other comprehensive income and a summary of movements in the Closed Group consolidated accumulated losses for the years ended 31 December 2016 and 31 December 2015.

	2016 \$'000	2015 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	5,807	6,028
Other operating expenses	(1,246)	(1,299)
Impairment loss in investment held within the Closed Group	–	(188,348)
Finance costs	–	(4)
<b>Income (loss) before income tax</b>	4,561	(183,623)
Income tax expense	–	(70)
<b>Income (loss) for the year</b>	4,561	(183,693)
<b>Share of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(4,086,259)	(3,902,566)
Income (loss) for the year	4,561	(183,693)
Accumulated losses at the end of the financial year	(4,081,698)	(4,086,259)

## Notes to the Financial Statements continued

### Note 18 Deed of cross guarantee continued

#### (b) Statement of financial position

Set out below is a statement of financial position as at 31 December 2016 of the Closed Group consisting of H3GAH and HTAL.

	2016 \$'000	2015 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4,469	5,318
Other financial assets	48,906	136,676
Trade receivables	6	5
<b>Total Current Assets</b>	<b>53,381</b>	<b>141,999</b>
<b>Non-current Assets</b>		
Other financial assets	277,315	289,116
<b>Total Non-current Assets</b>	<b>277,315</b>	<b>289,116</b>
<b>Total Assets</b>	<b>330,696</b>	<b>431,115</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	277	257
Other financial liabilities	136,862	241,862
<b>Total Current Liabilities</b>	<b>137,139</b>	<b>242,119</b>
<b>Total Liabilities</b>	<b>137,139</b>	<b>242,119</b>
<b>Net Assets</b>	<b>193,557</b>	<b>188,996</b>
<b>EQUITY</b>		
Contributed equity	4,204,488	4,204,488
Reserves	70,767	70,767
Accumulated losses	(4,081,698)	(4,086,259)
<b>Total Equity</b>	<b>193,557</b>	<b>188,996</b>

## 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 2016, 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:

	2016 \$m	2015 \$m
<b>HTAL's share of the following items of VHA*</b>		
Total Revenue	1,673	1,826
Net Losses	68	188

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.

\* after joint venture accounting adjustments

## Note 20 Reconciliation of loss after income tax to net cash inflows from operating activities

	Notes	2016 \$'000	2015 \$'000
Loss after income tax		(63,453)	(182,868)
Share of losses of joint venture partnership accounted for using equity method	7	68,014	187,523
Change in operating assets and liabilities			
Increase in other financial assets		(430)	(1,233)
Decrease in deferred tax assets	4	–	70
Increase in payables		20	11
Net cash inflows from operating activities		4,151	3,503

## Notes to the Financial Statements continued

### Note 21 Earnings per share

	2016 Cents	2015 Cents
<b>(a) Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.47)	(1.35)
<b>(b) Diluted earnings per share</b>		
Loss attributable to the ordinary equity holders of the Consolidated Entity	(0.47)	(1.35)

	Consolidated	
	2016 \$'000	2015 \$'000
<b>(c) Earnings used in calculating earnings per share</b>		
<i>Basic earnings per share</i>		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating basic earnings per share	(63,453)	(182,868)
<i>Diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the Consolidated Entity used in calculating diluted earnings per share	(63,453)	(182,868)

	Consolidated	
	2016 Number	2015 Number
<b>(d) Weighted average number of shares used as the denominator</b>		
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 (2015: nil) options outstanding at 31 December 2016 that are anti-dilutive and accordingly there was no impact on the earnings per share calculation for the year ended 31 December 2016.

## Note 22 Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and 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 a central treasury department within CKHH on behalf of HTAL under policies approved by the Board of Directors. Treasury operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks. Treasury 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 foreign exchange risk, 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, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

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. functional currency rate or 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. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

#### (i) Interest risk

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

#### (ii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
		Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000
<b>31/12/2016</b>									
<b>Financial assets</b>									
Cash and cash equivalents	4,469	(45)	–	45	–	–	–	–	–
Other financial assets	48,906	(361)	–	361	–	–	–	–	–
<b>Total increase (decrease)</b>	<b>53,375</b>	<b>(406)</b>	<b>–</b>	<b>406</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
		Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000	Post-tax loss \$'000	Other equity \$'000
<b>31/12/2015</b>									
<b>Financial assets</b>									
Cash and cash equivalents	5,318	(53)	–	53	–	–	–	–	–
Other financial assets	148,477	(1,367)	–	1,367	–	–	–	–	–
<b>Total increase (decrease)</b>	<b>153,795</b>	<b>(1,420)</b>	<b>–</b>	<b>1,420</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



# Notes to the Financial Statements continued

## Note 22 Financial risk management continued

### (b) Credit risk

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

Credit risk further arises in relation to financial guarantees given to certain parties (see note 15 for details). Such guarantees are only provided in exceptional circumstances and are subject to board approval.

### (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. Treasury aims at maintaining 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.

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

31/12/2015	Weighted average interest rate	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Cash and cash equivalents	2.3%	5,318	–	–	–	5,318
Other financial assets	4.8%	136,676	–	–	11,801	148,477
Payables	–	(257)	–	–	–	(257)
Other financial liabilities	–	(241,862)	–	–	–	(241,862)
<b>Total</b>		(100,125)	–	–	11,801	(88,324)

## Note 23 Events occurring after the reporting date

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

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

## Note 24 Parent entity disclosures

### (a) Summary financial information

	2016 \$'000	2015 \$'000
<b>Financial position</b>		
<b>ASSETS</b>		
Current Assets	53,381	141,999
Non-current Assets	277,315	289,116
<b>Total Assets</b>	<b>330,696</b>	<b>431,115</b>
<b>LIABILITIES</b>		
Current Liabilities	137,139	242,119
<b>Total Liabilities</b>	<b>137,139</b>	<b>242,119</b>
<b>Net Assets</b>	<b>193,557</b>	<b>188,996</b>
<b>EQUITY</b>		
Contributed equity	4,204,488	4,204,488
Reserves	15,880	15,880
Accumulated losses	(4,026,811)	(4,031,372)
<b>Total Equity</b>	<b>193,557</b>	<b>188,996</b>
<b>Financial performance</b>		
Loss for the year	4,561	(183,693)
Total comprehensive loss for the year	4,561	(183,693)

### (b) Guarantees entered into by the parent entity

	2016 \$'000	2015 \$'000
<b>Guarantees</b>		
Unsecured guarantees in respect of leases held by the joint venture	–	28

### (c) Commitments

#### Operating leases

There were no commitments contracted for but not recognised as liabilities, payable at 31 December 2016 and 31 December 2015.

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

As at 31 December 2016, the Parent Entity has a deficiency of net current assets of \$84 million (2015: deficiency of net current assets of \$100 million). Included in the Parent Entity's current liabilities is an amount of \$137 million (2015: \$242 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 \$1,463 million at 31 December 2016. 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.

### (d) Impairment in HTAL's investment in H3GAH

	2016 \$'000	2015 \$'000
<b>Impairment loss</b>		
Investment in H3GAH	–	188,348

As a result of solid growth in HTAL's investment in H3GAH, its recoverable amount is greater than its book value in the parent entity. In 2016, \$nil (2015: \$188 million) impairment loss in HTAL's investment in H3GAH has been written down in its separate parent entity financial statements.

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 23 to 47 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 2016 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**

23 February 2017



**Director**

23 February 2017

# Independent Auditor's Report



## *Independent auditor's report*

To the shareholders of Hutchison Telecommunications (Australia) Limited

### **Report on the audit of the financial report**

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#### *Our opinion*

In our opinion:

The accompanying financial report of Hutchison Telecommunications (Australia) Limited (the Company) and its controlled entities (together the Group or HTAL) 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 2016 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 financial report comprises:

- the consolidated statement of financial position as at 31 December 2016
- 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.

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#### *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.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## Independent Auditor's Report continued

### 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 geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group's business activities are predominantly conducted through its 50% joint venture investment in Vodafone Hutchison Australia Pty Limited (VHA), a telecommunications service provider operating in Australia. The Group's share of the results of VHA are included in the Group's financial report as described in Note 1(b). The investment in VHA contributed more than 93% of the Group's loss before tax and 80% of the Group's total assets in the 2016 financial report.



### Materiality

- For the purpose of our audit we used overall Group materiality of \$8.8 million, which represents approximately 5% of the Group's loss before tax (based on an average of the current year and preceding two years).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

### Audit Scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We used component auditors to perform an audit of the financial information of VHA and conducted audit procedures over the remaining balances of the Group in order to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group financial report as a whole. We provided instructions to the component auditor on the type of work that needed to be performed and what information on VHA's audit that we wanted them to report to us. We determined the level of involvement we needed to have in the audit work at VHA, including regular communication with the other PwC team on the audit of VHA, and performed audit procedures over the remaining balances within HTAL to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements 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. We communicated the key audit matters to the Audit and Risk Committee. 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.

### Key audit matter

### How our audit addressed the key audit matter

#### Estimate of useful life of network assets of VHA

Depreciation of network assets constitutes a substantial operating cost for the joint venture. The cost of those assets is charged as a depreciation expense over the estimated useful lives of the respective assets (using the straight-line method) and this is reflected in the “share of net losses of a joint venture accounted for using the equity method” in HTAL’s consolidated statement of profit or loss and other comprehensive income. The Directors reassess the estimate of the expected useful lives of the assets within the joint venture. Accordingly, adjustments to the useful lives of assets have been made when the Group’s 50% interest in the joint venture VHA is incorporated into the Group’s consolidated financial report each year. This is to reflect the use of the Group’s network assets useful lives as described in Note 1(s) (iii) of the financial statements.

The Directors’ estimate of the useful lives of network assets was a key audit matter as it requires the Directors’ judgement to make a collective assessment on the likely future use of the network assets based on historical experience with similar assets and the potential impact of anticipated technological changes on existing assets. The estimation is impacted by company-specific factors along with broader industry considerations which results in useful lives of identical types of assets differing from company to company.

We tested the accuracy of the calculation for the adjustment to useful lives. The adjustment was consistent with our expectations on the basis of extended useful lives for these network assets.

We tested the Directors’ estimated useful lives of network assets, being 20 years. We discussed the adjustments with the Directors, who explained that the rationale for making the adjustments was to reflect a longer useful life of these assets, consistent with the experience of the Group and Hutchison Whampoa Limited (a shareholder of HTAL) and their assessment of the impact of anticipated technology developments.

We evaluated the assessment of the useful life of network assets. In particular, we:

- considered the Group’s view of the impact of technological developments on existing assets. We noted that the introduction of new generation communication standards such as 4G/LTE did not necessarily result in a complete obsolescence of the existing 3G network assets as they remain integral to ensuring the operational effectiveness of the telecommunications network.
- considered the nature of the telecommunications industry where there are varying practices with regards to useful lives adopted by operators. We compared the estimate of useful lives against other telecommunication operators in Australia and overseas, and the Australian Taxation Office suggested useful lives of 8 – 25 years. We noted that the Group’s estimate of useful life of these assets is within a consistent range.

#### Recoverable amount of investment in joint venture

As explained in Note 1(b) of the financial report HTAL holds a 50% investment in a joint venture, VHA, a telecommunications service provider in Australia. As at 31 December 2016, the carrying value of the investment accounted for using the equity method of accounting amounted to \$210

We tested the composition of the Directors’ future cash flow forecasts used in the impairment assessment of HTAL’s investment in VHA. In particular, we compared the cash flow forecasts with VHA’s historical performance and proposed future development based on VHA’s financial plan. In order to assess the Group’s ability to make reliable forecasts, we compared the current year actual results to the FY16 approved budget

## Independent Auditor's Report continued

### Key audit matter

million.

An impairment assessment was prepared by the Directors using a value in use model (the Model) to estimate the value of the investment. The Model was based on estimated future cash flows from the VHA investment discounted to the present value. The forecast cash flows of VHA reflect the Group's view of its current underlying and future financial performance which strongly correlates with the estimated future cash flows from HTAL's investment in VHA.

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

### How our audit addressed the key audit matter

included in the prior year model and considered if any of the forecasts included assumptions that, with hindsight, had been optimistic. We found that actual performance was materially consistent with forecast performance.

We challenged the key assumptions made with respect to long term revenue and market share growth rate in the impairment assessment. Specifically:

- We considered the long term revenue and market share growth rate against our internally developed range of benchmarks which were based on observable industry data and found that the long term growth rate assumption of 2.6% is marginally higher than the RBA mid-point long term inflation target of 2.5%. However it is considered reasonable when measured against other companies within the market, where a range of 2.5% - 3.0% has been observed. The assumptions were consistent with forecast industry performance metrics adjusted for the current business performance and longer term strategy.
- We stress tested the Model by making adjustments to the long term revenue and market share growth rates used in the model within a reasonably foreseeable range. In this stress testing of the Model where the above adjustments were made, we found that no impairment would be required under these various scenarios.

As a final check, we compared the Group's net assets as at 31 December 2016 of \$126 million to its market capitalisation of \$1.09 billion, indicating there is no impairment.

### Other information

The directors are responsible for the other information. The other information comprises the VHA Key Operational Highlights 2016, Financial Summary, Chairman's message, Board of Directors, Corporate Governance, Shareholder Information, Corporate Directory, Director's Report and Corporate Governance Report included in the Group's annual report for the year ended 31 December 2016 but does not include the financial report and our auditor's report thereon.

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

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

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

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### *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\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

### **Report on the remuneration report**

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#### *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 2016.

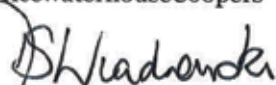
In our opinion, the remuneration report of Hutchison Telecommunications (Australia) Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

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### *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



D S Wiadrowski  
Partner

Sydney  
23 February 2017



# Shareholder Information

The shareholder information set out below was applicable as at 23 February 2017.

## Substantial shareholders

Substantial shareholders in the Company are:

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

Notes:

<sup>#</sup> Substantial shareholding includes relevant interest arising from an equitable mortgage of shares from Leanrose Pty Limited.

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

<sup>\*</sup> 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.

<sup>\*\*</sup> Spark New Zealand Trading Limited is the entity resulting from the amalgamation of Telecom 3G (Australia) Limited, Telecom New Zealand International Limited and Spark New Zealand Trading Limited that occurred on 29 July 2016.

## Distribution of equity securities

Range	Number of Shareholders
1–1000	1,402
1,001–5,000	2,379
5,001–10,000	859
10,001–100,000	1,139
100,001–OVER	262
<b>Total</b>	<b>6,041</b>

There were 4,070 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 23 February 2017 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
JP Morgan Nominees Australia	10,163,199	0.07	4
HSBC Custody Nominees (Australia) Limited	8,941,016	0.07	5
Dimitrios Piliouras & Konstantina Piliouras	8,500,000	0.06	6
George Thomson	7,032,251	0.05	7
Kenneth Kin Kau Heung & Rene Conrad Heung	4,830,000	0.04	8
Citicorp Nominees Pty Limited	4,052,766	0.03	9
Arjee Pty Ltd	4,033,575	0.03	10
Yet Kwong Chiang & Ho Yuk Lin Chiang	2,700,138	0.02	11
George Thomson (Thomson Superfund A/C)	2,494,146	0.02	12
William Charles Wheelahan	2,438,049	0.02	13
Yim Fong Leung	2,255,000	0.02	14
Justin Herbert Gardener & Anne Louise Gardener	1,957,358	0.01	15
Yi Wei Sun	1,900,000	0.01	16
Bin Lui	1,880,000	0.01	17
Ping Ping Lu	1,620,000	0.01	18
Kurt Ruegg & Ursula Ruegg	1,500,000	0.01	19
Rene H Investments Pty Limited	1,470,000	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](mailto:investors@hutchison.com.au)  
[www.hutchison.com.au](http://www.hutchison.com.au)

## Registered Office

Level 1, 177 Pacific Highway  
North Sydney NSW 2060  
Tel: 133 121  
[www.hutchison.com.au](http://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](http://www.linkmarketservices.com.au)

## Auditor

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
GPO Box 2650  
Sydney NSW 1171

## 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: 28 April 2017  
Time: 10.00 am



