

BHARTI AIRTEL (HONG KONG) LIMITED

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BHARTI AIRTEL (HONG KONG) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2016.

Principal activities

The principal activities of the Company consist of international telecommunications operations. There were no significant changes in the nature of the Company's principal activities during the year.

Results

The Company's profit for the year ended 31 March 2016 and its financial position at that date are set out in the financial statements on pages 5 to 29.

Directors

The directors of the Company during the year and up to the date of issue of this report were:

Devendra Khanna

Jantina Catharina Van De Vreede

Kam Yuk Wah Helen

(appointed on 23 October 2015)

There being no provision in the Company's articles of association regarding the retirement of directors by rotation, the remaining directors will continue in office.

Directors' interests

Pursuant to the share option scheme of the Company's holding company, Bharti Airtel Limited, the Company's directors have been granted options to purchase ordinary shares of Bharti Airtel Limited. These options were granted to the Company's directors in respect of their services to the group companies of Bharti Airtel Limited other than the Company.

The following directors have an interest in shares and share options of the Company's holding company as stated below:

Name of director	At the beginning of financial year	At the end of financial year
Holding company		
Bharti Airtel Limited		
Ordinary shares		
Devendra Khanna	47,309	47,309
Options to purchase ordinary shares		
Devendra Khanna	56,085	87,162

Save as disclosed above, at no time during the year was the Company, its holding company or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BHARTI AIRTEL (HONG KONG) LIMITED

REPORT OF THE DIRECTORS

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company, its holding company or any of the Company's fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



Jantina Catharina Van De Vreede
Director

Place: Amsterdam
Date: 17th June 2016



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Central, Hong Kong

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INDEPENDENT AUDITORS' REPORT
To the member of Bharti Airtel (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Bharti Airtel (Hong Kong) Limited set out on pages 5 to 29, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)
To the member of Bharti Airtel (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

A handwritten signature in black ink, consisting of a series of loops and a central cross-like mark.

Certified Public Accountants
Hong Kong

Date: 17 JUN 2016

BHARTI AIRTEL (HONG KONG) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016


	Notes	2016 HK\$	2015 HK\$
Revenue	5	67,382,459	30,887,458
Depreciation and amortisation		(5,884,273)	(2,682,545)
Foreign exchange differences, net		1,341,447	146,825
Other expenses	6	(46,052,466)	(26,842,956)
Finance costs	7	(1,173,777)	(5,307,404)
Profit / (loss) before tax	8	16,413,390	(1,839,624)
Income tax expense	10	(556,204)	(540,870)
Net profit/(loss) for the year		<u>15,857,186</u>	<u>(2,439,594)</u>
Other comprehensive profit/(loss) for the year, net of tax		-	-
Total comprehensive profit/(loss) for the year, net of tax		<u>15,857,186</u>	<u>(2,439,594)</u>

BHARTI AIRTEL (HONG KONG) LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK\$	2015 HK\$
Non-current assets			
Property, plant and equipment	11	9,450,894	5,680,614
Intangible assets	12	16,660,645	15,326,164
Other financial assets	13	846,448	782,448
Total non-current assets		<u>36,957,988</u>	<u>21,808,927</u>
Current assets			
Trade receivables	14	17,164,046	10,789,050
Prepayments		877,915	336,768
Cash and cash equivalents		9,019,650	17,208,386
Total current assets		<u>27,061,609</u>	<u>28,334,184</u>
Current liabilities			
Trade and other payables	15	25,661,040	20,828,560
Deferred revenue		4,529,705	14,232,210
Borrowings	16	52,438,769	65,089,655
Income tax payable		1,979,373	1,979,373
Total current liabilities		<u>84,608,887</u>	<u>87,329,798</u>
Net current liabilities		<u>(57,589,278)</u>	<u>(58,931,592)</u>
Total assets less current liabilities		<u>(20,631,290)</u>	<u>(37,122,665)</u>
Non-current liabilities			
Deferred tax liabilities	17	556,204	-
Deferred revenue		185,807	107,822
Total non-current liabilities		<u>742,011</u>	<u>107,822</u>
Net liabilities		<u>(21,373,301)</u>	<u>(37,230,487)</u>
Equity			
Share capital	18	4,959,480	4,959,480
Accumulated losses		(26,532,781)	(42,189,967)
Net deficiency in assets		<u>(21,373,301)</u>	<u>(37,230,487)</u>



Kam Yuk Wah Helen
Director



Jantjina Catharina Van De Vreede
Director

Handwritten initials

Handwritten initials

BHARTI AIRTEL (HONG KONG) LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Share capital HK\$	Accumulated losses HK\$	Net deficiency in assets HK\$
At 1 April 2014	4,959,480	(39,750,373)	(34,790,893)
Total comprehensive profit (loss) for the year	<u>-</u>	<u>(2,439,594)</u>	<u>(2,439,594)</u>
At 31 March 2015 and 1 April 2015	4,959,480	(42,189,967)	(37,230,487)
Total comprehensive profit (loss) for the year	<u>-</u>	<u>15,857,186</u>	<u>15,857,186</u>
At 31 March 2016	<u>4,959,480</u>	<u>(26,332,781)</u>	<u>(21,373,301)</u>

BHARTI AIRTEL (HONG KONG) LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Notes	2016 HK\$	2015 HK\$
Cash flows from operating activities			
Profit (loss) before tax		16,413,380	(1,898,624)
<i>Adjustments for:</i>			
Finance costs	7	1,173,777	3,307,404
Unrealised foreign exchange gains		(126,562)	(124,117)
Depreciation	11	3,063,304	1,388,985
Amortisation of intangible assets	12	2,020,869	1,293,580
		22,544,878	3,967,208
Change in trade receivables		(6,237,939)	788,691
Change in prepayments		(481,145)	302,283
Change in other financial assets		(54,000)	(663,717)
Change in trade and other payables		(483,750)	4,351,039
Change in other liabilities		3,170,480	908,778
Net cash flows from operating activities		18,518,524	9,652,282
Cash flows from investing activities			
Additions to items of property, plant and equipment		(7,011,259)	(112,941)
Additions to items of intangible assets		(7,922,380)	-
Net cash flows used in investing activities		(14,933,619)	(112,941)
Cash flows from financing activities			
Repayment of loan		(11,660,951)	-
Finance costs paid		(112,790)	(132,704)
Net cash flows used in financing activities		(11,773,641)	(132,704)
Net increase / (decrease) in cash and cash equivalents		(8,188,736)	9,406,637
Cash and cash equivalents at the beginning of year		17,208,386	7,801,749
Cash and cash equivalents at the end of the year		9,019,650	17,208,386

31 March 2016

1. Corporate information

Bharti Airtel (Hong Kong) Limited ("the Company") is a limited liability company domiciled and incorporated in Hong Kong. The registered office of the Company was located at 12/F, No. 3 Lockhart Road, Wanchai, Hong Kong, however with effect from 8 June, 2016 the registered office address of the Company has changed to 4th Floor, Cheung Hing Industrial Building, 12P Smithfield Road, Kennedy town, Hong Kong.

The principle activities of the Company are international telecommunications operations.

The Company is a wholly-owned subsidiary of Bharti Airtel Limited, a company incorporated and listed in India.

2. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars.

They have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK\$").

The preparation of financial statements in accordance with HKFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's knowledge of current events and actions, actual results ultimately may differ from those estimates.

3. Summary of significant accounting policies

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the amendments to the standards mentioned above does not have any impact on the financial position and performance of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1. Standards issued but not yet effective up to the date of issuance of the Company's financial statements

The Company has not early applied the followings new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 March 2016, in these financial statements.

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Standards / Interpretation/Amendments	Effective date - annual periods beginning on or after
HKFRS 9, "Financial Instruments"	1 January 2018
Amendments to HKFRS 10 and HKAS 28 (2011), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	**
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), "Investment Entities: Applying the Consolidation Exception"	1 January 2016
HKFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"	1 January 2016
HKFRS 14, "Regulatory Deferral Accounts"	1 January 2016 *
HKFRS 15, "Revenue from Contracts with Customers"	1 January 2018
Amendments to HKAS 1, "Disclosure Initiative"	1 January 2016
Amendments to HKAS 16 and HKAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation"	1 January 2016
Amendments to HKAS 16 and HKAS 41, "Agriculture: Bearer Plants"	1 January 2016
Amendments to HKAS 27 (2011), "Equity Method in Separate Financial Statements"	1 January 2016
Annual Improvements 2012-2014 Cycle - Amendments to a number of HKFRSs	1 January 2016

* Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Company.

**The original effective date has been deferred / removed and a new effective date of the amendments will be determined at a future date, and early application of the amendments continues to be permitted.

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's results of operations and financial position.

3.2. Functional and foreign currency

Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e., functional currency, to be HK\$. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by the exchange fluctuations of HK\$.

Transactions and balances

Transactions in foreign currencies are measured in HK\$ and are recorded on initial recognition in HK\$ at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss.

3.3. Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for

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its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Telecommunications equipment	10%
Computer equipment	33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Telecommunications projects under construction are stated at cost less any impairment losses and are not depreciated. Cost comprises the costs of equipment and any directly attributable costs of bringing the assets to become ready for use. Telecommunications projects under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.4. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are subsequently amortised over the useful economic lives and are assessed for impairment whenever there is any indication of impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Telecommunications licenses

Bandwidths granted for fixed periods under telecommunications licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives.

3.5. Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

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An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3.6. Financial Instruments

(a) Financial assets

Initial recognition and measurement

Financial assets of the Company are classified, at initial recognition, as loans and receivables. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred assets to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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Impairment of financial assets

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement – loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and other short term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.8. Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.9. Employee benefits

Pension scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3.10. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

3.11. Revenue recognition

Revenue is recognised where it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from telecommunication services are recognised when the relevant services are rendered or over the period of the arrangement, as below:

Point of Presence (POP) Services: The revenue from these services are recognised based on the capacities interconnected at each such POP and varies from time to time.

IP port services: The Revenue from IP port services is recognised on an accrual basis.

Bandwidth services: The revenue from these services (including installation) is recognised over the period of arrangement.

Airtel Talk: This includes revenue from voice calling, video calling and messaging using mobile application. Revenues from prepaid customer are recognised based on actual usage.

3.12. Income tax

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each

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reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.13. Contingencies

Contingent liabilities, if any, are disclosed by way of notes to the statement of financial position. Provision is made in respect of those which are materialised after the year end, till the finalisation of accounts and having material effect on position stated in the statement of financial position.

4. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying Company's accounting policies, management has made the following judgments, apart from those involve estimations, which have the most significant effect on the amounts recognised in the financial statements:

4.1. Going concern

These financial statements have been prepared on the going concern basis, notwithstanding that the Company had net current liabilities and net deficiency in assets at the end of the reporting period, as the Company's holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

4.2. Determination of functional currency

The Company measures its foreign currency transactions using its functional currency. In determining the functional currency of the Company, judgments are required to determine and consider the currency that mainly influences sales prices of services and of the country/jurisdiction whose competitive forces and regulations mainly determine the sales prices of services; the currency that mainly influences labour, materials and other costs of providing services; the currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained. The functional currency of the Company is determined based on management's assessment of the primary economic environment in which the Company operates. When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

31 March 2016

4.3. Impairment reviews

HKFRSs requires management to undertake an annual test for impairment of indefinite lived assets and for finite lived assets, to test for impairment if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The measurement of the value in use is determined based on the ten years financial plan that has been approved by management and is also used for internal purposes.

The impairment calculation requires certain assumptions to be made in respect of highly uncertain matters, including management expectations of growth in earnings before interest, taxes, depreciation and amortisation, timings and quantum of future expenditures, long-term growth rates and the selection of discount rates.

4.4. Income taxes

Significant judgement is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Company's income tax payable and deferred tax liability at the end of reporting period were HK\$1,979,373 (2015: HK\$1,979,373) and HK\$556,204 (2015: Nil), respectively.

5. Revenue

Service revenues are recognised as the services are rendered and are stated net of discounts, waivers and taxes. Revenues from Airtel talk cards are recognised based on actual usage.

Data revenues from the internet and Multiprotocol Label Switching (MPLS) business comprise of revenues from installation and provision of internet and MPLS services.

6. Other expenses

	2016 HK\$	2015 HK\$
Access charges	15,814,565	2,427,902
Network operating costs	24,479,522	18,707,183
Employee costs	2,668,448	1,986,584
General and administrative expenses	2,988,566	3,720,357
License fee	101,563	100,930
	<u>46,052,466</u>	<u>26,942,956</u>

7. Finance costs

	2016 HK\$	2015 HK\$
Interest on a loan from a fellow subsidiary (note 16 and 21(b))	1,060,987	3,174,700
Others	112,790	152,704
	<u>1,173,777</u>	<u>3,307,404</u>

31 March 2016

8. Profit/(loss) before tax

The Company's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2016 HK\$	2015 HK\$
Auditors remuneration		81,509	82,721
Depreciation of tangible assets	11	3,063,304	1,388,983
Amortisation of intangible assets	12	1,020,969	1,293,560
Lease rental under operating leases		7,064,086	5,182,069
Staff costs - wages and salaries including pension cost (including directors remuneration (note 9))		1,668,448	1,986,584
Provision for impairment (reversal of provision for impairment) of trade receivable (net)		(386,517)	1,569,420
Foreign exchange differences, (net)		<u>(1,541,447)</u>	<u>(146,833)</u>

9. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance is as follows:

	2016 HK\$	2015 HK\$
Fees	-	-
Other emoluments:		
Salaries, bonuses, commissions and allowances	776,751	-
Provident fund contributions (defined contribution schemes)	7,936	-
	<u>784,687</u>	<u>-</u>

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BHARTI AIRTEL (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2016

10. Income tax

No provision for Hong Kong profits tax has been made for the current year as the Company has available tax losses brought forward from prior years to offset against the assessable profits generated during the current year, and the prior year, except for certain tax in previous year for which no credit was allowed, as the Company did not generate any assessable profits during these years.

	2016	2015
	HK\$	HK\$
Deferred tax charged for the year (note 17);	556,204	-

A reconciliation of the tax charge / (credit) applicable to profit / (loss) before tax at the Hong Kong statutory rate to the tax charge at the effective tax rate, and a reconciliation of the applicable rate (that is, the Hong Kong statutory tax rate) to the effective tax rate, is as follows:

	2016		2015	
	HK\$	%	HK\$	%
Profit / (loss) before tax	16,413,390		(1,898,624)	
Tax charges / (credit) at the Hong Kong statutory tax rate	2,708,209	16.50	(313,273)	16.50
Expenses not deductible from tax	1,492,999	9.10	523,763	(27.59)
Tax losses utilised	(3,712,276)	(22.62)	-	-
Losses/temporary differences against which no deferred tax asset recognised	-	-	(210,490)	11.09
Tax for which no credit is allowed	-	-	546,970	(28.49)
Others	67,272	0.41	-	-
Total tax charge	<u>556,204</u>	<u>3.39</u>	<u>540,970</u>	<u>(28.49)</u>

31 March 2016

11. Property, plant and equipment

	Telecom- munications equipment HK\$	Computer equipment HK\$	Construction work in progress HK\$	Total HK\$
31 March 2016				
Cost at 1 April 2015, net of accumulated depreciation	5,690,028	286	-	5,690,314
Additions	5,901,541	-	922,343	6,823,884
Depreciation provided during the year	(5,065,020)	(284)	-	(5,065,304)
At 31 March 2016, net of accumulated depreciation	<u>6,526,549</u>	<u>2</u>	<u>922,343</u>	<u>9,450,894</u>
At 31 March 2016:				
Cost	20,360,306	17,000	922,343	21,299,649
Accumulated depreciation	(13,833,757)	(16,998)	-	(13,850,755)
Net carrying amount	<u>6,526,549</u>	<u>2</u>	<u>922,343</u>	<u>9,450,894</u>
31 March 2015				
Cost at 1 April 2014, net of accumulated depreciation	7,050,903	2,591	-	7,053,494
Additions	25,805	-	-	25,805
Depreciation provided during the year	(1,386,680)	(2,395)	-	(1,388,985)
At 31 March 2015, net of accumulated depreciation	<u>5,690,028</u>	<u>286</u>	<u>-</u>	<u>5,690,314</u>
At 31 March 2015:				
Cost	14,458,765	17,000	-	14,475,765
Accumulated depreciation	(8,768,737)	(16,714)	-	(8,785,451)
Net carrying amount	<u>5,690,028</u>	<u>286</u>	<u>-</u>	<u>5,690,314</u>

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BHARTI AIRTEL (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2016

12. Intangible assets

	Bandwidth HK\$
31 March 2016	
Cost at 1 April 2015, net of accumulated amortisation	15,326,164
Additions	33,333,450
Amortisation provided during the year	<u>(2,020,969)</u>
At 31 March 2016	<u>26,680,645</u>
At 31 March 2016:	
Cost	34,984,550
Accumulated amortisation	<u>(8,323,905)</u>
Net carrying amount	<u>26,680,645</u>
31 March 2015	
Cost at 1 April 2014, net of accumulated amortisation	13,446,491
Additions	3,173,233
Amortisation provided during the year	<u>(1,293,569)</u>
At 31 March 2015	<u>15,326,164</u>
At 31 March 2015:	
Cost	21,629,100
Accumulated amortisation	<u>(6,302,936)</u>
Net carrying amount	<u>15,326,164</u>

13. Other financial assets

	2016 HK\$	2015 HK\$
Security deposits	<u>846,449</u>	<u>792,449</u>

None of the financial assets is either past due or impaired. The financial assets relate to receivables for which there was no recent history of default.

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31 March 2016

14. Trade receivables

	2016 HK\$	2015 HK\$
Trade receivable	6,713,003	5,348,158
Less: Impairment	<u>(2,231,056)</u>	<u>(2,627,573)</u>
	4,481,947	2,720,585
Due from related parties (note 21(c))	<u>12,682,099</u>	<u>8,068,445</u>
	<u>17,164,046</u>	<u>10,789,030</u>

The Company's trading terms with its customers are mainly on credit. The credit period is generally 45 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The movements in provision for impairment of trade receivables are as follows:

	2016 HK\$	2015 HK\$
At April 1	2,627,573	1,058,155
Impairment loss (reversed) recognised (net) (note 8)	<u>(396,517)</u>	<u>1,569,420</u>
At March 31	<u>2,231,056</u>	<u>2,627,573</u>

As at 31 March 2016, provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK\$2,231,056 (2015: HK\$2,627,573). The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2016 HK\$	2015 HK\$
Not due	796,689	1,042,694
Less than 1 month past due	2,014,543	761,968
1 to less than 3 months past due	1,670,715	915,923
	<u>4,481,947</u>	<u>2,720,585</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

31 March 2016

15. Trade and other payables

	2016 HK\$	2015 HK\$
Equipment supply payables	8,681,705	3,445,475
Accrued expenses	10,063,076	10,169,931
Trade payables	116,926	748,012
Due to related parties (note 21(c))	2,978,074	4,652,659
Other payables	3,821,259	2,112,483
	<u>25,661,040</u>	<u>20,828,560</u>

16. Borrowings

The amount due to a fellow subsidiary, Bharti Airtel Holding Singapore Limited, amounting to HK\$38,085,752 as at 31 March 2016 (2015: HK\$ 46,559,000) is unsecured and interest-bearing at average Hong Kong Inter-bank Offered Rate for the three month period plus 190 basis points (2015: 7.33% per annum till 23 February 2015, and thereafter at average Hong Kong Inter-bank Offered Rate for the three month period plus 190 basis points). Further, the interest payable on the above balance amounting to HK\$14,404,017 as at 31 March 2016 (2015: HK\$ 16,530,633) is unsecured and interest-free. The amount due to a fellow subsidiary was originally repayable on 2 October 2013 and then repayment date was revised to 30 September 2015 during the previous year. Pursuant to the third amendment in loan agreement, the repayment date has been further revised to 30 September 2016 (note 21(c)).

17. Deferred Tax

The movement in deferred tax liabilities of the Company during the year is as follows:

	Depreciation allowance in excess of related depreciation	Provision for impairment of trade receivables	Losses available for offsetting against future taxable profits	Total
	HK\$	HK\$	HK\$	HK\$
At 31 March 2015 and at 1 April 2015	-	-	-	-
Deferred tax charged / (credited) to profit or loss during the year (note 10)	1,053,352	(368,124)	(129,024)	556,204
At 31 March 2016	<u>1,053,352</u>	<u>(368,124)</u>	<u>(129,024)</u>	<u>556,204</u>

At 31 March 2015, net deferred tax assets in respect of tax losses and other temporary differences not recognised were as follows:

Tax losses	4,034,387
Tax depreciation allowance in excess of book depreciation	(825,437)
Provision of impairment of trade receivable	433,550
Deferred tax assets	<u>3,642,500</u>

BHARTI AIRTEL (HONG KONG) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2016

Net deferred tax assets were not recognised in the prior year in respect of the above items as the directors considered that the availability of future taxable profits of the company against which the deferred tax assets could be utilised was unpredictable.

As the end of reporting period of the Company, the Company had tax losses arising in Hong Kong of HK\$781,967 (2015: HK\$24,450,832), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profit arising in Hong Kong.

18. Share capital

	2016 HK\$	2015 HK\$
Share capital:		
4,959,480 (2015: 4,959,480) ordinary shares	<u>4,959,480</u>	<u>4,959,480</u>

19. Operating lease arrangement

The Company leases premises under operating lease arrangements for housing certain items of telecommunications equipment of the Company. The leases are negotiated for a term of one year.

At 31 March 2016, the Company had total future minimum lease payments under non-cancellable operating leases falling due within one year of HK\$72,000 (2015: HK\$106,664).

20. Commitments

As at 31 March 2016, in addition to the operating lease commitments detailed in note 18 above, the Company had contracted, but not provided for, capital commitments in respect of purchases of telecommunication equipment of HK\$313,910 (2015: HK\$2,979,920).

21. Related party transactions

(a) The Company had transactions and balances with the following related parties during the year:

Name of related party	Relationship
Bharti Airtel Limited	Holding company
Bharti Airtel (UK) Limited	Fellow subsidiary
Bharti Airtel (USA) Limited	Fellow subsidiary
Network Li Limited	Fellow subsidiary
Bharti Airtel Holding (Singapore) Pte. Limited	Fellow subsidiary
Bharti International (Singapore) Pte. Limited	Fellow subsidiary
Bharti Airtel (Japan) Kabushiki Kaisha	Fellow subsidiary
Bharti Airtel (France) SAS	Fellow subsidiary
Singapore Telecommunications Limited	Company having significant control over holding company