

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS UNDER RULE 144A OR (2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to this offering memorandum, and you are advised to read this carefully before reading, accessing or making any other use of this offering memorandum. In accessing this offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATION S OF THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAW OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S of the Securities Act) outside of the United States and to the extent you purchase securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act. This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that you and any customers you are acting on behalf of (a) are QIBs or (b) are non-U.S. persons not located in the United States and (3) you consent to delivery of this offering memorandum by electronic transmission. You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If this is not the case, you must return this offering memorandum to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this offering be made by a licensed banker or dealer and the underwriter or any affiliate of the underwriter is a licensed banker or dealer in that jurisdiction, this offering shall be deemed to be made by the underwriter or such affiliate on behalf of CK Hutchison International (20) Limited in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of CK Hutchison Holdings Limited, CK Hutchison International (20) Limited, nor any person who controls any of them nor any director, officer, official, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum received by you in electronic format and the electronic version initially distributed.

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CK HUTCHISON INTERNATIONAL (20) LIMITED

(incorporated in the Cayman Islands with limited liability)

US\$750,000,000 2.500% Guaranteed Notes due 2030

US\$750,000,000 3.375% Guaranteed Notes due 2050

unconditionally and irrevocably guaranteed by

CK Hutchison Holdings Limited

(incorporated in Cayman Islands with limited liability)

Offer Price for Notes Due 2030: 99.552% plus accrued interest, if any

Offer Price for Notes Due 2050: 99.141% plus accrued interest, if any

CK Hutchison International (20) Limited (the "Issuer") will issue US\$750,000,000 principal amount of 2.500% guaranteed notes due 2030 (the "notes due 2030") and US\$750,000,000 principal amount of 3.375% guaranteed notes due 2050 (the "notes due 2050" and, together with the notes due 2030, the "notes"). The obligations of the Issuer will be unconditionally and irrevocably guaranteed by CK Hutchison Holdings Limited (the "Guarantor" or "CKHH").

The notes will bear interest from May 8, 2020 at the rates set forth above, payable semi-annually in arrears on May 8 and November 8 of each year (commencing November 8, 2020) for the notes due 2030 and the notes due 2050, and at maturity, being May 8, 2030 for the notes due 2030 and May 8, 2050 for the notes due 2050. The notes will not be redeemable by the Issuer prior to maturity, except (i) upon the occurrence of certain changes in the Cayman Islands tax law requiring the payment of Additional Amounts as described herein and (ii) at any time on or after February 8, 2030, notes due 2030 may be redeemed and at any time on or after November 8, 2049, notes due 2050 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole but not in part with respect to such series, at the principal amount thereof plus accrued and unpaid interest. The notes will be unsecured.

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the notes on the SGX-ST. See "General Information". The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries or the notes.

The notes are expected to be rated "A-" by Fitch Ratings Ltd., "A2" by Moody's Investors Service Limited and "A" by S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. See "Ratings".

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 22 of this offering memorandum.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any other jurisdiction. Accordingly, the notes are only being offered to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act and non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions".

It is expected that the notes will be ready for delivery through the facilities of The Depository Trust Company against payment in New York City, New York on or about May 8, 2020.

Joint Bookrunners and Joint Lead Managers

ANZ	BofA Securities	CIBC Capital Markets	Citigroup	Crédit Agricole CIB	HSBC	OCBC Bank
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The date of this offering memorandum is May 5, 2020

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Except as discussed below or in respect of any statements contained in this offering memorandum with respect to the target market assessment for the notes and distribution channels, CK Hutchison International (20) Limited and CK Hutchison Holdings Limited accept responsibility for the information contained in this document which is material in the context of this offering. To the best knowledge and belief of the Issuer and CKHH (each of which has taken reasonable care to ensure that such is the case), the information contained in this document (subject as set out below in respect of information contained herein provided by other sources referred to herein) is in accordance with material facts and does not omit anything likely to materially affect the import of such information.

The distribution of this offering memorandum and the offer and sale of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes must inform themselves about and observe any such restrictions. This offering memorandum does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorized so to act.

The Initial Purchasers (see "Plan of Distribution" for the identity of the Initial Purchasers) and their respective affiliates and advisors have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Initial Purchasers and their respective affiliates and advisors as to the accuracy or completeness of the information contained in this offering memorandum or any other information provided by the Issuer or the Guarantor in connection with the notes or their distribution.

This offering memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or the Initial Purchasers that any recipient of this offering memorandum should purchase any of the notes. Each investor contemplating purchasing notes should make its own independent investigation and appraisal of the business, financial condition and affairs of the Issuer and/or the Guarantor.

Investors of the notes should rely only on the information contained in this offering memorandum. The Issuer and the Guarantor have not, and the Initial Purchasers have not, authorized any other person to provide investors with different information with respect to the issue and offering of the notes. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. The Issuer, the Guarantor and the Initial Purchasers are not making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. Each investor should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum or the date specifically referred to in its contents. The Guarantor's business, financial condition, results of operations and prospects may have changed since that date.

The Issuer and the Guarantor are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the notes, investors will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. Investors should understand that they will be required to bear the financial risks of their investment for an indefinite period of time. Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Issuer has submitted this offering memorandum to a limited number of institutional investors so that they can consider a purchase of the notes. Neither the Issuer nor the Guarantor has authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, each investor agrees to these restrictions. See "Transfer Restrictions".

Having made all reasonable inquiries, the Issuer and the Guarantor confirm that this offering memorandum contains all information with respect to the Issuer and the Guarantor and the notes which is material in the context of the issue and the offering of the notes, and that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that the Issuer and the Guarantor are not aware of any facts the omission of which would make any such information or the expression of any such opinions and intentions materially misleading.

This offering memorandum is based on information provided by the Issuer and the Guarantor and by other sources referred to herein that they believe are reliable. The Issuer and the Guarantor accept responsibility for accurately reproducing such information provided by such other sources. The Issuer and the Guarantor accept no further or other responsibility in respect of such information. No assurance can be given that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and investors should refer to them for a more complete understanding of what is discussed in this offering memorandum. In making an investment decision, each investor must rely on its own examination of the Issuer and the Guarantor and the terms of the offering and the notes, including the merits and risks involved.

Neither the Initial Purchasers, the Issuer nor the Guarantor is making any representation to any investor in the notes regarding the legality of an investment in the notes by such investor under any legal investment or similar laws, rules or regulations. Investors should not consider any information in this offering memorandum to be legal, business or tax advice. Each investor should consult its own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Investors should contact the Initial Purchasers with any questions about this offering or if they require additional information to verify the information contained in this offering memorandum.

Neither the U.S. Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B of the SFA: The notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE INITIAL PURCHASERS (THE “STABILIZING MANAGER”) OR ANY PERSON ACTING ON ITS BEHALF MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE TIME OF DELIVERY. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER OR ANY AGENT OF THE STABILIZING MANAGER TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

CURRENCY OF PRESENTATION AND CERTAIN DEFINITIONS

“CKHH” means CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and its subsidiaries, unless the context otherwise requires, and references in CKHH’s audited consolidated financial statements to the “Group” are to CKHH and all of its direct and indirect subsidiaries and also includes CKHH’s interest in associated companies (or “associates”) and joint ventures on the basis set forth in notes 40(a), 40(b) and 40(c), respectively, to the consolidated financial statements of CKHH for the year ended December 31, 2019 included elsewhere in this offering memorandum. For purposes of this offering memorandum only, “PRC” means the People’s Republic of China, “Mainland” means the People’s Republic of China excluding Hong Kong, Macau and Taiwan and “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

CKHH publishes its financial statements in Hong Kong dollars (“HK\$”). For the convenience of the reader, this offering memorandum presents translations into U.S. dollars (“US\$”) of certain Hong Kong dollar amounts at the rate of HK\$7.80 = US\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be, converted into U.S. dollars at the rate indicated or at any other rate. On April 24, 2020, the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”), was HK\$7.7506 = US\$1.00. This offering memorandum also includes Pound Sterling (“£”), Euro (“€”), Australian dollar (“A\$”), Canadian dollar (“C\$”), Renminbi (“RMB”), and certain other currency amounts. The Hong Kong dollar equivalent amounts presented are translated at the approximate exchange rate at the time of the transactions to which they apply.

As used in this offering memorandum, EBIT represents the EBIT of CKHH as well as CKHH’s share of the EBIT of associates and joint ventures except for Hutchison Port Holdings Trust (“HPH Trust”) which are included based on CKHH’s effective share of EBIT for this operation and CKHH’s direct interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park’N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divestiture and on a net of divestiture basis after the divestiture during the respective financial period. EBIT is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT has been included in CKHH’s financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. CKHH considers EBIT to be an important performance measure which is used in CKHH’s internal financial and management reporting to monitor business performance. EBIT is not a measure of financial performance under Hong Kong Financial Reporting Standards (“HKFRS”) nor generally accepted accounting principles in the U.S. (“U.S. GAAP”) and the EBIT measures used by CKHH may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS or U.S. GAAP.

EBITDA represents the EBITDA of CKHH as well as CKHH’s share of the EBITDA of associates and joint ventures except for HPH Trust which are included based on CKHH’s effective share of EBITDA for this operation and CKHH’s direct interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park’N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divestiture and on a net of divestiture basis after the divestiture during the respective financial period. EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortization, and includes profits on disposal of investments and other earnings. Information concerning EBITDA has been included in CKHH’s financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. CKHH considers EBITDA to be an important performance measure which is used in CKHH’s internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA measures used by CKHH may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results of operations as determined in accordance with HKFRS or U.S. GAAP.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated in the Cayman Islands and the Guarantor is incorporated in the Cayman Islands. All or a substantial portion of the assets of the Issuer and the Guarantor are located outside the United States. In addition, most of the directors and executive officers of the Issuer and the Guarantor are not, and certain of the experts named herein are not, residents of the United States, and all or a substantial portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantor, or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. The Issuer has been advised by its Cayman Islands counsel, Maples and Calder (Hong Kong) LLP, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in Hong Kong, England or New York, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize and enforce a judgment of a foreign court of competent jurisdiction without retrial on the merits if such judgment is final and conclusive, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matter and was not obtained in such a manner, and is not of a kind the enforcement of which is, contrary to the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). There is doubt, however, as to whether the courts of the Cayman Islands will (i) recognize or enforce judgments of United States courts predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (ii) in original actions brought in the Cayman Islands, impose liabilities based upon the civil liability provisions of the securities laws of the United States or any state thereof, on the grounds that such provisions are penal in nature. In addition, a Cayman Islands' court may stay proceedings if concurrent proceedings are being brought elsewhere.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this offering memorandum.

The Issuer

The Issuer, a wholly-owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on April 8, 2020. Its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-354246.

The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly-owned subsidiary of the Guarantor as long as the notes are outstanding and will advance the net proceeds of the notes to CKHH and/or one or more of its subsidiaries. The Issuer has no material assets.

CK Hutchison Holdings Limited

CK Hutchison Holdings Limited, an exempted company incorporated in Cayman Islands on December 11, 2014 with limited liability under no. MC-294571 and registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is the holding company of the CKHH group of companies. CKHH was incorporated as part of the reorganization and combination of Cheung Kong, Hutchison and their respective subsidiaries, associated companies and joint ventures to create CKHH, which, immediately after such reorganization and combination, then held the non-property related businesses of both groups, and CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), which, immediately after such reorganization and combination, then held the property and hotels businesses (the "Property Businesses") of both groups (the "Reorganization"). The Reorganization was completed on June 3, 2015. For further details, see "Management's Discussion and Analysis of Results of Operations and Financial Condition of CKHH – The Reorganization".

CKHH is a Hong Kong-based multinational conglomerate whose shares are listed on the SEHK. CKHH operates five core business divisions in over 50 countries: ports and related services; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations. Significant developments in CKHH's business since December 31, 2019 are summarized below under "Recent Developments".

Ports and Related Services

The ports and related services division comprises the 80%-owned subsidiaries, Hutchison Port Holdings and Hutchison Ports Investments S.à r.l. (collectively "Hutchison Ports"), and HPH Trust, the 30.07% owned associate listed on the Main Board of the SGX-ST. CKHH currently has interests in 52 ports comprising 290 operational berths⁽¹⁾ in 27 countries in Asia, the Middle East, Africa, Europe, the Americas and Australasia. In 2018 and 2019, CKHH's ports and related services division handled combined container throughput of 84.6 million TEU and 86.0 million TEU respectively.

CKHH has interests in various locations including:

- the Mainland, where Hutchison Ports holds interests in Shanghai Mingdong Container Terminals ("SMCT"), Shanghai Pudong International Container Terminals ("SPICT"), Shanghai Container Terminals ("SCT") (which ceased its container handling business in January 2011), Ningbo Beilun International Container Terminals ("NBCT"), as well as ports in Southern China, and CKHH, through its associate, HPH Trust holds interests in Phase I, II, III and West Port at Yantian International Container Terminals ("YICT") and Huizhou International Container Terminals ("HICT");

⁽¹⁾ Based on 300 meters per berth and is computed by dividing the total berth length by 300 meters, which may be different to the number of physical container berths for vessel mooring. Unless otherwise stated, the number of berths stated elsewhere in this offering memorandum represent the number of physical berths.

- Hong Kong, the eighth busiest container port in the world in 2019 in terms of container throughput, where CKHH, through its associate, HPH Trust, holds interests in: Hongkong International Terminals (“HIT”); Asia Container Terminals (“ACT HK”), a strategic partnership between HPH Trust and COSCO SHIPPING Ports Limited; as well as COSCO-HIT Terminals (“CHT”), a 50/50 joint venture between HIT and COSCO SHIPPING Ports Limited;
- the Netherlands, where Hutchison Ports holds interests in Europe Container Terminals (“ECT”) in Rotterdam, Amsterdam Container Terminals (“ACT”) and TMA Logistics (“TMA”) in Amsterdam;
- the UK, where Hutchison Ports holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe (“PFL”), London Thamesport (“LTP”) and Harwich International Port (“HWH”);
- Continental Europe, where Hutchison Ports holds interests in Barcelona Europe South Terminal (“BEST”) in Spain, Gdynia Container Terminal (“GCT”) in Poland, as well as the right to operate Container Terminal Frihamnen (“CTF”) in Sweden;
- Malaysia, where Hutchison Ports holds interests in Westports Malaysia (“KMT”) at Port Klang;
- Indonesia, where Hutchison Ports holds interests in Jakarta International Container Terminal (“JICT”) in Tanjung Priok and Terminal Petikemas Koja (“KOJA”) at the Port of Tanjung Priok next to JICT;
- South Korea, where Hutchison Ports operates one deep-water container terminal in Busan through Hutchison Korea Terminals (“HKT”) and one terminal in Gwangyang through Korea International Terminals (“KIT”);
- Thailand, where Hutchison Ports holds interests in Thai Laemchabang Terminal (“TLT”) and Hutchison Laemchabang Terminal (“HLT”) at Laem Chabang;
- Pakistan, where Hutchison Ports holds interests in Karachi International Container Terminal (“KICT”) at the Port of Karachi and South Asia Pakistan Terminals (“SAPT”) at the estuary of the Keamari Groyne basin;
- Vietnam, where Hutchison Ports holds interests in Saigon International Terminals Vietnam (“SITV”) in Ba Ria Vung Tau Province, in southern Vietnam;
- Myanmar, where Hutchison Ports holds interests in Myanmar International Terminals Thilawa (“MITT”) at Thilawa;
- Australia, where Hutchison Ports holds interests in Brisbane Container Terminals (“BCT”) at the Port of Brisbane and Sydney International Container Terminals (“SICTL”) at Port Botany;
- Saudi Arabia, where Hutchison Ports holds interests in International Ports Services (“IPS”) at Dammam;
- Egypt, where Hutchison Ports holds interests in Alexandria International Container Terminals (“AICT”), which operates terminals at Alexandria and El Dekheila Ports;
- The United Arab Emirates (“UAE”), where Hutchison Ports holds interests in Hutchison Ajman International Terminals (“HAJT”) in Ajman, Hutchison Ports RAK (“RAK”) in Ras Al Khaimah and Hutchison Ports UAQ (“UAQ”) in Umm Al Quwain;
- Oman, where Hutchison Ports holds interests in Oman International Container Terminal (“OICT”) at the Port of Sohar;
- Iraq, where Hutchison Ports holds interest in NAWAH for Ports Management LLC, a container terminal at the Port of Basra (“Basra”);
- Mexico, where Hutchison Ports holds interests in Internacional de Contenedores Asociados de Veracruz (“ICAVE”), which is located at the Port of Veracruz on the east coast, as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast;

- Argentina, where Hutchison Ports holds interests in Buenos Aires Container Terminal Services (“BACTSSA”) at the Port of Buenos Aires;
- the Bahamas, where Hutchison Ports holds interests in Freeport Container Port (“FCP”) on Grand Bahama Island;
- Panama, where Hutchison Ports holds interests in Panama Ports Company (“PPC”), which manages and operates the ports of Cristobal and Balboa, located on the Atlantic and Pacific side respectively of the Panama Canal;
- Canada, where Hutchison Ports will develop and operate a new container terminal in Québec City; and
- Tanzania, where Hutchison Ports holds interests in Tanzania International Container Terminal Services (“TICT”) at Dar es Salaam.

The division also has interests in other logistics and transportation-related businesses. These include cruise ship terminals, airport operations, distribution centers, rail services and ship repair facilities.

Retail

CKHH currently holds a 75.05% interest in A.S. Watson, the world’s largest international health and beauty retailer with a 138 million loyalty member base, and an operator of major chains of supermarkets and consumer electronics and electrical appliances stores. As of December 31, 2019, A.S. Watson had 15,794 stores in 25 markets mainly in Europe, Hong Kong, the Mainland and other markets in Asia. A.S. Watson also manufactures and distributes water and beverage products in Hong Kong and the Mainland.

Infrastructure

CKI

CKHH currently holds a 75.67%⁽²⁾ interest in CKI, the largest publicly listed infrastructure company in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada. As of December 31, 2019, CKI’s major interests include:

- a 35.96% interest in Power Assets, a listed company in Hong Kong that holds a 33.37% interest in HK Electric Investments and HK Electric Investments Limited (collectively “HKEI”). HKEI’s wholly-owned subsidiary, Hongkong Electric, generates, transmits and is the sole distributor of electricity to Hong Kong Island and Lamma Island. CKI’s interest in Power Assets reduced from 38.01% to 35.96% following the disposal of its 2.05% interest in Power Assets in January 2019;
- together with Power Assets, an 80% interest (CKI: 40%; Power Assets: 40%) in UK Power Networks Holdings Limited (“UK Power Networks”), which owns, operates and manages three regulated electricity distribution networks in the UK that cover London, the South East of England and the East of England. UK Power Networks is also engaged in certain non-regulated electricity distribution businesses in the UK, including the distribution of electricity to a number of privately owned sites;
- together with Power Assets, a 60% interest (CKI: 52%; Power Assets: 8%) in Northumbrian Water Group (“Northumbrian Water”), one of the ten regulated water and sewerage companies in England and Wales, which operates in the water supply, sewerage and waste water industries in England and Wales. Northumbrian Water provides water and sewerage services in the North East of England and water services in the South East of England. In addition, Northumbrian Water’s operations include a business comprising the Kielder Reservoir, the largest man-made reservoir in Northern Europe, as well as a portfolio of water and waste water contracts;
- together with Power Assets, an 88.35% interest (CKI: 47.06%; Power Assets: 41.29%) in Northern Gas Networks Holdings Limited (“Northern Gas”), which distributes gas to homes and businesses across the North of England, an area covering the North East, Northern Cumbria and much of Yorkshire;

⁽²⁾ Based on CKHH’s profit sharing ratio in CKI.

- together with Power Assets, a 75% interest (CKI: 39%; Power Assets: 36%) in each of West Gas Networks Limited (“West Gas Networks”) and Western Gas Networks Limited (“Western Gas Networks”), which together owns a 100% interest in Wales & West Utilities Limited (“Wales & West Utilities”). Wales & West Utilities is principally engaged in the management of gas transportation assets, gas distribution and meter work services throughout Wales and the South West of England;
- together with Power Assets, a 75% interest (CKI: 65%; Power Assets: 10%) in UK Rails S.à.r.l. (“UK Rails”), one of the three traditional major rolling stock leasing companies in the UK. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, to passenger and freight train operating companies;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Electricity First Limited, which owns a 50% interest in Seabank Power Limited (“Seabank Power”). Seabank Power owns and operates Seabank Power Station, which is located near Bristol, England;
- a 4.75% interest in Southern Water Group (“Southern Water”), a regulated business which supplies fresh, quality drinking water, as well as treating and recycling waste water in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight;
- together with Power Assets, a 72.5% interest (CKI: 45.5%; Power Assets: 27%) in Dutch Enviro Energy Holdings B.V. (“Dutch Enviro Energy”) which in turn owns AVR-Afvalverwerking B.V. (“AVR”). AVR is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Portugal Renewable Energy — PTRW, Unipessoal Lda (“Portugal Renewable Energy”), which in turn owns a 100% interest in Iberwind — Desenvolvimento e Projectos, S.A. (“Iberwind”). Iberwind is principally engaged in the business of electricity generation from wind power in Portugal;
- a 35% interest in ista, a fully integrated energy management services provider that runs submetering businesses across 23 countries, measuring energy and water consumption and the cost allocation for properties. It also sells a range of meter hardware and provides a range of related services such as maintenance, meter reading, data processing and billing;
- together with Power Assets, a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in each of (i) SA Power Networks, the primary electricity distributor in the State of South Australia; (ii) Powercor Australia Limited (“Powercor”), one of the largest electricity distributors in the State of Victoria; and (iii) the CitiPower Trust (“CitiPower”), another major electricity distributor in the State of Victoria;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Australian Energy Operations Pty Ltd which holds Transmission Operations (Australia) Pty Ltd (“TOA”) and Transmission Operations (Australia) 2 Pty Ltd (“TOA2”). Both TOA and TOA2 own and operate electricity transmission assets that connect wind turbines to the Victorian power grid. TOA’s Elaine Terminal Station, situated in the vicinity of Ballarat in Victoria, connects the Mt Mercer Wind Farm. TOA completed the connection of the new Moorabool and Elaine wind farms to the Elaine Terminal Station in June 2019 with the terminal station becoming the largest (non-hydro) renewable hub in the southern hemisphere connecting above 600 MW of renewable generation. TOA2 connects the 242 MW Ararat Wind Farm to the transmission grid through its Ararat Terminal Station, located in western Victoria towards Ararat. Approximately 70 km of TOA and TOA2 132kV transmission lines connect these wind farms to the transmission grid;
- together with Power Assets, a 72.48% interest (CKI: 44.97%; Power Assets: 27.51%) in Australian Gas Networks Holdings Pty Ltd (“AGN”), one of the largest natural gas distribution companies in Australia that owns natural gas distribution networks and transmission pipelines in South Australia, Victoria, Queensland, New South Wales and the Northern Territory;

- together with Power Assets, a 60% interest (CKI: 40%; Power Assets: 20%) in CK William Group (formerly known as DUET Group), international owner and operator of energy utility assets, providing low emissions and remote energy generation solutions, gas transmission through the Dampier Bunbury Pipeline in Western Australia and distribution of gas and electricity in Victoria;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Wellington Electricity Distribution Network Limited (“Wellington Electricity”), which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand;
- a 100% interest in Enviro (NZ) Limited (“EnviroNZ”), a diversified, vertically integrated waste management business that has national coverage across New Zealand. It is one of only two vertically integrated waste collection and disposal companies operating throughout New Zealand, offering waste-related services to more than half a million commercial and household customers via collection services, recycling, landfills and transfer stations across the country;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Canadian Power Holdings Inc. (“Canadian Power”), which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant in Saskatchewan, Canada. TransAlta Cogeneration, L.P. owns interests in four natural gas-fired cogeneration plants in Alberta, Canada and Ontario, Canada and a coal-fired generation plant in Alberta, Canada;
- together with Power Assets, a 75% interest (CKI: 65%; Power Assets: 10%) in Park’N Fly (“Park’N Fly”), the largest off-airport car park provider in Canada, and the only national operator. The company provides parking facilities at most major airports in Canada, including Toronto, Vancouver, Montreal, Edmonton, Ottawa and Winnipeg;
- together with Power Assets, a 65% interest (CKI: 16.25%; Power Assets: 48.75%) in Husky Midstream Limited Partnership (“HMLP”), which holds a portfolio of oil pipeline assets in Canada including approximately 2,200 kilometers of oil pipeline across the provinces of Alberta and Saskatchewan and oil storage capacity of 4.4 million barrels at the Hardisty and Lloydminster terminals. The remaining 35% interest in HMLP is held by Husky Energy, an associated company in which CKHH owns a 40.19% interest;
- a 25% interest in Reliance, which operates in the building equipment services sector providing water heaters, heating, ventilation and air conditioning (“HVAC”) equipment, comfort protection plans and other services to homeowners in Canada and the United States;
- interests in joint ventures that own and operate approximately 247.8 kilometers of toll roads and bridges in the Mainland;
- various interests in an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland; and
- CKI and Power Assets acquired 30% and 20% economic benefits respectively in CKHH’s direct interests in the six co-owned infrastructure investments — Northumbrian Water, UK Rails, West Gas Networks and Western Gas Networks, AGN, Park’N Fly and Dutch Enviro Energy for a consideration of approximately HK\$7,200 million and HK\$4,800 million respectively under the Economic Benefits Agreements entered between CKHH, CK Asset Holdings Limited (“CKAH”), CKI and Power Assets during 2018. By the end of 2019, CKI and Power Assets completed the supplemental agreements with CKHH for the effective transfer of the proportionate voting rights of the co-owned investments in Europe and Canada from CKHH to the respective parties. As such, CKI’s and Power Assets’ respective interests in these co-owned infrastructure investments as at December 31, 2019 as stated above include their respective additional interest arising from the supplemental agreements.

Co-owned infrastructure investments

Post-Reorganization, CKHH's infrastructure division held direct interests in six co-owned infrastructure investments ("Co-owned Infrastructure Investments") with CKI, comprising 40% interest in Northumbrian Water, 30% interest in each of West Gas Networks and Western Gas Networks, 50% interest in UK Rails, 35% interest in Dutch Enviro Energy, 27.51% interest in AGN and 50% interest in Park'N Fly.

In October 2018, CKHH completed the divestiture of an aggregated 90% economic benefits in its direct interest in the Co-owned Infrastructure Investments for a cash consideration of HK\$21.6 billion under the Economic Benefits Agreements entered with CKAH, CKI and Power Assets, which resulted in a reduction of CKHH's economic interest in its direct interest in these projects to 10% of the shareholding interests as stated above. By the end of 2019, CKHH completed the supplemental agreements with CKAH, CKI and Power Assets for the effective transfer of the proportionate voting rights of the co-owned investments in Europe and Canada from CKHH to the respective parties. Accordingly, Northumbrian Water, UK Rails and Park'N Fly ceased to be consolidated by CKHH as subsidiaries with no gain or loss recognized on deconsolidation.

Husky Energy

Husky Energy, a 40.19% associated company, is an international integrated energy company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy's business is conducted predominantly through two major business segments: Upstream and Downstream.

- Upstream operations in the Integrated Corridor and Offshore include exploration for, and development and production of, crude oil, bitumen, natural gas and NGL ("Exploration and Production") and the marketing of Husky Energy's and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke. Additionally, Upstream operations include pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas ("Infrastructure and Marketing"). Infrastructure and Marketing markets and distributes products to customers on behalf of Exploration and Production and is grouped in the Upstream business segment based on the nature of its interconnected operations. Husky Energy's Upstream operations are located primarily in Western Canada, Atlantic and Asia Pacific.
- Downstream operations in the Integrated Corridor in Canada includes upgrading of heavy crude oil feedstock into synthetic crude oil ("Upgrading"), refining crude oil, producing ethanol and marketing of heavy and synthetic crude oil, refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products ("Canadian Refined Products"). It also includes refining of crude oil in the U.S. to produce and market diesel fuels, gasoline, jet fuel and asphalt ("U.S. Refining and Marketing"). Upgrading, Canadian Refined Products and U.S. Refining and Marketing all process and refine natural resources into marketable products and are grouped together as the Downstream business segment due to the similar nature of their products and services.

Telecommunications

CKHH is a leading worldwide operator of mobile telecommunications networks with CK Hutchison Group Telecom ("CKH Group Telecom" or "CKHGT") consolidating unlisted mobile telecommunications businesses in Europe ("3 Group Europe") and an approximate 66.09% interest in HTHKH which is listed on the main board of SEHK; Hutchison Asia Telecommunications ("HAT") which consists of telecommunications operations in Indonesia, Vietnam and Sri Lanka; and an approximate 87.87% interest in Hutchison Telecommunications (Australia) Limited ("HTAL").

- **3 Group Europe** comprises mobile telecommunications businesses in the UK, Sweden, Denmark, Austria and Ireland, offering mobile telecommunications services under the brand name "Three" or "3", and in Italy where Wind Tre S.p.A. ("Wind Tre"), in which CKHH previously indirectly held a 50% interest until it became a wholly-owned operation of CKHH following the completion of the acquisition by CKHH from Veon the remaining 50% interest in Wind Tre in September 2018, offers mobile telecommunications services under the "Three" or "3" and "Wind" brand names, and fixed-line services under the "Infostrada" brand name. As of December 31, 2019, CKHH's 3 Group Europe operations had approximately 48.7 million registered customers.
 - In the UK, Hutchison 3G UK Limited ("3 UK") serviced a registered customer base of approximately 13.7 million as of December 31, 2019.
 - In Italy, Wind Tre serviced a registered customer base of approximately 23.8 million as well as 2.7 million fixed line customers as of December 31, 2019.

- In Sweden, Hi3G Access AB (“Hi3G Access”), in which CKHH holds a 60% interest, serviced a registered customer base of approximately 2.1 million as of December 31, 2019.
- In Denmark, Hi3G Denmark ApS (“Hi3G Denmark”), in which CKHH holds a 60% interest and a wholly-owned subsidiary of Hi3G Access, serviced a registered customer base of approximately 1.5 million as of December 31, 2019.
- In Austria, Hutchison Drei Austria GmbH (“3 Austria”) serviced a registered customer base of approximately 3.7 million as of December 31, 2019.
- In Ireland, Three Ireland (Hutchison) Limited (formerly known as Hutchison 3G Ireland Limited) (“3 Ireland”) serviced a registered customer base of approximately 3.9 million as of December 31, 2019.
- HTHKH, which was listed on the SEHK in May 2009, is a mobile telecommunications operator that provides services in Hong Kong and Macau under the 3 Brand. HTHKH has a combined active mobile customer base of approximately 3.7 million in Hong Kong and Macau as of December 31, 2019.
- HAT holds interests in mobile operations in Indonesia, Vietnam and Sri Lanka. HAT has an active mobile customer base of approximately 45.5 million as of December 31, 2019.
- HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange (“ASX”), has a 50% interest in Vodafone Hutchison Australia Pty Limited (“VHA”), which serviced an active customer base of approximately 5.7 million (including mobile virtual network operators (“MVNOs”)) in Australia as of December 31, 2019. CKHH’s share of VHA’s results is included under the “Finance & Investments and Others” division.

Finance & Investments and Others

CKHH receives income from its finance & investments and others division, which is responsible for the management of CKHH’s cash deposits, liquid assets held in managed funds and other investments. CKHH operates a central cash management system for all of its subsidiaries, except for listed subsidiaries and certain overseas entities conducting businesses in non-Hong Kong or non-U.S. dollar currencies. Income from this division includes interest income, dividends from equity investments, profits and losses from sale of securities, and foreign exchange gains and losses of non-Hong Kong dollar denominated liquid assets. The interest expense and finance costs related to CKHH’s various operating businesses are not attributed to this division but are borne by the operating businesses.

CKHH’s share of the results of Hutchison Whampoa (China) Limited (“HWCL”), Hutchison E-Commerce operations, Hutchison Water (deconsolidated in December 2017), listed associate TOM Group, the Marionnaud Group, AlipayHK, listed associate CKLS and listed subsidiary HTAL, which has a 50% interest in VHA are reported under this division.

- HWCL operates various manufacturing operations, service and distribution joint ventures in the Mainland, Hong Kong and the UK, and also owns 48.15% of Hutchison China MediTech Ltd (“Chi-Med”), which is dual-listed on the AIM Market of the London Stock Exchange in the UK and the Nasdaq Global Select Market (“Nasdaq”) in the U.S. Chi-Med is an innovative biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, as well as manufactures and sells pharmaceuticals and healthcare products. During 2019, CKHH partially disposed of its interest in Chi-Med, reducing CKHH’s shareholding from 60.15% to 49.86%. Chi-Med raised additional equity through an offering of ADS in early 2020. Correspondingly, CKHH’s shareholding was further diluted to 48.15%;
- CKHH has an approximate 45.32% interest in CKLS, a company listed on the SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialization, marketing, sale of, and investment in nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products;
- CKHH has an approximate 36.1% interest in the TOM Group, a technology and media company listed on the SEHK. TOM Group has technology operations in e-commerce, social network and mobile internet, and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments;

- CKHH has a 100% interest in the Marionnaud Group, a luxury perfumery and cosmetic retail chain in Europe; and
- CKHH has a 50% interest in AlipayHK, a consumer-oriented digital app, which integrates online and offline payments in Hong Kong.

Recent Developments

COVID-19 impact

- The main impact of COVID-19 outbreak to CKHH in 2020 is expected to be on CKHH's retail operations in the Mainland and Europe. In the Mainland, over 3,900 retail stores are already re-opened with only less than 1% of the total number of CKHH's retail stores remaining closed, but footfall, particularly in malls, has reduced. The operation in China has been able to compensate for part of the sales shortfall with online sales capabilities and promotions. In Europe, COVID-19 has started to disrupt CKHH's operations, mainly in the luxury categories. In the past few weeks, CKHH's major operations have remained relatively stable in the Netherlands, Poland and Germany as CKHH is in the "mass essential" business. In the UK, under the strict lockdown arrangements now in force, sales are decreasing as footfall in the market has been reducing significantly.
- Telecommunications businesses in Europe are currently experiencing reduced churn and higher voice and data usage, which are partly offset by a reduction in roaming contribution. Operations are focused on maintaining network quality and services for customers and at the same time keeping employees safe. Certain countries' retail outlets are reopening after closures in March and April, in which sales are mostly diverted to online and mobile apps during those closures. Spectrum auctions scheduled for second quarter of 2020 in UK and Austria have been deferred due to COVID-19.
- CKHH's infrastructure business has experienced minimal impact apart from the carpark operation in Canada.
- CKHH's ports business is expected to experience some slowness in throughput due to factory closure in the Mainland, which has gradually been resumed production during March 2020, and due to reduced demand particularly in Europe and the US leading to a reduction of container ship sailings.

See "Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations."

Husky Energy

- In March 2020, Husky announced a reduction of its 2020 spending by C\$1 billion (including capital expenditure by C\$900 million and cost-saving measures of C\$100 million). In April 2020, Husky Energy announced additional C\$700 million in capital reduction and shutting in negative cash margin production. The total reduction in capital spending of C\$1.7 billion represented approximately a 50% cut from Husky Energy's December 2019 guidance. These measures reflect Husky Energy's commitment to capital discipline, which includes preserving its balance sheet and core business in the extended low commodity price environment given market conditions caused by COVID-19.
- In March 2020, Husky Energy announced that it will begin a systematic and orderly suspension of major construction activities related to the West White Rose Project to prevent transmission of the COVID-19 virus.
- On April 29, 2020, Husky Energy released its unaudited results for the quarter ended March 31, 2020:
 - o Funds from operations, which excludes changes in non-cash working capital, was C\$25 million for the quarter ended March 31, 2020, compared to C\$959 million for the same quarter in 2019. The decrease reflected the steep drop in crude oil and refined product prices and the impact of unfavorable inventory valuation adjustments, including a FIFO loss of C\$397 million (after-tax).
 - o Cash flow from operating activities, including changes in non-cash working capital, was C\$355 million for the quarter ended March 31, 2020, compared to C\$545 million for the same quarter in 2019. The decrease primarily attributed to the significant decline in the global commodity prices in the first quarter of 2020.

- o Net earnings were a loss of C\$1.7 billion for the quarter ended March 31, 2020, compared to net earnings of C\$328 million for the same quarter in 2019, primarily due to the recognition of non-cash asset impairments of C\$1.1 billion (after-tax) related to Husky Energy's upstream assets in North America and were largely due to lower crude oil price assumptions, as well as an inventory realizable value write-down of C\$274 million (after-tax) primarily in the US Refining, Lloydminster Heavy Oil Value Chain, Oil Sands and Atlantic region.
- o For the first quarter of 2020, overall production from Integrated Corridor and Offshore averaged 298,900 barrels of oil equivalent per day ("boe/day"), compared to 285,200 boe/day for the same quarter in 2019. Since the end of first quarter of 2020, more than 80,000 barrels per day ("bbls/day") of Integrated Corridor production has been shut in.
- o For the first quarter of 2020, downstream throughput in the Integrated Corridor averaged 307,800 bbls/day, compared to 333,600 bbls/day for the same quarter in 2019. US refining throughput has been reduced by 100,000 bbls/day to match local product demand.
- o Capital expenditure was C\$612 million for the quarter ended March 31, 2020, including C\$43 million in Superior Refinery rebuild capital, primarily directed towards construction of two 10,000 bbls/day Spruce Lake thermal bitumen projects in Saskatchewan, the Liuhua 29-1 field offshore China and the West White Rose Project in the Atlantic region.
- On April 29, 2020, Husky Energy announced its board of directors has approved a reduction to the quarterly dividend to C\$0.0125 per common share for the three-month period ended 31 March 2020. The dividend will be payable on July 2, 2020 to shareholders of record at the close of business on June 9, 2020.
- On April 29, 2020, CKHH announced that CKHH's share of Husky Energy's 2020 first quarter net earnings loss included in CKHH's 2020 results is approximately HK\$3.8 billion (US\$0.5 billion). The impact on profit attributable to shareholders of CKHH arising from Husky Energy's first quarter net earnings loss as well as further Husky Energy losses for the remainder of the year which could arise if crude oil prices and refinery margins remain at the current low levels is expected to be more than fully offset by the VHA Merger gains (as mentioned below under the "Finance & Investments and Others" section).

See "Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations" and "Risk Factors — Energy."

Telecommunication

- On May 4, 2020, CKHH announced a quarterly trading update presentation, which contains certain unaudited financial information in relation to the performance of CK Hutchison Group Telecom Holdings Limited and its subsidiaries for the quarter ended March 31, 2020.
 - o Active customer base was 42.9 million at March 31, 2020, a 5% decrease from March 31, 2019;
 - o Revenue was €2.5 billion for the first quarter of 2020, 4% below the same quarter in 2019;
 - o Total margin was €1.8 billion for the first quarter of 2020, increased by 1% when compared to the same quarter in 2019;
 - o Monthly average churn percentage of contract customers was 1.2% for the first quarter of 2020, a 0.1%-point improvement from the same quarter in 2019;
 - o Capex was €0.3 billion for the quarter ended March 31, 2020, a 21% increase from the same quarter in 2019;
 - o Net debt was €7.3 billion as at March 31, 2020, a 12% improvement from March 31, 2019.

Finance & Investments and Others

- In January 2020, CKHH repaid two HK\$500 million fixed rate notes on maturity;
- In February 2020, CKHH obtained a three year floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million); and
- In February 2020, the Australian Federal Court has ruled to approve the merger between VHA and TPG Telecom Limited (“TPG”) and rejected the opposition from the Australian Competition and Consumer Commission (“ACCC”). The ACCC announced in March 2020 that it would not appeal the court’s decision and the merger is now expected to complete in mid-2020, subject to the remaining regulatory approval.
- On April 29, 2020, CKHH announced that Vodafone Hutchison Australia Pty Limited (“VHA”) is working with TPG Telecom Limited (“TPG”) with an aim to complete the merger of their telecommunications businesses in Australia in the middle of 2020 with the effective date for the merger in the first half of 2020. Subject to the merger becoming effective, CKHH expects to realize gains arising from the dilution of CKHH’s attributable interest in VHA from 43.93% to 22.01% in its consolidated income statement. Based on the information currently available to CKHH, including the relevant exchange rate prevailing on the announcement date, fair value of TPG estimated based on the closing TPG share price on that date, carrying cost and reclassification adjustments amounts of the Group’s investment in VHA as recorded in CKHH’s books of accounts on that date, CKHH estimates the gains attributable to shareholders arising from the dilution to be approximately HK\$7.2 billion (US\$0.9 billion). The amount of the gains (the “VHA Merger gains”) will depend on the actual exchange rate, fair value of TPG, carrying cost and reclassification adjustments amounts of the Group’s investment in VHA on the date the merger becomes effective and consequently the estimated gains attributable to shareholders of HK\$7.2 billion (US\$0.9 billion) may change.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes and the Guarantee" in this offering memorandum.

Issuer	CK Hutchison International (20) Limited
Guarantor	CK Hutchison Holdings Limited
Notes Offered	<p>US\$750,000,000 principal amount of 2.500% guaranteed notes due 2030 (the "Notes Due 2030") and US\$750,000,000 principal amount of 3.375% guaranteed notes due 2050 (the "Notes Due 2050").</p> <p>The Notes Due 2030 and the Notes Due 2050 are collectively referred to in this offering memorandum as the "notes". The notes are being offered (i) in the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act and (ii) to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. See "Plan of Distribution".</p>
Guarantee	<p>The Guarantor will fully and unconditionally guarantee (the "Guarantee") to each holder of a note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and interest on such note (and any Additional Amounts (as hereinafter defined) payable in respect thereof) when and as the same shall become due and payable, whether at the stated maturity of the note, by declaration of acceleration, call for redemption, or otherwise, in accordance with the terms of such note and of the Fiscal Agency Agreement.</p>
Status of Notes and Guarantee	<p>The notes will constitute direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligations of the Issuer ranking (subject as aforesaid) pari passu, without any preference or priority of payment among themselves and among each series thereof and with all other present and future unsecured and unsubordinated indebtedness of the Issuer, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights. The Guarantee will constitute a direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligation of the Guarantor and will (subject as aforesaid) rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Guarantor, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights.</p>
Issue Prices	<p>99.552% of principal amount plus accrued interest, if any, from May 8, 2020 with respect to the Notes Due 2030.</p> <p>99.141% of principal amount plus accrued interest, if any, from May 8, 2020 with respect to the Notes Due 2050.</p>
Maturity Dates	<p>May 8, 2030 with respect to the Notes Due 2030.</p> <p>May 8, 2050 with respect to the Notes Due 2050.</p>
Interest	<p>The Notes Due 2030 and the Notes Due 2050 will bear interest at 2.500% and 3.375% respectively, from May 8, 2020 and be payable semi-annually in arrears. Interest will be calculated on the basis of a 360-day year and twelve 30-day months.</p>
Interest Payment Dates	<p>May 8 and November 8 of each year, commencing November 8, 2020, with respect to the Notes Due 2030 and the Notes Due 2050, and at maturity, being May 8, 2030 for the Notes Due 2030 and May 8, 2050 for the Notes Due 2050.</p>

Covenants	The Issuer and the Guarantor have agreed to observe certain covenants. See “Description of the Notes and the Guarantee — Certain Covenants”.
Additional Amounts	In the event that certain Cayman Islands taxes are payable in respect of certain payments pursuant to the notes or pursuant to the Guarantee, the Issuer or the Guarantor, as the case may be, will, subject to certain exceptions, pay such additional amounts as will result in the receipt by the holders of the applicable series of notes of such amounts as would have been payable to those holders had no such deduction or withholding been required. In addition, any amounts to be paid by the Issuer or the Guarantor on the notes will be paid net of any FATCA Withholding (as defined below) and neither the Guarantor nor the Issuer will be required to pay additional amounts on account of any FATCA Withholding. See “Description of the Notes and the Guarantee — Additional Amounts”, and “Description of the Notes and the Guarantee — Redemption”.
Redemption	None, except that (i) notes of any series may be redeemed at the option of the Issuer or the Guarantor, in whole but not in part with respect to such series, at the principal amount thereof plus accrued and unpaid interest, in the event the Issuer or the Guarantor would become obligated to pay certain Cayman Islands taxes in respect of the notes; and (ii) at any time on or after February 8, 2030, the Notes Due 2030 may be redeemed and at any time on or after November 8, 2049, the Notes Due 2050 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole but not in part with respect to such series, at the principal amount thereof plus accrued and unpaid interest. See “Description of the Notes and the Guarantee — Redemption”.
Denomination, Form and Registration	<p>The notes will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 above that amount.</p> <p>Each series of notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be initially represented by one or more permanent global notes representing the relevant notes in fully registered form without coupons deposited with The Bank of New York Mellon as custodian for and registered in the name of Cede & Co., as nominee of DTC. Each series of notes offered outside the United States in reliance on Regulation S will be initially represented by one or more permanent global notes representing the relevant notes in fully registered form without coupons deposited with The Bank of New York Mellon as custodian for, and registered in the name of a nominee of DTC for the respective accounts of Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear System, and Clearstream Banking S.A. (“Clearstream”), each of which is a participant in DTC.</p> <p>DTC will credit the account of each of its participants, including Euroclear and Clearstream, with the principal amount of notes being purchased by or through such participant. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.</p>
Governing Law	The Fiscal Agency Agreement, the notes and the Guarantee will be governed by New York law.

Ratings	The notes are expected to be rated “A-” by Fitch Ratings Ltd., “A2” by Moody’s Investor Service Limited and “A” by S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. Security ratings are not recommendations to buy, sell or hold the notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.	
Transfer Restrictions	The notes have not been registered under the Securities Act or any state securities law. Unless they are registered, the notes may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws.	
Risk Factors	See “Risk Factors” and the other information in this offering memorandum for a discussion of factors that should be carefully considered before deciding to invest in the notes.	
Listing	Application will be made to the SGX-ST for the listing and quotation of the notes on the SGX-ST but an application may instead be made to another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, for permission to deal in and the listing of the notes. No assurance is made that the application to the SGX-ST will be approved. The offering and settlement of the notes are not conditional on obtaining such listing. For so long as any of the notes are listed on the SGX-ST and the rules of the SGX-ST so require, such notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000.	
Use of Proceeds	The net proceeds of the sale of the notes after deducting commissions will be approximately US\$1,482 million and will initially be advanced by the Issuer to CKHH and/or one or more of its subsidiaries. CKHH intends to use the net proceeds of the offering to refinance certain indebtedness, including recourse or non-recourse indebtedness owed by subsidiaries of CKHH, indebtedness falling due in the near term and indebtedness which would provide an economic benefit to CKHH upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditures and investments in CKHH’s core business activities. In the event that CKHH determines not to use certain of the proceeds for this purpose, such proceeds will be used for general corporate purposes, including the funding of capital expenditures. See “Use of Proceeds”.	
Identification Numbers for the Notes Due 2030	<i>Rule 144A</i> Global Certificates Common Code: 216865758 CUSIP: 12564H AA3 ISIN: US12564HAA32	<i>Regulation S</i> Global Certificates Common Code: 216865774 CUSIP: G2181L AA1 ISIN: USG2181LAA10
Identification Numbers for the Notes Due 2050	<i>Rule 144A</i> Global Certificates Common Code: 216865863 CUSIP: 12564H AB1 ISIN: US12564HAB15	<i>Regulation S</i> Global Certificates Common Code: 216865871 CUSIP: G2181L AB9 ISIN: USG2181LAB92
Legal Entity Identifier (LEI) of the Issuer:	254900SSPRZHBMNJF043	

SELECTED FINANCIAL INFORMATION

(A) Consolidated income statement, statement of financial position and statement of cash flows of CKHH

CKHH's consolidated financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Significant differences may exist between HKFRS and United States' Generally Accepted Accounting Principles ("U.S. GAAP") which may be material to the financial information contained in this offering memorandum. This offering memorandum does not contain any discussion on the differences between HKFRS and U.S. GAAP relevant to CKHH's consolidated financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how these differences might affect the financial information herein.

CKHH's consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong, as stated in their unqualified audit reports dated March 16, 2018, March 21, 2019 and March 19, 2020, respectively. These consolidated financial statements and PwC's reports are included elsewhere in this offering memorandum.

The tables in this section set out

- (1) consolidated income statement of CKHH for each of the years ended December 31, 2017, 2018 and 2019;
- (2) consolidated statement of financial position of CKHH as of December 31, 2017, 2018 and 2019; and
- (3) consolidated statement of cash flows of CKHH for each of the years ended December 31, 2017, 2018 and 2019.

The selected financial information

- as of December 31, 2017 and for the year then ended has been extracted from CKHH's audited consolidated financial statements for the year ended December 31, 2017, except to the extent of incorporating the changes adopted by CKHH in 2018 in presenting (1) certain line items of the consolidated income statement as described in footnote (a) to the table "Consolidated Income Statement"; and (2) certain line items of the consolidated statement of financial position as described in footnote (a) to the table "Consolidated Statement of Financial Position";
- as of December 31, 2018 and 2019 and for each of the years then ended has been extracted from CKHH's audited consolidated financial statements for the year ended December 31, 2019.

The selected financial information sets out in this section should be read in conjunction with the aforementioned consolidated financial statements of CKHH, including the notes thereto, PwC's related reports, and other financial information that is included elsewhere in this offering memorandum.

Amounts in CKHH's consolidated financial statements are stated in Hong Kong dollars. The translation of Hong Kong dollar amounts into U.S. dollars is for convenience only and has been made at the rate of HK\$7.80 to US\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be converted into U.S. dollars at the rate indicated or at any other rate.

Consolidated Income Statement

	Year Ended December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million (other than per share amounts)	HK\$ million (other than per share amounts)	HK\$ million (other than per share amounts)	US\$ million (other than per share amounts)
Revenue	248,515	277,129	299,021	38,336
Cost of inventories sold	(101,328)	(109,564)	(105,959)	(13,584)
Staff costs	(33,572)	(36,478)	(37,958)	(4,867)
Expensed customer acquisition and retention costs	(16,545)	(16,124)	(17,755)	(2,276)
Depreciation and amortization	(17,105)	(19,739)	(38,129)	(4,888)
Other operating expenses	(44,570)	(49,337)	(40,046)	(5,134)
Share of profits less losses of:				
Associated companies	6,797	2,888	1,524	195
Joint ventures	12,500	10,220	7,404	949
Profit before the following:	54,692	58,995	68,102	8,731
Interest expenses and other finance costs ..	(8,274)	(9,797)	(14,305)	(1,834)
Profit before tax	46,418	49,198	53,797	6,897
Current tax	(5,415)	(3,912)	(4,891)	(627)
Deferred tax credit (charge)	2,599	1,294	(1,129)	(145)
Profit after tax	43,602	46,580	47,777	6,125
Profit attributable to non-controlling interests and holders of perpetual capital securities	(8,502)	(7,580)	(7,947)	(1,019)
Profit attributable to ordinary shareholders	35,100	39,000	39,830	5,106
Earnings per share for profit attributable to ordinary shareholders	HK\$9.10	HK\$10.11	HK\$10.33	US\$1.32

^(a) With effect from the year ended December 31, 2018, "Telecommunications customer acquisition costs" has been renamed to "Expensed customer acquisition and retention costs" in the consolidated income statement. This change in description has no impact on CKHH's consolidated income statement. The consolidated income statement included in CKHH's audited consolidated financial statement for the year ended December 31, 2017 has not been updated and reissued to reflect this change in description. For consistency purposes, the consolidated income statement for the year ended December 31, 2017 set out above has been updated to reflect this change in description.

Consolidated Statement of Financial Position

	As of December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Non-current assets				
Fixed assets	158,789	110,605	119,131	15,273
Right-of-use assets	–	–	83,708	10,732
Leasehold land	8,305	7,702	–	–
Telecommunications licenses	27,271	64,221	63,387	8,127
Brand names and other rights	75,985	88,761	88,275	11,317
Goodwill	255,334	323,160	308,986	39,614
Associated companies	145,343	136,287	144,751	18,558
Interests in joint ventures	162,134	121,397	143,555	18,404
Deferred tax assets	20,195	20,260	20,353	2,609
Liquid funds and other listed investments	7,813	9,292	7,722	990
Other non-current assets	5,540	10,717	14,276	1,830
	<u>866,709</u>	<u>892,402</u>	<u>994,144</u>	<u>127,454</u>
Current assets				
Cash and cash equivalents	160,470	135,411	137,127	17,580
Inventories	21,708	23,410	23,847	3,058
Trade receivables and other current assets	51,368	63,826	55,709	7,142
	<u>233,546</u>	<u>222,647</u>	<u>216,683</u>	<u>27,780</u>
Assets classified as held for sale	–	117,195	149	19
	<u>233,546</u>	<u>339,842</u>	<u>216,832</u>	<u>27,799</u>
Current liabilities				
Bank and other debts	21,712	25,986	39,995	5,128
Current tax liabilities	2,948	2,071	1,869	239
Lease liabilities	–	–	18,079	2,318
Trade payables and other current liabilities	90,228	116,272	99,358	12,738
	<u>114,888</u>	<u>144,329</u>	<u>159,301</u>	<u>20,423</u>
Liabilities directly associated with assets classified as held for sale	–	77,600	–	–
	<u>114,888</u>	<u>221,929</u>	<u>159,301</u>	<u>20,423</u>
Net current assets	<u>118,658</u>	<u>117,913</u>	<u>57,531</u>	<u>7,376</u>
Total assets less current liabilities	<u>985,367</u>	<u>1,010,315</u>	<u>1,051,675</u>	<u>134,830</u>
Non-current liabilities				
Bank and other debts	310,276	325,570	304,565	39,047
Interest bearing loans from non-controlling shareholders	3,143	752	728	94
Lease liabilities	–	–	75,609	9,693
Deferred tax liabilities	25,583	19,261	16,819	2,156
Pension obligations	3,770	2,443	3,123	400
Other non-current liabilities	51,048	71,466	53,868	6,906
	<u>393,820</u>	<u>419,492</u>	<u>454,712</u>	<u>58,296</u>
Net assets	<u>591,547</u>	<u>590,823</u>	<u>596,963</u>	<u>76,534</u>

	As of December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Capital and reserves				
Share capital	3,858	3,856	3,856	494
Share premium	244,505	244,377	244,377	31,330
Reserves	181,693	197,918	216,052	27,699
Total ordinary shareholders' funds	430,056	446,151	464,285	59,523
Perpetual capital securities	29,481	12,326	12,410	1,591
Non-controlling interests	132,010	132,346	120,268	15,420
Total equity	591,547	590,823	596,963	76,534

^(a) With effect from the year ended December 31, 2018, "Investment properties" are no longer shown as a separate line item in the consolidated statement of financial position but included as part of "Other non-current assets", and "Total ordinary shareholders' funds" are shown as a separate item within "Capital and reserves" section of the consolidated statement of financial position. These changes in presentation have no impact on CKHH's consolidated total equity. The consolidated statement of financial position as of December 31, 2017 included in CKHH's audited consolidated financial statements for the year ended December 31, 2017 has not been updated and reissued to reflect these changes in presentation. For consistency and comparison purposes, the consolidated statement of financial position as of December 31, 2017 set out above has been updated to reflect these changes in presentation.

Consolidated Statement of Cash Flows

	Year ended December 31,			
	2017	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Operating activities				
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	68,137	72,590	95,291	12,217
Interest expenses and other finance costs paid (net of capitalization)	(9,375)	(10,661)	(14,621)	(1,874)
Tax paid	(4,870)	(4,584)	(5,823)	(747)
Funds from operations (before payment of lease liabilities)	53,892	57,345	74,847	9,596
Changes in working capital	(296)	(1,611)	(5,577)	(715)
Net cash from operating activities	53,596	55,734	69,270	8,881
Investing activities				
Purchase of fixed assets	(23,521)	(27,540)	(32,190)	(4,127)
Additions to leasehold land	(149)	—	—	—
Additions to telecommunications licenses ..	(216)	(8,527)	(1,286)	(165)
Additions to brand names and other rights	(29)	(1,479)	(2,817)	(361)
Purchase of subsidiary companies, net of cash acquired	(3,724)	(14,323)	(30)	(4)
Additions to other unlisted investments	(130)	(414)	(17)	(2)
Repayments of loans from associated companies and joint ventures	804	2,222	641	82
Purchase of and advances to associated companies and joint ventures	(37,798)	(2,446)	(885)	(113)
Proceeds from disposal of fixed assets	2,231	92	150	19
Proceeds from disposal of subsidiary companies, net of cash disposed	14,201	1,121	(1,522)	(195)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	—	—	(2,429)	(312)
Proceeds from partial disposal/ disposal of associated companies and joint ventures	1,348	149	2,388	306
Proceeds from disposal of other unlisted investments	19	8	130	17
Cash flows used in investing activities before additions to/disposal of liquid funds and other listed investments	(46,964)	(51,137)	(37,867)	(4,855)
Disposal of liquid funds and other listed investments	278	387	503	64
Additions to liquid funds and other listed investments	(1,997)	(8,329)	(55)	(7)
Cash flow used in investing activities	(48,683)	(59,079)	(37,419)	(4,798)
Net cash inflow (outflow) before financing activities	4,913	(3,345)	31,851	4,083

	Year ended December 31,			
	2017	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Financing activities				
New borrowings	100,488	55,313	211,526	27,119
Repayment of borrowings	(87,674)	(54,961)	(211,455)	(27,110)
Payment of lease liabilities	–	–	(15,969)	(2,048)
Net loans to non-controlling shareholders ..	(2,139)	(185)	(2)	–
Consideration received from the economic benefits agreements	–	14,308	–	–
Issue of equity securities by subsidiary companies to non-controlling shareholders/capital redemption by non-controlling shareholders	1,584	25	(10)	(1)
Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs	5,063	–	–	–
Transaction costs in relation to issuance of shares by a subsidiary	(68)	–	–	–
Payments to acquire additional interests in subsidiary companies	(356)	(56)	(478)	(61)
Proceeds from partial disposal of subsidiary companies	–	–	2,201	282
Proceeds from issue of perpetual capital securities, net of transaction costs	7,738	4,442	–	–
Redemption of perpetual capital securities ..	(8,800)	(19,435)	–	–
Payments for buy-back and cancellation of issued shares	–	(131)	–	–
Dividends paid to ordinary shareholders	(10,512)	(11,341)	(12,225)	(1,567)
Dividends paid to non-controlling interests ..	(4,845)	(5,102)	(6,910)	(886)
Distributions paid on perpetual capital securities	(1,192)	(1,006)	(398)	(51)
Cash flows used in financing activities ..	(713)	(18,129)	(33,720)	(4,323)
Increase (decrease) in cash and cash equivalents	4,200	(21,474)	(1,869)	(240)
Cash and cash equivalents at January 1 ...	156,270	160,470	138,996	17,820
Cash and cash equivalents at December 31	160,470	138,996	137,127	17,580

(B) Financial Performance Summary

CKHH's consolidated financial statements are prepared and presented in accordance with HKFRS. With effect from January 1, 2019, CKHH has adopted Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") which relates to accounting for leases. The adoption of HKFRS 16 does not require CKHH to make retrospective adjustments to restate its previously published consolidated financial statements for periods prior to January 1, 2019. Accordingly, the comparative information continues to be reported under the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). Hence, any comparison, particularly the financial results, between the two bases of reporting would not be meaningful. The Group believes that the HKAS 17 basis metrics ("Pre-HKFRS 16 basis"), which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), allows a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's financial performance prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019.

The table in this section sets out the financial performance information of CKHH

- prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2017, 2018 and 2019; and
- prepared under the Post-HKFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019.

The selected financial performance information

- for the year ended December 31, 2017 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2017, except to the extent of incorporating the changes adopted by CKHH in 2019 in presenting certain line items of the segment information as described in footnote (a) to the table "Financial Performance Summary"; and
- for each of the years ended December 31, 2018 and 2019 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2019.

These financial performance summaries are included elsewhere in this offering memorandum. The selected financial performance information sets out in this section should be read in conjunction with the aforementioned financial performance summaries, including the notes thereto, and other financial information that is included elsewhere in this offering memorandum.

Amounts in CKHH's Financial Performance Summary are stated in Hong Kong dollars. The translation of Hong Kong dollar amounts into U.S. dollars is for convenience only and has been made at the rate of HK\$7.80 to US\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be converted into U.S. dollars at the rate indicated or at any other rate.

CK Hutchison Holdings Limited
Financial Performance Summary:

	Pre-HKFRS 16				Post-HKFRS 16	
	Year Ended December 31,				Year Ended December 31,	
	2017 ^(a) HK\$ million	2018 HK\$ million	2019 HK\$ million	2019 US\$ million	2019 HK\$ million	2019 US\$ million
Revenue						
Ports and Related Services . . .	34,146	35,175	35,375	4,535	35,375	4,535
Retail	156,163	168,991	169,225	21,696	169,225	21,696
Infrastructure	57,369	64,724	51,191	6,563	51,191	6,563
Husky Energy	44,948	54,251	47,618	6,105	47,618	6,105
CKH Group Telecom	80,607	86,733	93,517	11,990	93,517	11,990
Hutchison Asia						
Telecommunications	7,695	8,220	8,984	1,152	8,984	1,152
Finance & Investments and Others	33,909	35,136	33,946	4,352	33,946	4,352
Total Revenue	<u>414,837</u>	<u>453,230</u>	<u>439,856</u>	<u>56,393</u>	<u>439,856</u>	<u>56,393</u>
EBITDA						
Ports and Related Services . . .	12,563	13,392	13,405	1,719	16,092	2,063
Retail	14,798	16,164	16,891	2,166	27,023	3,464
Infrastructure	33,033	35,422	28,488	3,652	28,751	3,686
Husky Energy	8,992	12,106	3,139	402	3,480	446
<i>Underlying</i>	8,992	12,106	9,122	1,169	9,463	1,213
<i>One-off impairment and other charges^(b)</i>	—	—	(5,983)	(767)	(5,983)	(767)
CKH Group Telecom	28,568	30,357	35,341	4,531	42,417	5,438
Hutchison Asia						
Telecommunications	558	1,028	2,167	278	4,328	555
Finance & Investments and Others	5,842	5,111	12,637	1,620	13,958	1,790
Total EBITDA	<u>104,354</u>	<u>113,580</u>	<u>112,068</u>	<u>14,368</u>	<u>136,049</u>	<u>17,442</u>
EBIT						
Ports and Related Services . . .	8,219	8,726	9,061	1,162	10,216	1,310
Retail	12,089	13,078	13,671	1,753	14,705	1,885
Infrastructure	23,449	24,038	19,220	2,464	19,259	2,469
Husky Energy	2,703	5,742	(3,004)	(385)	(2,974)	(381)
<i>Underlying</i>	2,703	5,742	2,979	382	3,009	386
<i>One-off impairment and other charges^(b)</i>	—	—	(5,983)	(767)	(5,983)	(767)
CKH Group Telecom	17,155	18,409	21,131	2,708	21,987	2,819
Hutchison Asia						
Telecommunications	226	321	1,055	135	2,032	260
Finance & Investments and Others	3,751	2,571	9,974	1,279	10,119	1,297
Total EBIT	<u>67,592</u>	<u>72,885</u>	<u>71,108</u>	<u>9,116</u>	<u>75,344</u>	<u>9,659</u>
Interest expenses and other finance costs	(18,024)	(18,025)	(15,657)	(2,007)	(20,117)	(2,579)
Profit before tax	49,568	54,860	55,451	7,109	55,227	7,080
Tax						
Current tax	(7,898)	(7,795)	(7,814)	(1,002)	(7,834)	(1,004)
Deferred tax	1,843	(283)	113	14	215	27
Profit after tax	43,513	46,782	47,750	6,121	47,608	6,103
Non-controlling interests and perpetual capital securities holders' interests	(8,413)	(7,782)	(7,862)	(1,008)	(7,778)	(997)
Profit attributable to ordinary shareholders	<u>35,100</u>	<u>39,000</u>	<u>39,888</u>	<u>5,113</u>	<u>39,830</u>	<u>5,106</u>

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- (a) In July 2019, CKHH has formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings (“CKH Group Telecom”), which consolidates CKHH’s telecommunication businesses of 3 Group Europe and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. For segment information presentation purposes, CKH Group Telecom is presented as an operating division for the current and comparative years, with separate sub-totals for 3 Group Europe, HTHKH and CKH Group Telecom’s Corporate and Others (which covers CKH Group Telecom’s corporate head office operations and the returns earned on its holdings of cash and liquid investments). The comparative segment information for the year ended December 31, 2018 included in CKHH’s audited consolidated financial statements for the year ended December 31, 2019 has been updated to reflect these changes in presentation. The previously published CKHH’s segment information for the year ended December 31, 2017 has not been updated and reissued to reflect these changes in presentation. For consistency and comparison purposes, the segment information for the year ended December 31, 2017 set out above has been updated to reflect these changes in presentation. These changes in presentation have no impact on CKHH’s consolidated statement of financial position, CKHH’s consolidated income statement and CKHH’s consolidated statement of cash flows.
- (b) Represents CKHH’s share of Husky’s impairment and other charges after consolidation adjustments.

RISK FACTORS

Investors should consider, among other things, the factors set forth below, as well as other considerations with respect to investment in Cayman Islands corporations not normally associated with investments in the securities of issuers in European countries, the United States (“U.S.”) and other jurisdictions. This offering memorandum, including particularly the information set forth under the caption “Business of CKHH” to the extent that it describes properties, projects, business ventures or strategies at an early stage of development or fulfillment, includes “forward-looking statements”. Although CKHH believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from CKHH’s historical results and forward-looking statements are set forth in this offering memorandum, but particularly include those set forth below. All forward-looking statements attributable to CKHH or persons acting on its behalf are expressly qualified in their entirety by the investment considerations set forth below.

Global Economy

As a global business, CKHH is exposed to the developments in the global economy as well as developments in the industries and geographical markets in which it operates. As a result, CKHH’s financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect CKHH’s financial condition or results of operations.

In general, volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices, rising geopolitical risks and political turbulence and global trade competition have all contributed to the increased uncertainty of global economic prospects. The major rating actions of the countries in which CKHH operates included Moody’s lowering of the PRC government bond rating from Aa3 (negative outlook) to A1 (stable outlook), which also led to a consequential adverse impact on Hong Kong with its government bond lowered from Aa1 (negative outlook) to Aa2 (stable outlook) in May 2017. In September 2019, Moody’s changed Hong Kong’s rating outlook to Aa2 (negative outlook) and in January 2020, downgraded Hong Kong’s rating to Aa3 (stable outlook). In September 2017, the S&P’s lowering of the PRC government bond rating from AA-(negative outlook) to A+ (stable outlook) led to a consequential adverse impact on Hong Kong with its government bond lowered from AAA (negative outlook) to AA+ (stable outlook). In September 2019, Fitch downgraded Hong Kong’s rating from AA+ (stable outlook) to AA (negative outlook) and in April 2020, further downgraded Hong Kong’s rating to AA- (stable outlook). In September 2017, Moody’s lowered the United Kingdom’s (“UK”) rating from Aa1 (negative outlook) to Aa2 (stable outlook) and in November 2019, changed its rating outlook to Aa2 (negative outlook). In December 2019, S&P revised UK’s rating outlook from AA (negative outlook) to AA (stable outlook).

Furthermore, the last global financial crisis affected not only the banking and financial sectors, but also the commercial sectors which rely on the availability of banking facilities and bank borrowings. If CKHH’s customers are unable to borrow money, experience financial difficulty, or are put into liquidation, CKHH may not be paid by such customers on time or at all, and may experience a significant decline in the demand for its products and services. The more recent trade conflicts between the U.S. and China could potentially reduce international trade and dampen economic growth in the longer run. Impact of such conflicts may result in lower throughput in its ports businesses and reduce demand for its related services. If another economic downturn occurs and results in weak economic sentiments, CKHH’s business, financial condition, results of operations and prospects could experience deterioration.

CKHH’s overall success as a global business depends, in part, upon its ability to succeed in different economic, social and political conditions. There can be no assurance that CKHH will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business. Moreover, any deterioration in the economic, social and/or political conditions in the markets in which CKHH conducts business could have a material adverse effect on CKHH’s financial condition and results of operations.

Reliance on Major Industries, Currencies and Interest Rates

CKHH's results are affected by trends in the industries in which it operates, including the ports and related services, retail, infrastructure, energy and telecommunications industries. While CKHH believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, CKHH's results have been negatively impacted by depressed oil and gas prices, cyclical downturn in the business of shipping lines, declines in retail consumer sentiment, decline in the value of securities investments, and volatility in currencies and interest rates. There can be no assurance that the combination of industry trends, currencies and interest rates experienced by CKHH in the future will not adversely affect its financial condition and results of operations.

In particular, income from CKHH's finance and treasury operations is dependent upon interest rates, the currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not materially and adversely affect CKHH's financial condition and results of operations.

Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations

In January 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020 it was declared a pandemic. Between January 2020 and the date of this Offering Memorandum, the COVID-19 disease has spread to many countries, with the number of reported cases and related deaths increasing daily and, in many countries, exponentially.

Several countries' governments and numerous companies have imposed increasingly stringent restrictions to help avoid, or slow down, the spread of COVID-19, including, for example, restrictions on international and local travel, public gatherings and participation in meetings, as well as closures of universities, schools, stores and restaurants, with some countries imposing strict curfews and lockdowns. There can be no assurance that these restrictions will not be extended further on one or more occasions. These measures have led to lockdown in areas where CKHH has operations, and is expected to have an adverse effect in the short to medium term on CKHH's operations, particularly the Ports and Related Services and Retail segments, among others.

CKHH continues to monitor developments closely as the COVID-19 pandemic develops. The impact of the COVID-19 pandemic on CKHH's business will depend on a range of factors which CKHH is not able to accurately predict, including the duration, severity and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity globally, and the nature and severity of measures adopted by governments. These factors include, but are not limited to:

- the deterioration of socio-economic conditions leading to disruptions to CKHH's operations, such as reduction in CKHH's port's division's throughput as a result of factory closure in the Mainland or reduced demand in Europe and the US, or mandatory store closures and a decline in footfall in the CKHH's retail stores;
- reductions or volatility in consumer demand for CKHH's products due to quarantine or illness, or other travel restrictions, economic hardship, or retail closures, which may impact CKHH's revenue and market share;
- significant volatility in financial markets (including interest rate and foreign currency rate volatilities) and commodities market (including the recent slump in crude oil prices) and measures adopted by governments and central banks, which may limit CKHH's access to funds, lead to shortages of cash or increase the cost of raising such funds; and
- an adverse impact on CKHH's ability to engage in new, or consummate pending, strategic transactions on the agreed terms and timetable or at all.

The above risks can also threaten CKHH's facilities and transport of CKHH's products, cause disruption of operational activities, environmental harm, loss of life, injuries and impact the wellbeing of CKHH's employees. These risks could have a material adverse effect on CKHH's results of operations, cash flows and financial condition. See also "Summary — Recent Developments — COVID-19 impact" and "Summary — Recent Developments — Husky Energy".

As of the date of this offering memorandum, there is significant uncertainty relating to the severity of the near- and long-term adverse impact of the COVID-19 pandemic on the global economy and global financial markets, and CKHH is unable to accurately predict the near-term or long-term impact on its business. To the extent that the COVID-19 pandemic adversely affects CKHH's business and operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Ports and Related Services

The container throughput handled by CKHH's ports and related services division is primarily dependent on global trading volume. The 2008 global economic crisis in the last decade and the resulting economic and financial uncertainty continues to have an adverse effect to varying degrees on the markets and geographies in which the ports and related services division operates. The UK formally left the EU on January 31, 2020 and there is considerable uncertainty as to the impact of this on the general economic conditions in the UK or its wider impact in the EU. The depreciation of the Pound Sterling may also reduce the UK's imports from Asia, including the Mainland. If economic conditions deteriorate again, global throughput levels may decrease.

In the Mainland, imports and exports were affected by the economic performance of the U.S. and Europe as well as regulations imposed by the Mainland government authorities on tariffs or charges. In particular, the concerns over the trade war between the U.S. and the Mainland may impact trade volumes. See also "Summary — Recent Developments — COVID-19 impact" and "Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations." Any adverse development in the trade conflicts as well as regulatory imposed tariffs or charges restrictions may have an impact on the business operations and financial results of CKHH's ports and related services division.

CKHH's ports business is subject to significant competition, including continued consolidation and vertical integrations of international shipping lines that are major clients of CKHH's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and may not require the use of CKHH's terminal facilities. Furthermore, ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including CKHH's port operations. There can be no assurance that any of the above factors will not materially and adversely affect CKHH's financial condition and results of operations.

Retail

CKHH's retail division has regularly experienced fluctuations in consumer sentiments and price competition. Significant competition and pricing pressure regularly experienced by the retail business of CKHH from both online and brick and mortar retail competitors are expected to continue, which may materially and adversely affect the financial performance of CKHH's retail operations. Recent geopolitical tensions, social unrest across various countries, as well as the recent COVID-19 pandemic also introduce further risks to CKHH's operations and financial results. See also "Summary — Recent Developments — COVID-19 impact" and "Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations."

Retail Product Liability

CKHH's retail operations may be subject to product liability claims if consumers are injured or otherwise harmed by the products purchased from them. Customers count on CKHH's retail operations to provide them with safe products. Concerns regarding the safety of food and non-food products that are sourced from a wide variety of suppliers could cause shoppers to avoid purchasing certain products from CKHH's retail operations, even if the basis for the concern may be outside of CKHH's control. Claims, recalls or actions could be based on allegations that, among other things, the products sold by the retail operations are misbranded, contain contaminants or impermissible ingredients, provide inadequate instructions regarding their use or misuse, include inadequate warnings concerning flammability or interactions with other substances or in the case of any handset and other electrical devices that the retail operations sell, are not fit for purpose or pose a safety hazard. While CKHH maintains product liability insurance coverage in amounts and with deductibles that CKHH believes are prudent, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against CKHH. Any material shortfall in

coverage may have an adverse impact on the results of CKHH's retail operations. In addition, any lost confidence on the part of CKHH's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any food and non-food items that CKHH sells, regardless of the cause, could materially and adversely affect the business, and results of CKHH's retail operations.

Infrastructure

CK Infrastructure Holdings Limited ("CKI")

CKI is the largest publicly listed infrastructure company in Hong Kong with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, and household infrastructure as well as infrastructure related business in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada. Investments in large infrastructure and infrastructure related businesses are subject to potential political risks in the countries of operation. Although CKI's operations have not been adversely affected by any political actions to date, there can be no assurance that potential political risks associated with large infrastructure and infrastructure related businesses will not materially and adversely affect financial condition and results of operations in the future.

CKI has acquired and may continue to acquire businesses as opportunities arise. There could be difficulties managing or integrating the acquisitions, and the anticipated benefits of the acquisitions may or may not materialize. These difficulties could disrupt business, distract management and employees and increase expenses, any of which could materially and adversely affect CKHH's business, financial condition and results of operations.

In addition, certain infrastructure investments of CKI (for example, water, gas and electricity distribution) are subject to regulatory pricing and strict licensing requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these license requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licenses by the authorities. Furthermore, certain regulated operations of CKI's investments are subject to price control by government regulatory authorities. The relevant government regulatory authorities will periodically review and reset the price control terms for certain projects in accordance with a predetermined timetable. There can be no assurance that such events or price resets will not have a material adverse effect on CKHH's financial conditions and results of operations.

Furthermore, new market entrants and intensified price competition among existing market players of CKI's non-regulated businesses could adversely affect the financial performance of CKI's non-regulated businesses.

Energy

Husky Energy Inc. ("Husky" or "Husky Energy")'s results of operations and financial condition are dependent on the prices received for its refined products, crude oil, natural gas liquids ("NGL") and natural gas production. Lower prices for crude oil, NGL and natural gas could adversely affect the value and quantity of Husky Energy's oil and gas reserves. Husky Energy's reserves include significant quantities of heavier grades of crude oil that trade at a discount to light crude oil. Heavier grades of crude oil are typically more expensive to produce, process, transport and refine into high value refined products. Refining and transportation capacity for heavy crude oil and bitumen is limited and planned increases of North American heavy crude oil and bitumen production may create the need for additional heavy oil and bitumen refining and transportation capacity. Wider price differentials between heavier and lighter grades of crude oil could have a material adverse effect on Husky Energy's results of operations and financial condition, reduce the value and quantities of Husky Energy's heavier crude oil reserves and delay or cancel projects that involve the development of heavier crude oil resources. There is no guarantee that pipeline development projects will provide sufficient transportation capacity and access to refining capacity to accommodate North American heavy crude oil and bitumen production.

Prices for refined products, crude oil, NGL and natural gas are based on local and global supply and demand as well as availability and costs of transportation. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by the Organization of Petroleum Exporting Countries (“OPEC”), non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, technological developments, prevailing weather patterns, government regulations and policies and the availability of alternate sources of energy. Husky Energy’s natural gas production is currently located in Western Canada and Asia Pacific. Western Canada’s natural gas production is subject to North American market forces. North American natural gas supply and demand is affected by a number of factors including, but not limited to, the amount of natural gas available to specific market areas either from the well head of existing or accessible conventional or unconventional sources (such as from shale), or from storage facilities, technological developments, prevailing weather patterns, the U.S. and Canadian economies, the occurrence of natural disasters and pipeline restrictions. In certain instances, Husky Energy uses derivative instruments and firm commitments for the purchase or sale of crude oil and natural gas to manage exposure to price volatility on a portion of its refined products, oil and gas production, inventory or volumes in long distance transit. The fluctuation in refined products, crude oil and natural gas prices are beyond Husky Energy’s control and could have a material effect on Husky Energy’s as well as CKHH’s financial condition and results of operations. See “Summary — Recent Developments — Husky Energy” on the impact of COVID-19 on Husky Energy.

Husky Energy’s businesses are subject to inherent operational risks with respect to safety and the environment that require continuous vigilance. Husky Energy seeks to minimize these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. However, failure to manage these operational risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact or loss of license to operate. Enterprise risk management, emergency preparedness, business continuity and security policies and programs are in place for all operating areas and are adhered to on an ongoing basis. Husky Energy, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

Lower than projected reservoir performance on Husky Energy’s key growth projects could have a material adverse effect on Husky Energy’s, and consequently, CKHH’s results of operations, financial position, business strategy and reserves. The reserves data reported by Husky Energy represent estimates only. The accurate assessment of oil and gas reserves is critical to the continuous and effective management of Husky Energy’s Upstream assets. Reserves estimates support various investment decisions about the development and management of oil and gas properties. In general, estimates of economically recoverable crude oil and natural gas reserves, and the future net cashflow therefrom are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the effects of regulation by governmental agencies, including with respect to royalty payments, all of which may vary considerably from actual results. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and could have a material adverse effect on Husky Energy’s reputation, investor confidence, and ability to deliver on its growth strategies.

In order to maintain Husky Energy’s future production of crude oil, natural gas and NGL and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance-related revisions and acquisitions. The production rate of oil and gas properties tends to decline as reserves are depleted, while the associated unit operating costs increase. In order to mitigate the effects of this, Husky Energy must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of projects that can be developed depends on, but is not limited to, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completion of long lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties.

Husky Energy’s results depend upon its ability to deliver products to the most attractive markets. Husky Energy’s results of operations could be materially and adversely affected by restricted market access resulting from a lack of pipeline or other transportation alternatives to attractive markets as well as regulatory and/or other marketplace barriers. Interruptions and restrictions may be caused by the

inability of a pipeline to operate, or they can be related to capacity constraints as the supply of feedstock into the system exceeds the infrastructure capacity. With growing oil production across North America and the limited availability of infrastructure to carry Husky Energy's products to the marketplace, oil and natural gas transportation capacity is expected to be restricted in the next few years. Restricted market access may potentially have a material adverse effect on Husky Energy's, and as a result CKHH's results of operations, financial condition and business strategy. Unplanned shutdowns and closures of Husky Energy's refineries or Upgrader may limit Husky Energy's ability to deliver products with a material adverse effect on sales and results from operating activities.

Husky Energy manages a variety of oil and gas projects ranging from Upstream to Downstream assets. The risks associated with project development and execution, as well as the risks involved in commissioning and integration of new assets with existing facilities, can impact the economic feasibility of Husky Energy's projects. These risks can manifest through cost overruns, schedule delays and commodity price decreases, as well as, impacting Husky Energy's safety and environmental performance, thereby negatively affect Husky Energy's reputation.

Changes in environmental regulation and any emerging regulations to address climate change could have a material adverse effect on Husky Energy's results of operations, financial condition and business strategy by requiring increased capital expenditures and operating costs or by impacting the quality, formulation or demand of products, which may or may not be offset through market pricing. Changes in environmental legislation could occur, which may result in stricter standards and enforcement, larger fines and liabilities, increased compliance costs and approval delays for critical licenses and permits, which could have a material adverse effect on Husky Energy's as well as CKHH's results of operations, financial condition and business strategy.

The cost or availability of oil and gas field equipment may adversely affect Husky Energy's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services and construction materials. These materials and services may not be available, when required, at reasonable prices.

Extreme climate conditions may have material adverse effects on Husky Energy's financial condition and results of operations. Weather and climate affect demand, and therefore, the predictability of the demand for energy is affected to a large degree by the predictability of weather and climate. In addition, Husky Energy's exploration, production and construction operations and the operations of major customers or suppliers, can be affected by extreme weather. This may result in cessation or diminishment of production, delay of exploration and development activities or delay of plant construction.

Telecommunications

CKHH faces significant competition in each of the markets in which it operates its telecommunications businesses. Competition among providers of mobile and fixed-line telecommunications services, including new entrants, is expected to continue and may adversely affect the prices chargeable for services and handsets. In addition, mobile number portability policies and procedures in markets where CKHH currently operates enable customers to switch their providers of mobile telecommunications services without changing their mobile phone numbers. This has led to increased movement of customers among providers of mobile telecommunications services. Such movements increase marketing, distribution and administrative costs, slow growth in customer numbers and reduce revenues. CKHH's ability to collect revenues from services provided to both consumer and business customers depends on financial viability of these customers to settle bills as they fall due, as well as the effectiveness of various collections procedures executed by CKHH. CKHH's marketing position also depends on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the industry. This includes new services, pricing strategies by competitors and changes in consumer preferences and economic, political and social conditions in the countries in which it operates. Any failure by CKHH to compete effectively, including in terms of pricing of services, acquisition of customers and retention of existing customers, as well as collectability of revenues, could decrease the revenue that CKHH receives as a major provider of telecommunications services.

The telecommunications industry is subject to changes in customer needs, evolving industry standards and frequent introductions of new products and services. For example, many Internet products have been developed with the proliferation of Internet usage. The development of Internet products such as over-the-top content and voice-over-IP have resulted in a reduction in the usage of

traditional text and long distance voice calls provided by CKHH's telecommunications businesses. The innovative nature of these products and services, their rapid evolution and shorter life cycles require CKHH to be able to respond quickly to offerings of these products by competitors. CKHH also faces competition from entities providing alternate telecommunications access technologies and may face competition in the future from technologies being developed or to be developed.

CKHH's telecommunications businesses are highly regulated. CKHH is only permitted to provide telecommunications services and operate networks under licenses (including spectrum licenses for mobile telecommunications) and/or authorizations granted under the national laws of each country in which it operates. Some spectrum licenses have historically been issued for fixed terms and subsequently renewed and/or reauctioned. There can be no assurance, however, that any application for the renewal or participation in any auction of one or more of these licenses will be successful or granted on equivalent or satisfactory terms. Governments and/or regulatory authorities may also impose auction rules and/or license conditions relating to national security, which could result in an operator being denied access to the spectrum and/or revocation of a license.

In addition, CKHH may not be successful in obtaining licenses for spectrum bands enabling new mobile technologies that may be developed in the future (including 5G) and will likely face competition for any such licenses. Due to changes in legislation, CKHH's mobile telecommunications licenses in the UK and Italy effectively provide for perpetual renewal rights. Telecommunications licenses (including spectrum licenses) and authorizations may contain regulatory requirements and carrier obligations regarding the way the operator must conduct its business (such as price controls and non-discrimination obligations), as well as network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licenses. Decisions by regulators with respect to the granting, amendment or renewal of licenses to CKHH or other parties (such as spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), or changes to the process of or the conditions or criteria to, obtaining or maintaining spectrum or other licenses necessary for CKHH's mobile telecommunications business, could result in CKHH facing unforeseen competition and/or could materially and adversely affect CKHH's financial condition and results of operations.

In addition, CKHH's business activities in certain countries are or may be subject to price control regulation with respect to their wholesale mobile termination rates and wholesale and retail international roaming rates, and such price control regulation may impact costs and revenues and therefore could have a material adverse effect on CKHH's financial condition and results of operations. Furthermore, any new regulatory initiatives or changes in legislation, regulation or government policy affecting CKHH's telecommunications businesses, as well as decisions by regulatory authorities or courts, could have a material adverse effect on CKHH's financial condition and results of operations.

CKHH's ability to provide telecommunications services depend, in part, on its interconnection agreements, as well as international roaming arrangements, with other telecommunications operators. There can be no assurance that CKHH will be able to maintain its interconnection and international roaming agreements on terms that are commercially acceptable to it.

CK Hutchison Group Telecom ("CKH Group Telecom" or "CKHGT")

CKHH has made substantial investments in acquiring telecommunications licenses and developing its mobile networks in Europe, Hong Kong and Macau. While CKH Group Telecom is reporting positive operating results, CKHH will need to continue increasing the customer levels and operating margins to remain profitable as well as grow profitability. In order to grow and retain its customer base, CKHH has made significant investments in customer acquisition costs ("CACs") in each of the markets in which it operates. CKHH may need to incur more capital expenditure to expand or improve its mobile network and incur more CACs to retain and build the customer base. CKHH may not be successful in growing the customer base and improving operating margins to cover incremental operating costs, customer acquisition and retention costs and capital expenditure requirements. In particular, the growth in the CKH Group Telecom operations is impacted by the effect of changes in regulatory regimes and competition. If these operations are unsuccessful in their initiatives to remedy the effects of these adverse factors, CKH Group Telecom's financial results will be materially and adversely affected and there can be no assurance that CKH Group Telecom will remain profitable.

In addition, the mobile telecommunications licenses in the UK and Italy and brand names allocated to the businesses, which are accounted for as indefinite life assets, and goodwill arising from the Reorganization allocated to the businesses are subject to annual impairment tests to assess whether their carrying values are supported by the net present value of future cashflows forecast to be derived from the use of these assets. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cashflow projections, could materially affect the net present value used in the impairment test and as a result may materially and adversely affect CKHH's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cashflow projections, it may be necessary to take an impairment charge to the income statement. See Note 42(b) to the audited consolidated financial statements of CKHH for the year ended December 31, 2019 included elsewhere in this offering memorandum. Accordingly, there can be no assurance that the operating results of CKH Group Telecom will not be substantially reduced in the near term.

CKHH is also exposed to legal and regulatory requirements, such as those required by the EU or other regulatory bodies. These include competition (anti-trust) laws applicable to CKHH's activities, including the regulation of monopolies and conduct of dominant firms, the prohibition of anti-competitive agreements and policies, and laws requiring the approval of mergers, acquisitions and joint ventures which could restrict CKHH's ability to acquire or merge operations in certain jurisdictions and/or subject the relevant operations to fines.

CKHH and/or its group companies may need to increase borrowings or issue shares to pay for the operation and further build-out of their networks as well as for possible future acquisition of mobile telecommunications licenses. There can be no assurance that CKHH and/or its group companies will be able to obtain such financing on favorable terms or at all.

CKHH is also addressing other challenges in the markets where CKH Group Telecom operates such as developing successful pricing and tariff strategies in response to local competition, strengthening its product distribution channels, responding to technical problems, and other issues relating to network stability, ensuring innovative content and strong customer service support. Competition in CKH Group Telecom's markets continues as competitors enhance the quality and speed of their networks. This may result in lower than expected revenue per user and net margins, as well as higher than anticipated CACs and churn rates. There can be no assurance that CKHH will be successful in addressing these issues. In addition, CKHH may have to make substantial investments to acquire licenses and upgrade its mobile networks to the next generations of technologies, including 5G, or its product offerings from the chosen 3G and 4G (LTE) technologies may become obsolete or less profitable. There can be no assurance that CKHH will be able to effectively anticipate and respond to such new technologies, or to new consumer trends or changing consumer preferences. As a result of the volatility in economic conditions, customers may be more cautious in their mobile usage which may significantly reduce revenues and profits.

Under HKFRS, deferred tax assets are recognized for the deductible temporary differences and the carry forward of unused tax losses and tax credits to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilized. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the deductible temporary differences and the carry forward of unutilized losses and tax credits, the asset balance will be reduced and charged to the income statement. A variety of other factors are also evaluated in considering whether there is evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, the percentages and the periods in which estimated tax losses can be utilized. As of December 31, 2019, CKHH had a total deferred tax asset balance⁽¹⁾ of HK\$17,510 million (US\$2,245 million) related to the CKH Group Telecom mobile operations. The ultimate realization of deferred tax assets recognized depends principally on these businesses achieving profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. In each of the countries and locations that CKH Group Telecom operates, taxation losses may be carried forward indefinitely. In addition, in the UK, CKHH benefits from the availability of group relief in relation to taxation losses generated by its telecommunications operations to offset taxable profits from its other businesses in the same period. If there is a significant adverse change in taxation rates and legislations, or in the projected performance and resulting cashflow projections of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the income statement, which could have a material adverse effect on CKHH's financial condition and results of operations.

⁽¹⁾ Under Post-IFRS 16 basis, CKHH had a total deferred tax asset balance of HK\$17,704 million (US\$2,270 million) related to the CKHGT mobile operations.

In August 2019, CKH Group Telecom was assigned long term credit ratings of “BBB+” from Fitch, “Baa1” from Moody’s and “A-” from S&P. No assurance can be given that CKH Group Telecom’s credit ratings or outlook will remain for any given period of time or that a credit rating will not be lowered or withdrawn by the relevant rating agency. Although CKH Group Telecom aims to maintain a capital structure that is appropriate for long-term investment grade ratings, actual credit ratings may deviate from these levels due to economic circumstances. If liquidity in the capital and loan markets declines and/or any of the ratings of CKH Group Telecom declines, the availability and cost of borrowings could be affected and adversely impact CKH Group Telecom’s and therefore CKHH’s financial condition and results of operations, liquidity and cashflows.

Hutchison Telecommunications International Limited (“HTIL”)

On May 8, 2007, HTIL completed the sale of its entire indirect interest in CGP Investments (Holdings) Limited (“CGP”), then a Cayman Islands incorporated subsidiary, to a subsidiary of Vodafone Group Plc (“Vodafone”) incorporated in the Netherlands (“Vodafone Netherlands”). CGP held, through various subsidiaries, all of HTIL’s indirect interests in the Indian mobile telecommunications operation, comprising Vodafone India Limited (then known as Hutchison Essar Limited) and its subsidiaries. As a result of the sale, the HTIL Group realized a pre-tax gain of approximately HK\$69,343 million (US\$8,890 million).

The Indian tax authorities (“ITA”) initiated an investigation into Vodafone Netherlands’ obligations to withhold tax from the acquisition proceeds. Vodafone Netherlands disputed the jurisdiction of the ITA in this matter by filing a Writ Petition with the Bombay High Court. On January 20, 2012, the Indian Supreme Court gave its ruling that the ITA did not have the jurisdiction as the sale was not taxable in India.

On May 28, 2012, the Government of India enacted several amendments to the Income Tax Act, 1961, that are retrospective to April 1, 1962 (“Retrospective Provisions”). Following the enactment of the Retrospective Provisions, ITA reminded Vodafone Netherlands that it is required to pay tax in India under a demand raised prior to the Retrospective Provisions.

If, as a consequence of the Retrospective Provisions, Vodafone Netherlands is required to pay tax in India, this could lead to a dispute between Vodafone Netherlands and HTIL (“Vodafone Dispute”).

HTIL received an assessment order from the ITA dated January 25, 2017 (“AO”) in respect of the same transaction. The AO imposes tax (“CGT”) of approximately INR79 billion (US\$1.027 billion) on the aforementioned gains as well as interest on the unpaid CGT (“Interest”) of approximately INR164.3 billion (US\$2.14 billion). HTIL also received a penalty order from the ITA dated July 3, 2017 (“PO”) for a penalty of approximately INR79 billion (US\$1.027 billion) (“Penalty”) relating to the CGT (CGT, Interest and Penalty together referred to as the “Taxes”). In this paragraph, the US\$ amounts have been converted from INR amounts at the rate of INR1 to US\$0.013 for illustrative purposes only.

HTIL believes that the Taxes cannot be validly imposed, and it has obtained legal advice that the AO and the PO cannot create any liability for taxes, interest, penalties or otherwise that is legally enforceable.

CKHH has not made a provision in respect of either (i) any Taxes that may arise as a consequence of the Retrospective Provisions or (ii) the Vodafone Dispute. If HTIL is eventually required to make a payment in respect of these items, there may be a material adverse effect on CKHH’s financial condition and results of operations.

Cashflow, Liquidity and Credit Ratings

From time to time, CKHH accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions may be impacted by many factors which include, among others, liquidity in the capital markets and CKHH’s credit ratings. Although CKHH aims to maintain a capital structure that is appropriate for long-term investment grade ratings, actual credit ratings may deviate from these levels due to economic circumstances or other factors such as how CKHH formulates, implements and integrates its Environmental, Social and Governance (“ESG”) strategies in relation to its core businesses. If liquidity in the capital markets declines and/or credit ratings of CKHH decline or other factors, such as ESG considerations, the availability and cost of borrowings could be affected and impact CKHH’s financial condition and results of operations, liquidity and cashflows.

After the completion of the Reorganization of Cheung Kong (Holdings) Limited (“Cheung Kong”) and Hutchison Whampoa Limited (“Hutchison”) on June 3, 2015, CKHH was assigned long-term credit ratings of A3 from Moody’s on June 3, 2015, A- from S&P’s on July 6, 2015 and A- from Fitch on July 13, 2015. In November 2017, Moody’s revised CKHH’s rating from A3 to A2 with a stable outlook. In September 2018, S&P revised CKHH’s rating from A- to A with a stable outlook. CKHH’s long term rating from Fitch remained at A- with a stable outlook. However, no assurance can be given that any of CKHH’s credit ratings or outlook will remain for any given period of time or that a credit rating will not be lowered by the relevant rating agency. A negative change in one or more of CKHH’s credit ratings could, notwithstanding that it is not a rating of the notes or the Guarantee, adversely impact the market price and the liquidity of the notes.

Currency Fluctuations

CKHH reports its results in Hong Kong dollars but its subsidiaries, associates and joint ventures around the world receive revenue and incur expenses in around 50 different local currencies. CKHH’s subsidiaries, associates and joint ventures may also incur debt in these local currencies. Consequently, CKHH is exposed to potential adverse impact of currency fluctuations on translation of the results and balance sheet items of these subsidiaries, associates and joint ventures and also on repatriation of earnings, equity investments and loans. Although CKHH actively manages its currency exposures, depreciation or fluctuation of the currencies in which CKHH conducts its operations relative to the Hong Kong dollar could have a material adverse effect on CKHH’s financial condition and results of operations.

Strategic Partners

CKHH conducts some of its businesses through non-wholly-owned subsidiaries, associates and joint ventures in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with CKHH in the future or that CKHH will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, other investors in CKHH’s non-wholly-owned subsidiaries, associates and joint ventures may undergo a change of control or financial difficulties, which may negatively impact CKHH’s financial condition and results of operations.

Impact of National, EU and International Law and Regulatory Requirements

As a global business, CKHH is exposed to local business risks in several different countries, which could have a material adverse effect on its financial condition and results of operations. CKHH operates in many countries around the world and may increasingly become exposed to different and changing government policies, political, social, legal and regulatory requirements at the national or international level, including but not limited to those required by the EU or the World Trade Organization (“WTO”) or national authorities. These include:

- changes in tariffs and trade barriers, including changes which may result from the UK’s withdrawal from the EU (see “Risk Factors — UK’s Exit from the European Union” for further details), as well as government-determined tariff resets of CKHH regulated infrastructure assets;
- changes in taxation regulations and interpretations;
- competition (anti-trust) laws applicable to CKHH’s activities, including the regulation of monopolies and the conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and laws requiring the approval of certain mergers, acquisitions and joint ventures which could restrict CKHH’s ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions and/or result in imposition of fines on the relevant operations;
- changes in the process of or the conditions or criteria to obtaining or maintaining licenses, permits and governmental approvals necessary to operate certain businesses;
- conditions or criteria to obtaining or maintaining assets that may be viewed by governments or regulatory authorities as critical assets for national security purposes, for example in the telecommunications, ports and energy sectors; and
- environmental, safety, employee and consumer protection laws, rules and regulations.

See “Operations — Telecommunications — CK Hutchison Group Telecom — European Union Regulation” for a discussion of the EU regulatory framework applicable to CKHH’s CK Hutchison Group Telecom businesses in Europe. There can be no assurance that the European institutions and/or the regulatory authorities of the countries in which 3 Group Europe operates will not make decisions or interpret and implement regulations in a manner that materially and adversely affects CKHH’s financial condition and results of operations in the future.

CKHH’s overall success as a global business depends, in part, upon its ability to succeed in different economic, social, and political conditions. There can be no assurance that CKHH will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business.

Hong Kong and the Mainland

CKHH is a Cayman Islands corporation listed on The Stock Exchange of Hong Kong Limited (“SEHK”) with a number of its businesses operating in Hong Kong. As a result, CKHH’s financial condition and results of operations may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy and the economies in the surrounding region, particularly the Mainland.

As of July 1, 1997, Hong Kong ceased to be a Crown Colony of the UK and became a Special Administrative Region of the PRC. Although the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of Hong Kong provide that Hong Kong will have a high degree of legislative, judicial and economic autonomy, there can be no assurance that CKHH’s financial condition and results of operations will not be materially and adversely affected as a consequence of the exercise of Chinese sovereignty over Hong Kong or other economic, social and/or political unrest or developments in Hong Kong. In addition, political, social and economic developments in the Mainland and the Mainland’s trading relationships with other countries have from time to time materially and adversely affected the Hong Kong economy.

CKHH currently has investments via subsidiaries and joint venture companies in the Mainland. CKHH could decide to invest considerable additional capital resources to enter various markets in the Mainland. The value of CKHH’s investments in the Mainland may be adversely affected by significant political, social or legal uncertainties in the Mainland. The PRC Government has been reforming its economic and political systems since the late 1970s. The continued implementation of reforms may be influenced by internal political, social and economic factors. Changes in economic policy or legal requirements may have adverse effects on the Mainland economy and could materially and adversely affect CKHH’s investments in the Mainland.

Future Growth

CKHH continues to cautiously expand the scale and geographic spread of its businesses through investment in organic growth, as well as undertaking selective mergers, acquisitions and disposal activities if appropriate opportunities in the market arise. Success of CKHH’s mergers and acquisitions will depend, among other things, on the ability of CKHH to realize the expected synergies, cost savings and growth opportunities upon integration of the merged or acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the merged or acquired businesses successfully, or a longer than projected period to realize the expected synergies, will not have a material adverse effect on CKHH’s financial condition, results of operations and prospects.

Completion risk of mergers and acquisitions

CKHH may from time to time engage in mergers, acquisitions, joint ventures or other consolidation transactions between its businesses and certain third party companies (including competitors). Such transactions are typically subject to merger and other regulatory approvals by the competent authorities who may only approve the transaction subject to conditions, or who may prohibit the transaction. There can be no assurance that such approvals or other conditions would be obtained or satisfied and, even if such approvals are obtained, third parties may initiate proceedings to appeal against such approvals. If a proposed transaction is prohibited or the relevant approvals are revoked and the transaction cannot be completed, CKHH will have incurred significant legal, accounting and other costs in connection with the transaction without realizing its anticipated benefits, which may have included increased earnings, scale, competitive strength and market share. As a consequence, CKHH’s financial position and results

of operation could be negatively impacted. Such third party companies may also choose to merge with or be acquired by another of CKHH's competitors, which could result in a new competitor with greater scale, financial strength and other resources. As a result, if a transaction is prohibited by a competent authority or if a transaction is approved but such approval is subsequently revoked, it could have a material adverse impact on CKHH's business, financial condition and results of operation.

Accounting

The HKICPA is continuing its policy of issuing HKFRS, amendments and interpretations that fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). HKICPA has issued and may in the future issue more new and revised standards, amendments and interpretations, including those required to conform to standards, amendments and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new HKFRS will not have a significant impact on CKHH's financial condition and results of operations.

In the course of auditing CKHH's consolidated financial statements, CKHH's independent auditor has in the past identified issues relating to, and made recommendations to improve, the internal controls of various CKHH operating units. While CKHH has taken steps to address these issues based on the recommendations of its independent auditor, there is no assurance that these steps will be effective or that these or other internal control issues would not be identified by CKHH's independent auditor in the future.

Differences between HKFRS and U.S. GAAP

CKHH's consolidated financial statements included elsewhere in this offering memorandum are prepared and presented in accordance with HKFRS. Significant differences may exist between HKFRS and U.S. GAAP which might be material to the financial information contained herein. This offering memorandum does not contain any discussion on the differences between HKFRS and U.S. GAAP relevant to CKHH's consolidated financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how these differences might affect the financial information herein.

Publicly Available Financial Information of Certain Subsidiaries, Associates and Joint Ventures

Certain of CKHH's subsidiaries, associates and joint ventures may, or are required to, make publicly available their financial results from time to time (on an annual, interim, quarterly basis or otherwise). Due to different accounting policies and measurement bases used in preparing CKHH's financial information and the financial information of certain subsidiaries, associates and joint ventures, consolidation adjustments are required to be made to the financial information of these subsidiaries, associates and joint ventures to align accounting policies and measurement bases when preparing CKHH's consolidated financial statements. Such adjustments may be significant and the actual impact of the financial results of CKHH's subsidiaries, associates and joint ventures on the financial results of CKHH may not be known until the consolidation of CKHH's financial results is complete. In addition, there can be no assurance that these publicly available financial results of such CKHH's subsidiaries, associates and joint ventures on an individual basis can be relied upon as an indication of the consolidated financial results of CKHH.

Impact of Regulatory Reviews

CKHH and some of its subsidiaries and associates are listed on various stock exchanges around the world and are subject to regulatory reviews of their various filings by the respective stock exchange's regulatory bodies and/or other regulatory authorities. While all of CKHH's publicly listed companies endeavor to comply with all regulatory requirements of the various stock exchanges and other authorities in the countries in which they operate, and obtain independent professional advice as appropriate, there can be no assurance that the regulatory bodies' review will not result in a disagreement with CKHH's interpretations and judgments and that any required actions mandated by the authorities will not have an adverse impact on CKHH's financial position and results of operations.

Outbreak of Highly Contagious Disease

The Severe Acute Respiratory Syndrome outbreak in 2003 had a significant adverse impact on the economies of the affected countries. Since then, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A", the spread of H1N1 virus or "Swine Flu" among humans, the outbreak of H7N9 virus in the Mainland, an epidemic of the Ebola virus and the Zika virus. Currently, extensive disruption on movement of people and goods is occurring due to the global outbreak of

COVID-19, which the World Health Organization has declared to be a pandemic. COVID-19 or other outbreaks of contagious disease can disrupt CKHH's operations, supply chains and customer facing businesses, with potential adverse effects on CKHH's operating results. See also "Summary — Recent Developments — COVID-19 impact" and "— Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations"

Natural Disasters

Some of CKHH's assets and projects, and many of CKHH's customers and suppliers are located in areas at risk of damage from earthquakes, floods and typhoons. The occurrence of any such damage could disrupt CKHH's business materially and adversely affect CKHH's financial condition and results of operations.

Although CKHH has not experienced any significant structural damage to infrastructure projects or ports or other facilities from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to CKHH's infrastructure projects, ports or other facilities, or on the general supporting infrastructure facilities in the vicinity, which could materially and adversely affect CKHH's financial condition and results of operations.

Climate Change

Global climate change has already impacted many parts of the environment including loss of sea ice, accelerated sea level rise and more intense and longer heat waves. Scientists predict the global mean temperature will continue to rise and will produce beneficial impact to some regions while harmful in others.

Some of CKHH's assets and businesses, and many of CKHH's customers and suppliers are located in areas that would be affected in the medium to long term by such climate changes. It may also increase the frequency and intensity of extreme weather events some of which can result in natural disasters. These climate changes could disrupt supply chains, interrupt business operations and cause financial and physical damages. Alternation in weather patterns, such as typhoons, droughts, or rain amount may cause shortage of crops for food and other natural resources. The harsher temperatures in some locations may also pose increased risk for employees working in those locations. Changes in microclimates for certain locations may render certain businesses obsolete. Some governments are also beginning to introduce legislations or requirements to restrict emissions and other environmental protective measures. Regulations, disruption and damage arising from climate change could have a material impact on CKHH's business and adversely affect CKHH's financial condition and results of operations.

Although CKHH has not experienced any significant disruption or damage from climate change thus far, there can be no assurance that rising sea levels, prolonged droughts or heat waves and other extreme weather patterns will not occur and result in major disruption or damage to CKHH's assets and businesses, which could materially and adversely affect CKHH's financial condition and results of operations.

Political Unrest and Terrorist Attacks

CKHH has presence in over 50 countries around the world. There can be no assurance that all of these countries will remain politically stable or immune to terrorist attacks, and if any of these countries suffers from political unrest or terrorist attacks, it may have an adverse impact on CKHH's financial condition and results of operations.

Impact of Possible Economic Sanctions on Business Partners, Suppliers or Businesses in General

Governments and multinational organizations (including the State Department and the Department of the Treasury's Office of Foreign Assets Control ("OFAC") of the US and the United Nations), from time to time administer certain laws and regulations that impose restrictions with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of economic sanctions. There can be no assurance that such sanctions or other restrictions will not affect the jurisdictions in which CKHH conducts its business, any of CKHH's business partners or suppliers or otherwise. To the extent that any such sanction or restriction is imposed in any jurisdictions where CKHH's business operates, CKHH may need to cease operations in those jurisdictions and suffer losses in that regard. If any of CKHH's business partners or suppliers is impacted by sanctions or restrictions,

provision of goods, services or support by them may be disrupted or discontinued, which may affect CKHH's ability to continue to operate related businesses. If any of CKHH's business partners is affected by sanctions or restrictions, the continuation or disruption of strategic alliance with such business partners may also affect CKHH's ability to continue to operate related businesses and/or may result in suspension of operations. There can be no assurance that CKHH will be able to obtain alternative goods, services, support or alliance it needs for the operation of its business, in a timely manner or at competitive terms, and no assurance that any compensation recoverable from business partners or suppliers for the discontinued or disrupted supply, service, support or alliance will be available or adequate. Any of these factors could have a material adverse effect on CKHH's financial condition and results of operations.

Cyber Security Risks

Cyber attacks, including through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means for obtaining unauthorized access to or disrupting the operation of CKHH's networks, systems and data base of CKHH or its suppliers, vendors and other service providers, could have an adverse effect on CKHH's business, operations and reputation. Cyber attacks may cause equipment failures, loss or leakage of data, including personal data of customers or employees and technical and trade information, as well as disruptions to CKHH's or its customers' operations. Corporate cyber attacks have increased in frequency, scale and severity in recent years. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external parties operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. The measures deployed by CKHH may not be able to prevent, eliminate or minimize the risks associated with cyber attacks.

Any operational impacts caused by cyber attacks to the networks, systems and data base of CKHH or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or a loss of business. The costs required to remedy a major cyber attack on CKHH could include expensive incentives to certain existing customers and business partners, increased expenditures on cyber security measures and the use of alternate resources. CKHH may also suffer a loss of revenue owing to business interruption and claims from regulators and other third parties. The potential costs associated with these attacks could exceed the insurance coverage CKHH maintains. In addition, a compromise of security or leakage of data, such as personal data and technical and trade information, could result in third party claims and/or regulatory claims or investigations. Any of these occurrences could damage CKHH's reputation, adversely impact customer and investor confidence, and materially and adversely affect CKHH's financial condition and results of operations.

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the CKHH group of companies collect, store and use data that is protected by data protection laws in the different countries in which they operate. As regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within CKHH's business are expected to intensify. For example, the General Data Protection Regulation (2016/679/EU), which came into effect in May 2018, introduced a number of changes to EU data protection legislation such as permitting national supervisory authorities in the European Union to levy administrative penalties of up to 4 per cent. of companies' global annual turnover in cases of significant non-compliance and direct liability for breach by data processors.

In the event that any relevant member of the CKHH group of companies is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on CKHH's financial condition and results of operations.

UK's Exit from the European Union

In June 2016, a majority of voters in the UK elected to withdraw from the EU in a national referendum. On March 29, 2017, the UK Prime Minister formally notified withdrawal, triggering the two-year negotiating period set out in Article 50 of the Treaty of Lisbon. In November 2018, the EU and the UK Government finalized negotiations on the legally-binding withdrawal agreement and associated political declaration on their future relationship. However, the UK Parliament failed to ratify the agreement and the UK's departure date was postponed from March 29, 2019.

In October 2019, a revised withdrawal agreement and political declaration was agreed between the EU and the UK Government. Both documents were subsequently ratified by the UK Parliament and the European Parliament. The UK formally left the EU on January 31, 2020. The withdrawal agreement includes a transition period until December 31, 2020, during which time EU laws and regulations will continue to apply broadly as now. The long-term impact of the UK's decision to leave the EU is not known and will depend on the final terms agreed (if any) between the UK and the EU during the course of 2020 as well as on the UK's ability to secure favorable trade and investment terms with countries outside the EU. There is considerable uncertainty as to the impact of the UK's exit from the EU on the general economic conditions in the UK or its wider impact in the EU. As such, no assurance can be given as to the impact of the UK's departure from the EU and, in particular, no assurance can be given that such matters would not adversely affect CKHH's financial condition and results of operations.

Controlling Shareholder

Mr. Li Ka-shing, the Senior Advisor of CKHH, and Mr. Li Tzar Kuoi, Victor, the Chairman of CKHH, respectively owned one-third and two-thirds of the issued share capital of certain holding companies which in turn own one-third or more of the issued share capital of the trustees in a certain trust structure. Such trust structure, through companies 100% owned, held approximately 30.08% of the issued shares of CKHH as of December 31, 2019.

Although CKHH believes that its relationship with such trust structure and its associates provides it with significant business advantages, the relationship results in various related party, or "connected" transactions. Such trust structure is a connected person of CKHH for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and accordingly any transactions entered into between CKHH and/or subsidiaries of CKHH and such trust structure, its subsidiaries or associates thereof are connected transactions which, unless one of the exemptions is available or relevant waivers are applied for and granted, will be subject to the relevant requirements of Chapter 14A of the Listing Rules. These requirements include the issuance of certain announcements, the inclusion of certain disclosures in annual reports and accounts, and the obtaining of independent shareholders' approval at general meetings, the obtaining of which cannot be assured.

Holding Company Structure and Structural Subordination

The Issuer is a wholly-owned subsidiary of CKHH and its primary purpose is to act as a financing subsidiary of CKHH. The Guarantee is solely an obligation of the Guarantor. The Guarantor is primarily a holding company and its ability to make payments to holders of the notes pursuant to the Guarantee in respect of the notes depends largely upon the receipt of dividends, distributions, interest or advances from its wholly or partially owned subsidiaries and associates. The ability of the subsidiaries and associates of the Guarantor to pay dividends are subject to applicable laws. Payments on the notes are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries (other than the Issuer) and associates. These subsidiaries had an aggregate of HK\$151,484 million (US\$19,421 million) principal amount of bank and other debts outstanding as of December 31, 2019. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the notes seeking to enforce the Guarantee. The terms and conditions of the notes do not contain any restrictions on the ability of the Issuer, CKHH or its subsidiaries to incur additional indebtedness. In addition, the terms and conditions of the notes contain a cross acceleration provision, but that provision is limited to the Issuer, the Guarantor and any Principal Subsidiary (as defined therein) (other than Listed Principal Subsidiaries (as defined therein) and their Subsidiaries) and contains certain carve outs for, among others, project financing indebtedness and subsidiary indebtedness with a certain credit rating which is not guaranteed by the Guarantor or any Principal Subsidiary. For further detail see "Description of the Notes and the Guarantee — Events of Default".

The Issuer and the Guarantor May Raise Other Capital Which Affects the Price of the Notes

The Issuer and/or the Guarantor may from time to time without prior consultation of the holders of the notes raise additional capital through the issue of other notes or other means. Under the terms of the notes, there is no restriction, contractual or otherwise, on the amount of debt securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or pari passu with, the notes. The issue of any such debt securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of the notes on a winding-up of the Issuer and/or the Guarantor, and may also have an adverse impact on the trading price of the notes and/or the ability of holders of the notes to sell the notes. There can be no assurance that such future issuance or capital raising activities will not result in a significant decrease of the market price of the notes.

No Prior Market for the Notes

The notes are new issues of securities for which there is currently no trading market. If the notes are traded after they are issued, they may trade at a discount from their initial offering price, depending on many factors, including prevailing interest rates, the market for similar securities, general economic conditions, and CKHH's financial condition, performance and prospects. Although application will be made to the SGX-ST for the listing and quotation of the notes on the SGX-ST, no assurance is made that the application to the SGX-ST will be approved or that such listing will be maintained, or that, if listed, a liquid trading market will develop or continue. If an active trading market for the notes does not develop or continue, the market price and liquidity of the notes may be adversely affected. The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be unduly burdensome.

Foreign Account Tax Compliance Act Reporting and Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the U.S. Treasury regulations promulgated thereunder ("FATCA") generally impose information reporting requirements on certain non-U.S. financial institutions ("foreign financial institutions") in respect of their direct and indirect U.S. investors and U.S. accountholders in order for a foreign financial institution to avoid becoming subject to withholding on certain U.S.-source payments it receives. If the Guarantor is treated as a foreign financial institution for these purposes, or if one or more of the Guarantor's subsidiaries (including the Issuer) were to be so treated, it or they may face increased compliance costs in order to comply with these requirements and information regarding the holders of notes may be reported (directly or indirectly through local tax authorities) to the U.S. Internal Revenue Service ("IRS").

If the payee is a foreign financial institution and is subject to diligence and reporting requirements, then, pursuant to an agreement between it and the U.S. Treasury, it must, among other things, identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. An applicable intergovernmental agreement regarding FATCA between the United States and a non-U.S. entity's jurisdiction may modify the general rules described above.

The withholding tax imposed by FATCA, when and if it applies, may affect payments made to custodians or intermediaries in the series of payments leading to a holder if any such custodian or intermediary has not complied with information reporting, certification and related requirements. Accordingly, a holder of notes that holds notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because the bank or broker fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. Pursuant to recently proposed regulations, the U.S. Treasury has indicated its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The U.S. Treasury has indicated that taxpayers may rely on these proposed regulations pending their finalization. Prospective investors should consult their tax advisors regarding FATCA.

Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the notes. Many non-U.S. governments, including those of the Cayman Islands and Hong Kong, have entered into or are expected to enter into agreements with the United States to implement FATCA in a manner that alters the rules described herein. In the event any withholding under FATCA is imposed with respect to any payments on the notes, no additional amounts will be payable by the Issuer or the Guarantor with respect to any withheld amount. See "Description of the Notes and the Guarantee — Additional Amounts" and "Taxation — U.S. Federal Income Taxation — FATCA Reporting and Withholding".

USE OF PROCEEDS

The net proceeds of the sale of the notes after deducting commissions will be approximately US\$1,482 million and will initially be advanced by the Issuer to CKHH and/or one or more of CKHH's subsidiaries. CKHH intends to use the net proceeds of this offering to refinance certain indebtedness, including recourse or non-recourse indebtedness owed by subsidiaries of CKHH, indebtedness falling due in the near term and indebtedness which would provide an economic benefit to CKHH upon early repayment. Such indebtedness has been incurred for general corporate purposes, including the funding of capital expenditures and investments in CKHH's core business activities. In the event that CKHH determines not to use certain of the proceeds for this purpose, such proceeds will be used for general corporate purposes, including the funding of capital expenditures.

THE ISSUER

CK Hutchison International (20) Limited, a wholly-owned subsidiary of the Guarantor, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on April 8, 2020. Its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-361850.

The Issuer, whose primary purpose is to act as a financing subsidiary of the Guarantor, will remain a wholly-owned subsidiary of the Guarantor as long as the notes issued by it are outstanding. The Issuer has no material assets.

The directors of the Issuer are as follows:

Name	Position
Frank John SIXT	Director
Dominic Kai Ming LAI	Director
Edith SHIH	Director

The business address of the abovementioned directors for the purposes of their directorships of the Issuer is CK Hutchison International (20) Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Further information on the particulars and experience of the directors of CKHH is set forth below in "Management of CKHH".

The objects for which the Issuer is established are set forth in clause 3 of the Issuer's Memorandum of Association (copies of which are available as described under "General Information"). The Issuer has full power and authority to carry out any object not prohibited by the laws of the Cayman Islands.

The authorized share capital of the Issuer is US\$50,000, divided into 50,000 shares of US\$1.00 par value each, of which one ordinary share is issued and outstanding and has been fully paid.

No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this offering memorandum, the Issuer does not have any debt outstanding.

The Issuer has no subsidiaries. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under the laws of the Cayman Islands. The Issuer's non-audited financial statements are not published and are prepared only for internal purposes. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions. If the Issuer publishes any of its accounts, such published accounts of the Issuer will, in the event that and for as long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require (or for as long as the notes are listed on another stock exchange and its rules so require), be made available free of charge at the offices of the Fiscal Agent.

CAYMAN ISLANDS DATA PROTECTION

The Issuer has certain duties under the Data Protection Law, 2017 of the Cayman Islands (the “DPL”).

Prospective investors should note that, by virtue of making investments in the notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Issuer and its affiliates and/or delegates with information which constitutes personal data within the meaning of the DPL. The Issuer may constitute a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

By investing in the notes, the holders of the notes and individuals connected with the holders of the notes shall be deemed to acknowledge that they have read in detail and understood the Privacy Notice set out below and that such Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the notes.

Oversight of the DPL is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPL by the Issuer could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

PRIVACY NOTICE

Introduction

The purpose of this notice is to provide holders of the notes and individuals connected with the holders of the notes with information on the Issuer's use of their personal data in accordance with the DPL. In the following discussion, "Issuer" refers to the Issuer and its or their affiliates and/or delegates, except where the context requires otherwise.

Investor Data

By virtue of making an investment in the Issuer and a holder's associated interactions with the Issuer (including any subscription (whether past, present or future), including the recording of electronic communications or phone calls where applicable) or by virtue of a holder of the notes otherwise providing the Issuer with personal information on individuals connected with the holder of the notes as an investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), the holder of the notes will provide the Issuer with certain information which constitutes personal data within the meaning of the DPL ("Investor Data"). The Issuer may also obtain Investor Data from other public sources. Investor Data includes, without limitation, the following information relating to a holder of the notes and/or any individuals connected with a holder of the notes as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the holder's investment activity. In the Issuer's use of Investor Data, the Issuer may be characterized as a "data controller" for the purposes of the DPL. The Issuer's affiliates and delegates may act as "data processors" for the purposes of the DPL.

Who this Affects

If a holder of the notes is a natural person, this will affect such holder directly. If a holder of the notes is a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides the Issuer with Investor Data on individuals connected to such holder for any reason in relation to such holder's investment with the Issuer, this will be relevant for those individuals and such holder should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

How the Issuer May Use Personal Data of a Holder of the Notes

The Issuer may collect, store and use Investor Data for lawful purposes, including, in particular: (i) where this is necessary for the performance of the rights and obligations under the notes and any subscription agreements or purchase agreements and other documents relating to the notes; (ii) where this is necessary for compliance with a legal and regulatory obligation to which the Group is subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or (iii) where this is necessary for the purposes of the legitimate interests of the Group and such interests are not overridden by the holder's interests, fundamental rights or freedoms. Should the Issuer wish to use Investor Data for other specific purposes (which requires consent of the holder of the notes with respect to such specific purposes), the Issuer will contact the applicable holder of the notes.

Why the Issuer May Transfer Personal Data of a Holder of the Notes

In certain circumstances, the Issuer and/or its authorized affiliates or delegates may be legally obliged to share Investor Data and other information with respect to a holder's interest in the Issuer with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

The Issuer anticipates Investor Data will be disclosed by the Issuer or the holders of the notes to others who provide services to the Issuer, the Group, CKHH or their respective affiliates (which may include certain entities located outside the Cayman Islands or the European Economic Area), who will process a holder's personal data on the Issuer's behalf.

The Data Protection Measures the Issuer Takes

The Issuer and/or its duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of Investor Data, and against accidental loss or destruction of, or damage to, Investor Data. The Issuer shall notify a holder of the notes of any Investor Data breach that is reasonably likely to result in a risk to the interests, fundamental rights or freedoms of either such holder or those data subjects to whom the relevant Investor Data relates.

CAPITALIZATION OF CKHH

The following table sets forth the consolidated capitalization of CKHH as of December 31, 2019 as adjusted to give effect to the offering of the notes. The table has been prepared on a basis consistent with the principal accounting policies of CKHH as set out in CKHH's audited consolidated financial statements for the year ended December 31, 2019 included elsewhere in this offering memorandum and should be read in conjunction with such audited consolidated financial statements.

	As of December 31, 2019		
	Audited Actual	As adjusted	As adjusted ⁽¹⁾
	(in million)	(in million)	(in million)
Short-term bank and other debts ⁽²⁾ (including current portion of long-term debt) . . .	HK\$41,669	HK\$41,669	US\$5,342
Long-term bank and other debts ⁽²⁾ (net of current portion)	HK\$305,828	HK\$305,828	US\$39,209
Interest bearing loans from non-controlling shareholders	HK\$728	HK\$728	US\$93
Notes offered hereby ⁽¹⁾	—	HK\$11,700	US\$1,500
Total ordinary shareholders' funds ⁽³⁾	HK\$464,285	HK\$464,285	US\$59,524
Perpetual capital securities	HK\$12,410	HK\$12,410	US\$1,591
Non-controlling interests	HK\$120,268	HK\$120,268	US\$15,419
Total capitalization	HK\$903,519	HK\$915,219	US\$117,336
Total short-term bank and other debts ⁽²⁾ and capitalization	HK\$945,188	HK\$956,888	US\$122,678

⁽¹⁾ Translated based on an exchange rate of US\$1.00 = HK\$7.80.

⁽²⁾ Short-term bank and other debts and long-term bank and other debts represent the respective current and non-current portion of bank and other debts. Bank and other debts comprise the principal amount and the unamortized fair value adjustments arising from acquisitions in respect of the bank and other debts, and are stated before the unamortized loan facilities fees and premiums or discounts related to debts and adjustments to carrying amounts pursuant to unrealized gains (losses) on interest rate swap contracts.

⁽³⁾ Total ordinary shareholders' funds comprise share capital, share premium and reserves as of December 31, 2019. The number stated above is before deducting the proposed 2019 final dividend of HK\$8,870 million.

As of December 31, 2019, the share capital comprised 3,856,240,500 issued and fully paid ordinary shares.

Except for the adjustments included in the table above and the developments described below, there has been no material change in the total capitalization of CKHH since December 31, 2019.

- In January 2020, CKHH repaid two HK\$500 million fixed rate notes on maturity; and
- In February 2020, CKHH obtained a three year floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million).

SELECTED FINANCIAL INFORMATION

(A) Consolidated income statement, statement of financial position and statement of cash flows of CKHH

CKHH's consolidated financial statements are prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Significant differences may exist between HKFRS and United States' Generally Accepted Accounting Principles ("U.S. GAAP") which may be material to the financial information contained in this offering memorandum. This offering memorandum does not contain any discussion on the differences between HKFRS and U.S. GAAP relevant to CKHH's consolidated financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between HKFRS and U.S. GAAP, and how these differences might affect the financial information herein.

CKHH's consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong, as stated in their unqualified audit reports dated March 16, 2018, March 21, 2019 and March 19, 2020, respectively. These consolidated financial statements and PwC's reports are included elsewhere in this offering memorandum.

The tables in this section set out

- (1) consolidated income statement of CKHH for each of the years ended December 31, 2017, 2018 and 2019;
- (2) consolidated statement of financial position of CKHH as of December 31, 2017, 2018 and 2019; and
- (3) consolidated statement of cash flows of CKHH for each of the years ended December 31, 2017, 2018 and 2019.

The selected financial information

- as of December 31, 2017 and for the year then ended has been extracted from CKHH's audited consolidated financial statements for the year ended December 31, 2017, except to the extent of incorporating the changes adopted by CKHH in 2018 in presenting (1) certain line items of the consolidated income statement as described in footnote (a) to the table "Consolidated Income Statement"; and (2) certain line items of the consolidated statement of financial position as described in footnote (a) to the table "Consolidated Statement of Financial Position";
- as of December 31, 2018 and 2019 and for each of the years then ended has been extracted from CKHH's audited consolidated financial statements for the year ended December 31, 2019.

The selected financial information sets out in this section should be read in conjunction with the aforementioned consolidated financial statements of CKHH, including the notes thereto, PwC's related reports, and other financial information that is included elsewhere in this offering memorandum.

Amounts in CKHH's consolidated financial statements are stated in Hong Kong dollars. The translation of Hong Kong dollar amounts into U.S. dollars is for convenience only and has been made at the rate of HK\$7.80 to US\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be converted into U.S. dollars at the rate indicated or at any other rate.

Consolidated Income Statement

	Year Ended December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million (other than per share amounts)	HK\$ million (other than per share amounts)	HK\$ million (other than per share amounts)	US\$ million (other than per share amounts)
Revenue	248,515	277,129	299,021	38,336
Cost of inventories sold	(101,328)	(109,564)	(105,959)	(13,584)
Staff costs	(33,572)	(36,478)	(37,958)	(4,867)
Expensed customer acquisition and retention costs	(16,545)	(16,124)	(17,755)	(2,276)
Depreciation and amortization	(17,105)	(19,739)	(38,129)	(4,888)
Other operating expenses	(44,570)	(49,337)	(40,046)	(5,134)
Share of profits less losses of:				
Associated companies	6,797	2,888	1,524	195
Joint ventures	12,500	10,220	7,404	949
Profit before the following:	54,692	58,995	68,102	8,731
Interest expenses and other finance costs	(8,274)	(9,797)	(14,305)	(1,834)
Profit before tax	46,418	49,198	53,797	6,897
Current tax	(5,415)	(3,912)	(4,891)	(627)
Deferred tax credit (charge)	2,599	1,294	(1,129)	(145)
Profit after tax	43,602	46,580	47,777	6,125
Profit attributable to non-controlling interests and holders of perpetual capital securities	(8,502)	(7,580)	(7,947)	(1,019)
Profit attributable to ordinary shareholders ..	35,100	39,000	39,830	5,106
Earnings per share for profit attributable to ordinary shareholders	HK\$9.10	HK\$10.11	HK\$10.33	US\$1.32

^(a) With effect from the year ended December 31, 2018, "Telecommunications customer acquisition costs" has been renamed to "Expensed customer acquisition and retention costs" in the consolidated income statement. This change in description has no impact on CKHH's consolidated income statement. The consolidated income statement included in CKHH's audited consolidated financial statement for the year ended December 31, 2017 has not been updated and reissued to reflect this change in description. For consistency purposes, the consolidated income statement for the year ended December 31, 2017 set out above has been updated to reflect this change in description.

Consolidated Statement of Financial Position

	As of December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Non-current assets				
Fixed assets	158,789	110,605	119,131	15,273
Right-of-use assets	—	—	83,708	10,732
Leasehold land	8,305	7,702	—	—
Telecommunications licenses	27,271	64,221	63,387	8,127
Brand names and other rights	75,985	88,761	88,275	11,317
Goodwill	255,334	323,160	308,986	39,614
Associated companies	145,343	136,287	144,751	18,558
Interests in joint ventures	162,134	121,397	143,555	18,404
Deferred tax assets	20,195	20,260	20,353	2,609
Liquid funds and other listed investments	7,813	9,292	7,722	990
Other non-current assets	5,540	10,717	14,276	1,830
	<u>866,709</u>	<u>892,402</u>	<u>994,144</u>	<u>127,454</u>
Current assets				
Cash and cash equivalents	160,470	135,411	137,127	17,580
Inventories	21,708	23,410	23,847	3,058
Trade receivables and other current assets	51,368	63,826	55,709	7,142
	<u>233,546</u>	<u>222,647</u>	<u>216,683</u>	<u>27,780</u>
Assets classified as held for sale	—	117,195	149	19
	<u>233,546</u>	<u>339,842</u>	<u>216,832</u>	<u>27,799</u>
Current liabilities				
Bank and other debts	21,712	25,986	39,995	5,128
Current tax liabilities	2,948	2,071	1,869	239
Lease liabilities	—	—	18,079	2,318
Trade payables and other current liabilities	90,228	116,272	99,358	12,738
	<u>114,888</u>	<u>144,329</u>	<u>159,301</u>	<u>20,423</u>
Liabilities directly associated with assets classified as held for sale	—	77,600	—	—
	<u>114,888</u>	<u>221,929</u>	<u>159,301</u>	<u>20,423</u>
Net current assets	<u>118,658</u>	<u>117,913</u>	<u>57,531</u>	<u>7,376</u>
Total assets less current liabilities	<u>985,367</u>	<u>1,010,315</u>	<u>1,051,675</u>	<u>134,830</u>
Non-current liabilities				
Bank and other debts	310,276	325,570	304,565	39,047
Interest bearing loans from non-controlling shareholders	3,143	752	728	94
Lease liabilities	—	—	75,609	9,693
Deferred tax liabilities	25,583	19,261	16,819	2,156
Pension obligations	3,770	2,443	3,123	400
Other non-current liabilities	51,048	71,466	53,868	6,906
	<u>393,820</u>	<u>419,492</u>	<u>454,712</u>	<u>58,296</u>
Net assets	<u>591,547</u>	<u>590,823</u>	<u>596,963</u>	<u>76,534</u>

	As of December 31,			
	2017 ^(a)	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Capital and reserves				
Share capital	3,858	3,856	3,856	494
Share premium	244,505	244,377	244,377	31,330
Reserves	181,693	197,918	216,052	27,699
Total ordinary shareholders' funds	430,056	446,151	464,285	59,523
Perpetual capital securities	29,481	12,326	12,410	1,591
Non-controlling interests	132,010	132,346	120,268	15,420
Total equity	591,547	590,823	596,963	76,534

^(a) With effect from the year ended December 31, 2018, "Investment properties" are no longer shown as a separate line item in the consolidated statement of financial position but included as part of "Other non-current assets", and "Total ordinary shareholders' funds" are shown as a separate item within "Capital and reserves" section of the consolidated statement of financial position. These changes in presentation have no impact on CKHH's consolidated total equity. The consolidated statement of financial position as of December 31, 2017 included in CKHH's audited consolidated financial statements for the year ended December 31, 2017 has not been updated and reissued to reflect these changes in presentation. For consistency and comparison purposes, the consolidated statement of financial position as of December 31, 2017 set out above has been updated to reflect these changes in presentation.

Consolidated Statement of Cash Flows

	Year Ended December 31,			
	2017	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Operating activities				
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	68,137	72,590	95,291	12,217
Interest expenses and other finance costs paid (net of capitalization)	(9,375)	(10,661)	(14,621)	(1,874)
Tax paid	(4,870)	(4,584)	(5,823)	(747)
Funds from operations (before payment of lease liabilities)	53,892	57,345	74,847	9,596
Changes in working capital	(296)	(1,611)	(5,577)	(715)
Net cash from operating activities	53,596	55,734	69,270	8,881
Investing activities				
Purchase of fixed assets	(23,521)	(27,540)	(32,190)	(4,127)
Additions to leasehold land	(149)	—	—	—
Additions to telecommunications licenses	(216)	(8,527)	(1,286)	(165)
Additions to brand names and other rights	(29)	(1,479)	(2,817)	(361)
Purchase of subsidiary companies, net of cash acquired	(3,724)	(14,323)	(30)	(4)
Additions to other unlisted investments	(130)	(414)	(17)	(2)
Repayments of loans from associated companies and joint ventures	804	2,222	641	82
Purchase of and advances to associated companies and joint ventures	(37,798)	(2,446)	(885)	(113)
Proceeds from disposal of fixed assets	2,231	92	150	19
Proceeds from disposal of subsidiary companies, net of cash disposed	14,201	1,121	(1,522)	(195)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	—	—	(2,429)	(312)
Proceeds from partial disposal/disposal of associated companies and joint ventures	1,348	149	2,388	306
Proceeds from disposal of other unlisted investments	19	8	130	17
Cash flows used in investing activities before additions to/disposal of liquid funds and other listed investments	(46,964)	(51,137)	(37,867)	(4,855)
Disposal of liquid funds and other listed investments	278	387	503	64
Additions to liquid funds and other listed investments	(1,997)	(8,329)	(55)	(7)
Cash flow used in investing activities	(48,683)	(59,079)	(37,419)	(4,798)
Net cash inflow (outflow) before financing activities	4,913	(3,345)	31,851	4,083

	Year Ended December 31,			
	2017	2018	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million
Financing activities				
New borrowings	100,488	55,313	211,526	27,119
Repayment of borrowings	(87,674)	(54,961)	(211,455)	(27,110)
Payment of lease liabilities	—	—	(15,969)	(2,048)
Net loans to non-controlling shareholders	(2,139)	(185)	(2)	—
Consideration received from the economic benefits agreements	—	14,308	—	—
Issue of equity securities by subsidiary companies to non-controlling shareholders/capital redemption by non-controlling shareholders	1,584	25	(10)	(1)
Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs	5,063	—	—	—
Transaction costs in relation to issuance of shares by a subsidiary	(68)	—	—	—
Payments to acquire additional interests in subsidiary companies	(356)	(56)	(478)	(61)
Proceeds from partial disposal of subsidiary companies	—	—	2,201	282
Proceeds from issue of perpetual capital securities, net of transaction costs	7,738	4,442	—	—
Redemption of perpetual capital securities	(8,800)	(19,435)	—	—
Payments for buy-back and cancellation of issued shares	—	(131)	—	—
Dividends paid to ordinary shareholders	(10,512)	(11,341)	(12,225)	(1,567)
Dividends paid to non-controlling interests	(4,845)	(5,102)	(6,910)	(886)
Distributions paid on perpetual capital securities	(1,192)	(1,006)	(398)	(51)
Cash flows used in financing activities	(713)	(18,129)	(33,720)	(4,323)
Increase (decrease) in cash and cash equivalents	4,200	(21,474)	(1,869)	(240)
Cash and cash equivalents at January 1	156,270	160,470	138,996	17,820
Cash and cash equivalents at December 31	160,470	138,996	137,127	17,580

(B) Financial Performance Summary

CKHH's consolidated financial statements are prepared and presented in accordance with HKFRS. With effect from January 1, 2019, CKHH has adopted Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") which relates to accounting for leases. The adoption of HKFRS 16 does not require CKHH to make retrospective adjustments to restate its previously published consolidated financial statements for periods prior to January 1, 2019. Accordingly, the comparative information continues to be reported under the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). Hence, any comparison, particularly the financial results, between the two bases of reporting would not be meaningful. The Group believes that the HKAS 17 basis metrics ("Pre-HKFRS 16 basis"), which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), allows a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's financial performance prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019.

The table in this section sets out the financial performance information of CKHH

- prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2017, 2018 and 2019; and
- prepared under the Post-HKFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019.

The selected financial performance information

- for the year ended December 31, 2017 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2017, except to the extent of incorporating the changes adopted by CKHH in 2019 in presenting certain line items of the segment information as described in footnote (a) to the table "Financial Performance Summary"; and
- for each of the years ended December 31, 2018 and 2019 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2019.

These financial performance summaries are included elsewhere in this offering memorandum. The selected financial performance information sets out in this section should be read in conjunction with the aforementioned financial performance summaries, including the notes thereto, and other financial information that is included elsewhere in this offering memorandum.

Amounts in CKHH's Financial Performance Summary are stated in Hong Kong dollars. The translation of Hong Kong dollar amounts into U.S. dollars is for convenience only and has been made at the rate of HK\$7.80 to US\$1.00. No representation is made that Hong Kong dollars have been, could have been, or could be converted into U.S. dollars at the rate indicated or at any other rate.

CK Hutchison Holdings Limited
Financial Performance Summary:

	Pre-HKFRS 16				Post-HKFRS 16	
	Year Ended December 31,				Year Ended December 31,	
	2017 ^(a)	2018	2019	2019	2019	2019
	HK\$ million	HK\$ million	HK\$ million	US\$ million	HK\$ million	US\$ million
Revenue						
Ports and Related Services ..	34,146	35,175	35,375	4,535	35,375	4,535
Retail	156,163	168,991	169,225	21,696	169,225	21,696
Infrastructure	57,369	64,724	51,191	6,563	51,191	6,563
Husky Energy	44,948	54,251	47,618	6,105	47,618	6,105
CKH Group Telecom	80,607	86,733	93,517	11,990	93,517	11,990
Hutchison Asia						
Telecommunications	7,695	8,220	8,984	1,152	8,984	1,152
Finance & Investments and						
Others	33,909	35,136	33,946	4,352	33,946	4,352
Total Revenue	<u>414,837</u>	<u>453,230</u>	<u>439,856</u>	<u>56,393</u>	<u>439,856</u>	<u>56,393</u>
EBITDA						
Ports and Related Services ..	12,563	13,392	13,405	1,719	16,092	2,063
Retail	14,798	16,164	16,891	2,166	27,023	3,464
Infrastructure	33,033	35,422	28,488	3,652	28,751	3,686
Husky Energy	8,992	12,106	3,139	402	3,480	446
<i>Underlying</i>	<i>8,992</i>	<i>12,106</i>	<i>9,122</i>	<i>1,169</i>	<i>9,463</i>	<i>1,213</i>
<i>One-off impairment and</i>						
<i>other charges^(b)</i>	<i>—</i>	<i>—</i>	<i>(5,983)</i>	<i>(767)</i>	<i>(5,983)</i>	<i>(767)</i>
CKH Group Telecom	28,568	30,357	35,341	4,531	42,417	5,438
Hutchison Asia						
Telecommunications	558	1,028	2,167	278	4,328	555
Finance & Investments and						
Others	5,842	5,111	12,637	1,620	13,958	1,790
Total EBITDA	<u>104,354</u>	<u>113,580</u>	<u>112,068</u>	<u>14,368</u>	<u>136,049</u>	<u>17,442</u>
EBIT						
Ports and Related Services ..	8,219	8,726	9,061	1,162	10,216	1,310
Retail	12,089	13,078	13,671	1,753	14,705	1,885
Infrastructure	23,449	24,038	19,220	2,464	19,259	2,469
Husky Energy	2,703	5,742	(3,004)	(385)	(2,974)	(381)
<i>Underlying</i>	<i>2,703</i>	<i>5,742</i>	<i>2,979</i>	<i>382</i>	<i>3,009</i>	<i>386</i>
<i>One-off impairment and</i>						
<i>other charges^(b)</i>	<i>—</i>	<i>—</i>	<i>(5,983)</i>	<i>(767)</i>	<i>(5,983)</i>	<i>(767)</i>
CKH Group Telecom	17,155	18,409	21,131	2,708	21,987	2,819
Hutchison Asia						
Telecommunications	226	321	1,055	135	2,032	260
Finance & Investments and						
Others	3,751	2,571	9,974	1,279	10,119	1,297
Total EBIT	<u>67,592</u>	<u>72,885</u>	<u>71,108</u>	<u>9,116</u>	<u>75,344</u>	<u>9,659</u>
Interest expenses and other						
finance costs	<u>(18,024)</u>	<u>(18,025)</u>	<u>(15,657)</u>	<u>(2,007)</u>	<u>(20,117)</u>	<u>(2,579)</u>
Profit before tax	49,568	54,860	55,451	7,109	55,227	7,080
Tax						
Current tax	(7,898)	(7,795)	(7,814)	(1,002)	(7,834)	(1,004)
Deferred tax	1,843	(283)	113	14	215	27
Profit after tax	43,513	46,782	47,750	6,121	47,608	6,103
Non-controlling interests and						
perpetual capital securities						
holders' interests	<u>(8,413)</u>	<u>(7,782)</u>	<u>(7,862)</u>	<u>(1,008)</u>	<u>(7,778)</u>	<u>(997)</u>
Profit attributable to						
 ordinary shareholders ...	<u>35,100</u>	<u>39,000</u>	<u>39,888</u>	<u>5,113</u>	<u>39,830</u>	<u>5,106</u>

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- (a) In July 2019, CKHH has formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings (“CKH Group Telecom”), which consolidates CKHH’s telecommunication businesses of 3 Group Europe and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. For segment information presentation purposes, CKH Group Telecom is presented as an operating division for the current and comparative years, with separate sub-totals for 3 Group Europe, HTHKH and CKH Group Telecom’s Corporate and Others (which covers CKH Group Telecom’s corporate head office operations and the returns earned on its holdings of cash and liquid investments). The comparative segment information for the year ended December 31, 2018 included in CKHH’s audited consolidated financial statements for the year ended December 31, 2019 has been updated to reflect these changes in presentation. The previously published CKHH’s segment information for the year ended December 31, 2017 has not been updated and reissued to reflect these changes in presentation. For consistency and comparison purposes, the segment information for the year ended December 31, 2017 set out above has been updated to reflect these changes in presentation. These changes in presentation have no impact on CKHH’s consolidated statement of financial position, CKHH’s consolidated income statement and CKHH’s consolidated statement of cash flows.
- (b) Represents CKHH’s share of Husky’s impairment and other charges after consolidation adjustments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF CKHH

Overview

CKHH, an exempted company incorporated in Cayman Islands on December 11, 2014 with limited liability under no. MC-294571 and registered in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is the holding company of the CKHH group of companies. CKHH was incorporated as part of the reorganization and combination of Cheung Kong, Hutchison and their respective subsidiaries, associated companies and joint ventures to create CKHH, which, immediately after such reorganization and combination, then held the non-property related businesses of both groups, and CK Asset Holdings Limited (formerly known as Cheung Kong Property Holdings Limited), which, immediately after such reorganization and combination, then held the property and hotels businesses (the "Property Businesses") of both groups (the "Reorganization"). The Reorganization was completed on June 3, 2015. Further details of the Reorganization can be found in the section "The Reorganization" below.

CKHH is a Hong Kong-based multinational conglomerate whose shares are listed on the SEHK. CKHH operates five core business divisions in over 50 countries: ports and related services; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations. Significant developments in CKHH's business since December 31, 2019 are summarized below under "Recent Developments".

Based on the closing price of its shares on the SEHK on December 31, 2019, CKHH had a market capitalization of approximately HK\$286,519 million (approximately US\$36,733 million). CKHH, its listed subsidiary, CKI and its listed associated company, Power Assets Holdings Limited ("Power Assets"), are three of the 50 constituent stocks of the Hang Seng Index in Hong Kong.

CKHH's registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. CKHH's principal place of business is 12 Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

The Reorganization

On January 9, 2015, the boards of Cheung Kong and Hutchison put forward to their respective shareholders the proposals whereby:

- (i) CKHH would become the holding company of the Cheung Kong group of companies by way of a scheme of arrangement ("Cheung Kong Reorganization Proposal");
- (ii) an indirect wholly-owned subsidiary of Hutchison would purchase from the Li Ka-Shing Trust approximately 6.24% shareholding interest in Husky Energy, an associate of Hutchison listed on the Toronto Stock Exchange (the "Husky Share Exchange");
- (iii) CKHH would become the holding company of the Hutchison group of companies by way of a scheme of arrangement (the "Hutchison Proposal"); and
- (iv) immediately following completion of the Hutchison Proposal, the Property Businesses of both groups would be transferred into CK Asset Holdings Limited and then distributed out of the CKHH Group by way of a distribution in specie (the "Spin-off Proposal").

The Reorganization was completed on June 3, 2015 and resulted in the non-Property Businesses and the Property Businesses of the Cheung Kong group of companies and the Hutchison group of companies being combined, and the combined non-Property Businesses and combined Property Businesses then being separated and held by two companies listed on the SEHK, namely CKHH and CK Asset Holdings Limited. The listing status of Hutchison on the SEHK was withdrawn on June 3, 2015.

Cheung Kong

Cheung Kong was incorporated in June 1971 and became a public listed company on the SEHK in November 1972. In 1979, Cheung Kong acquired a strategic stake of approximately 22.4% of the issued share capital of Hutchison. Immediately prior to the completion of the Reorganization, Cheung Kong's shareholding in Hutchison was approximately 49.97%. Prior to the Reorganization, Cheung Kong engaged principally in property development and investment in Hong Kong and in different regions of the world, including the Mainland, the UK and Singapore and developed high quality and large-scale properties for sale and investment in the residential, retail, office, hotel and industrial sectors.

Hutchison

Hutchison was initially established as the result of the merger between Hutchison International Limited and Hongkong and Whampoa Dock Company Limited. Hongkong and Whampoa Dock Company Limited, incorporated in 1866, was the first company to be registered in Hong Kong. Hutchison became a public listed company on the SEHK in 1978. Cheung Kong became a major shareholder of Hutchison in 1979 and Mr. Li Ka-shing, the then Chairman of Cheung Kong, became the Chairman of Hutchison in 1981. Immediately prior to the completion of the Reorganization, Hutchison operated six core business divisions in over 50 countries: ports and related services; property and hotels; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations.

Cheung Kong Reorganization Proposal

Under the Cheung Kong Reorganization Proposal and with effect from March 18, 2015, Cheung Kong and all existing subsidiaries, associated companies and joint ventures of Cheung Kong became direct and indirect subsidiaries, associates and joint ventures of CKHH, and CKHH became the holding company of the Cheung Kong group of companies. The listing status of Cheung Kong on the SEHK was withdrawn and CKHH became listed on the Main Board of the SEHK.

Husky Share Exchange

Under the Husky Share Exchange, an indirect wholly-owned subsidiary of Hutchison acquired approximately 6.24% of the common shares of Husky Energy in issue from a company indirectly wholly-owned by the Li Ka-Shing Trust, in exchange for the issue of 84,427,246 new CKHH shares by CKHH, representing a share exchange ratio of 1.376 new CKHH shares for every one Husky Energy share acquired. On completion of the Husky Share Exchange, Hutchison owned an aggregate of approximately 40.19% of the common shares of Husky Energy in issue.

Hutchison Proposal

Under the Hutchison Proposal, immediately after completion of the Husky Share Exchange, and upon completion of the Hutchison Proposal, Hutchison became a wholly-owned subsidiary of CKHH by way of a scheme of arrangement involving a share exchange at the ratio of 0.684 of a new CKHH share for every one Hutchison share and the listing status of Hutchison on the SEHK was withdrawn.

Spin-off Proposal

Under the Spin-off Proposal, immediately following completion of the Hutchison Proposal, the Property Businesses of Cheung Kong and Hutchison were transferred to CK Asset Holdings Limited, which, prior to the completion of the Spin-off Proposal, was wholly-owned by CKHH. All the CK Asset Holdings Limited shares were then distributed by CKHH by way of the distribution in specie to the CKHH shareholders at the distribution ratio of one CK Asset Holdings Limited share for every one CKHH share and CK Asset Holdings Limited was separately listed on the SEHK.

Presentation of financial information for years ended December 31, 2017, 2018 and 2019

As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on January 1, 2019, CKHH's statutory results for year ended December 31, 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding years ended December 31, 2017 and 2018 are on a IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. CKHH

believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis (“Post-IFRS 16 basis”), allows a like-with-like comparison with the prior period results, and to better reflect management’s view of CKHH’s underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH’s financial results prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019. Unless otherwise specified, the discussion of CKHH’s operating results for the year ended December 31, 2019 is on a Pre-IFRS 16 basis as mentioned above. The comparative information for the years ended December 31, 2017 and 2018, which are on HKAS 17 basis as mentioned above, can be found in the CKHH’s financial results for the years ended December 31, 2018 and 2019, respectively, which are included elsewhere in this offering memorandum. See also note 41(d) to CKHH’s audited consolidated financial statements for the year ended December 31, 2019 for details on the effect of the adoption of HKFRS 16.

The results presented for the years ended December 31, 2017, 2018 and 2019 reflected the actual reported results of CKHH. The comparative information for the years ended December 31, 2017 and 2018 can be found in the CKHH’s financial results for the years ended December 31, 2018 and 2019, respectively, which are included elsewhere in this offering memorandum.

Certain revenue, EBITDA and EBIT figures for the years ended December 31, 2017 and 2018 have been reclassified from Finance & Investments and Other segment to CKH Group Telecom segment, as indicated below, to enable a better comparison of performance and to conform to the presentation basis of the results for the year ended December 31, 2019.

Revenue

The following table shows the revenue including share of associates and joint ventures, by business divisions:

	Year Ended December 31,		
	2017	2018	2019
	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services ⁽¹⁾	34,146	35,175	35,375
Retail	156,163	168,991	169,225
Infrastructure ⁽²⁾	57,369	64,724	51,191
Husky Energy	44,948	54,251	47,618
CKH Group Telecom ⁽³⁾	80,607	86,733	93,517
Hutchison Asia Telecommunications	7,695	8,220	8,984
Finance & Investments and Others ⁽³⁾	33,909	35,136	33,946
Total Revenue⁽¹⁾	414,837	453,230	439,856

(1) Total revenue include CKHH’s proportionate share of associated companies and joint ventures’ revenue, and was adjusted to exclude non-controlling interests’ share of revenue of HPH Trust.

(2) Total revenue for year ended December 31, 2019 represented CKHH’s share of revenue on the remaining 10% direct interest in the co-owned infrastructure investments with CKI. Total revenue for the year ended December 31, 2018 represented 10 months of CKHH’s direct interest in the co-owned infrastructure investments with CKI and remaining 10% direct interest in these investments from November 2018 onwards.

(3) Revenue of HK\$188 million and HK\$410 million in 2017 and 2018, respectively, were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

EBITDA

Information concerning EBITDA has been included in CKHH’s financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. CKHH considers EBITDA to be an important performance measure which is used in CKHH’s internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA measures used by CKHH may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results of operations as determined in accordance with HKFRS or U.S. GAAP.

The following table shows the EBITDA including share of associates and joint ventures, by business divisions:

	Pre-IFRS 16 ⁽¹⁾		
	Year Ended December 31,		
	2017	2018	2019
	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services ⁽²⁾	12,563	13,392	13,405
Retail	14,798	16,164	16,891
Infrastructure ⁽³⁾	33,033	35,422	28,488
Husky Energy	8,992	12,106	3,139
<i>Underlying</i>	8,992	12,106	9,122
<i>One-off impairment and other charges⁽⁵⁾</i>	–	–	(5,983)
CKH Group Telecom ⁽⁴⁾	28,568	30,357	35,341
Hutchison Asia Telecommunications	558	1,028	2,167
Finance & Investments and Others ⁽⁴⁾	5,842	5,111	12,637
Total EBITDA⁽²⁾	104,354	113,580	112,068

(1) As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, IFRS 16 and the precedent lease accounting standard IAS 17 are interchangeably with HKFRS 16 and HKAS 17, respectively. Following the adoption of IFRS 16 on January 1, 2019, CKHH's statutory results for year ended December 31, 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended December 31, 2018 and year ended December 31, 2017 are on a Pre-IFRS 16 basis as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. CKHH believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on Post-IFRS 16 basis, allows a like-with-like comparison with the prior period results, and to better reflect management's view of CKHH's underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH's EBITDA prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019. Unless otherwise specified, the discussion of CKHH's operating results for the year ended December 31, 2019 is on a Pre-IFRS 16 basis as mentioned above.

Under Post-IFRS 16 basis, CKHH's EBITDA for the year ended December 31, 2019 were as follows:

	Post-IFRS 16
	Year Ended December 31, 2019
	HK\$ million
Ports and Related Services ⁽²⁾	16,092
Retail	27,023
Infrastructure ⁽³⁾	28,751
Husky Energy	3,480
<i>Underlying</i>	9,463
<i>One-off impairment and other charges⁽⁵⁾</i>	(5,983)
CKH Group Telecom ⁽⁴⁾	42,417
Hutchison Asia Telecommunications	4,328
Finance & Investments and Others ⁽⁴⁾	13,958
Total EBITDA⁽²⁾	136,049

(2) Total EBITDA include CKHH's proportionate share of associated companies and joint ventures' EBITDA, and was adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

(3) Total EBITDA for year ended December 31, 2019 represented CKHH's share of EBITDA on the remaining 10% direct interest in the co-owned infrastructure investments with CKI. Total EBITDA for the year ended December 31, 2018 represented 10 months of CKHH's direct interest in the co-owned infrastructure investments with CKI and remaining 10% direct interest in these investments from November 2018 onwards.

(4) LBITDA and EBITDA of HK\$(106) million and HK\$225 million in 2017 and 2018, respectively, were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

(5) Represents CKHH's share of Husky's impairment and other charges after consolidation adjustments.

EBIT

The following table shows the EBIT including share of associates and joint ventures, by business divisions:

	Pre-IFRS 16 ⁽¹⁾		
	Year Ended December 31,		
	2017	2018	2019
	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services ⁽²⁾	8,219	8,726	9,061
Retail	12,089	13,078	13,671
Infrastructure ⁽³⁾	23,449	24,038	19,220
Husky Energy	2,703	5,742	(3,004)
<i>Underlying</i>	2,703	5,742	2,979
<i>One-off impairment and other charges</i> ⁽⁵⁾	–	–	(5,983)
CKH Group Telecom ⁽⁴⁾	17,155	18,409	21,131
Hutchison Asia Telecommunications	226	321	1,055
Finance & Investments and Others ⁽⁴⁾	3,751	2,571	9,974
Total EBIT ⁽²⁾	<u>67,592</u>	<u>72,885</u>	<u>71,108</u>

(1) As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, IFRS 16 and the precedent lease accounting standard IAS 17 are interchangeably with HKFRS 16 and HKAS 17, respectively. Following the adoption of IFRS 16 on January 1, 2019, CKHH's statutory results for the year ended December 31, 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended December 31, 2018 and year ended December 31, 2017 are on a Pre-IFRS 16 basis as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. CKHH believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on Post-IFRS 16 basis, allows a like-with-like comparison with the prior period results, and to better reflect management's view of CKHH's underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH's EBIT prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019. Unless otherwise specified, the discussion of CKHH's operating results for the year ended December 31, 2019 is on a Pre-IFRS 16 basis as mentioned above.

Under Post-IFRS 16 basis, CKHH's EBIT for the year ended December 31, 2019 were as follows:

	Post-IFRS 16
	Year Ended December 31, 2019
	HK\$ million
Ports and Related Services ⁽²⁾	10,216
Retail	14,705
Infrastructure ⁽³⁾	19,259
Husky Energy	(2,974)
<i>Underlying</i>	3,009
<i>One-off impairment and other charges</i> ⁽⁵⁾	(5,983)
CKH Group Telecom ⁽⁴⁾	21,987
Hutchison Asia Telecommunications	2,032
Finance & Investments and Others ⁽⁴⁾	10,119
Total EBIT ⁽²⁾	<u>75,344</u>

(2) Total EBIT include CKHH's proportionate share of associated companies and joint ventures' EBIT, and was adjusted to exclude non-controlling interests' share of EBIT of HPH Trust.

(3) Total EBIT for year ended December 31, 2019 represented CKHH's share of EBIT on the remaining 10% direct interest in the co-owned infrastructure investments with CKI. Total EBIT for the year ended December 31, 2018 represented 10 months of CKHH's direct interest in the co-owned infrastructure investments with CKI and remaining 10% direct interest in these investments from November 2018 onwards.

(4) LBIT and EBIT of HK\$(119) million and HK\$193 million in 2017 and 2018, respectively, were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

(5) Represents CKHH's share of Husky's impairment and other charges after consolidation adjustments.

Ratios and Other Information:

Under Pre-IFRS 16 basis, CKHH's EBITDA and EBIT for the year ended December 31, 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 7.2 and 4.5 times⁽¹⁾, respectively.

CKHH's EBITDA for the years ended December 31, 2018 and 2017 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 6.3 and 5.8 times, respectively. CKHH's EBIT for the years ended December 31, 2018 and 2017 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 4.0 and 3.8 times respectively.

Critical Accounting Policies

The preparation of financial statements often requires the use of judgments 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 financial statements. CKHH bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

(a) *Basis of consolidation*

The determination of CKHH's level of control over another entity will require exercise of judgment under certain circumstances. CKHH controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. CKHH also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements, and the practical ability to exercise control.

(b) *Long-lived assets*

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortization are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 recognized in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognized in other comprehensive income.

Judgment is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect CKHH's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

⁽¹⁾ Under Post-IFRS 16 basis, CKHH's EBITDA and EBIT for the year ended December 31, 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 6.8 and 3.7 times respectively.

(c) **Depreciation and amortization**

(i) *Fixed assets*

Depreciation of operating assets constitutes a substantial operating cost for CKHH. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. CKHH periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) *Telecommunications licenses, other licenses, brand names, trademarks and other rights*

Telecommunications licenses, other licenses, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortization and are reviewed for impairment annually. Telecommunications licenses, other licenses, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortized and are tested for impairment annually and when there is indication that they may be impaired.

Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgment is required to determine the useful lives of the telecommunications licenses, other licenses, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortization expense charged to the income statement. In addition, governments from time to time revise the terms of licenses to change, amongst other terms, the contracted or expected license period, which could also impact the amount of amortization expense charged to the income statement.

(iii) *Customer acquisition and retention costs*

In accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognized in the income statement in the period in which they are incurred, where (i) the costs are incurred; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalized and amortized over the customer contract period. Appropriate allowances are recognized if the carrying amounts of the capitalized costs exceed the remaining amount that CKHH expects to receive less any directly related costs that have not been recognized as expenses.

Judgement is required to determine the amount of the provision and the amortization period. The actual amount to be received from the customer and customer period may differ from the expected amount and the contract periods, which could impact the amount of expense charged to the income statement.

(d) **Goodwill**

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of CKHH's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

(e) **Tax**

CKHH is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. CKHH recognizes liabilities for anticipated tax audit 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 previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized.

The ultimate realization of deferred tax assets recognized for certain of CKHH's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognized to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgment is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

(f) Business combinations and goodwill

As disclosed in note 40(ab) to CKHH's consolidated financial statements for the year ended December 31, 2019 included elsewhere in this offering memorandum, CKHH applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When CKHH completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognized at their fair value. Judgment is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognized as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of CKHH as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized.

(g) Provisions for commitments, onerous contracts and other guarantees

CKHH has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognized, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that CKHH has guaranteed, a provision is recognized. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

(h) Pension costs

CKHH operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognized in other

comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgment is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(i) **Leases**

In determining the lease term, CKHH considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), CKHH is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, CKHH is typically reasonably certain to extend (or not terminate).
- Otherwise, CKHH considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at December 31, 2019, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK\$11,471 million (US\$1,471 million) (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or CKHH becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(j) **Allocation of revenue for bundled telecommunications transactions with customers**

CKHH has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). Revenue is allocated to the respective element in an amount that reflects the consideration to which CKHH expects to be entitled in exchange for the services and device, where device revenue is recognized at the inception of the contract upon delivery to the customer and services revenue is recognized throughout the contract period as the services are provided. Significant judgment is required in assessing fair values of both of these elements by considering *inter alia*, standalone selling price, the consideration to which CKHH expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the allocation may cause the revenue recognized for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. CKHH periodically re-assesses the allocation of the elements as a result of changes in market conditions.

Year ended December 31, 2019 compared to year ended December 31, 2018

As per the above tables, the Revenue, EBITDA and EBIT in this section include share of associates and joint ventures, adjusted to exclude non-controlling interests' share of HPH Trust operations in both periods and are prepared under Pre-IFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019. Unless otherwise specified, the discussion of the CKHH's operating results below is on a Pre-IFRS 16 basis as mentioned above. See "— Presentation of financial information for years ended December 31, 2017, 2018 and 2019".

Overview

Total revenue for 2019 of HK\$439,856 million (US\$56,392 million) represented a decrease of 3% from HK\$453,230 million in 2018, primarily due to adverse foreign currency translation impact. In local currencies, the revenue for 2019 increased 1% compared to 2018.

EBITDA⁽¹⁾ of HK\$112,068 million (US\$14,368 million) and EBIT⁽¹⁾ of HK\$71,108 million (US\$9,116 million) for 2019 decreased 1% and 2% respectively compared to 2018 in reported currency. Excluding the adverse foreign currency translation impacts, EBITDA and EBIT grew 2% and 1% respectively against 2018 in local currencies, primarily reflecting the full year accretive contribution from 50% interest in Wind Tre acquired in September 2018 as well as improved performance of the telecommunication business in Indonesia, partly offset by lower contribution from Infrastructure division following divestiture in 2018 of economic benefits from CKHH's direct interest in six co-owned infrastructure investments, as well as adverse underlying performance by Husky Energy. EBITDA and EBIT also include a number of non-cash accounting elements recognized in 2019, including a disposal gain of approximately HK\$6,885 million (US\$883 million) arising from the derecognition of Hutchison China MediTech Limited as a subsidiary to a 49.86% associated company, following CKHH's partial disposal of its interests in October 2019. This gain was largely offset by CKHH's share of Husky's one-off impairment and other charges (including consolidation adjustments) of HK\$5,983 million (US\$767 million), which resulted in a net gain of approximately HK\$902 million (US\$116 million).

Total consolidated interest expenses and other finance costs⁽²⁾ for 2019, including share of associated companies' and joint ventures' interest expenses, amortization of finance costs and after deducting interest capitalized on assets under development amounted to HK\$15,657 million (US\$2,007 million), 13% lower when compared to 2018, mainly due to the deconsolidation of the co-owned infrastructure subsidiaries, the refinancing of Wind Tre external debt with CKH Group Telecom debt in August 2019, as well as interest costs savings from loan refinancing at lower interest rates.

Total current and deferred taxation⁽³⁾ charges for 2019 totaled HK\$7,701 million (US\$987 million), a decrease of 5%.

Profit attributable to ordinary shareholders⁽⁴⁾ for 2019 of HK\$39,888 million (US\$5,114 million) was an increase of 2% in reported currency and an increase of 6% in local currencies compared to 2018, mainly from lower interest expenses. In 2019, on a Post-IFRS 16 basis and in reported currency, EBITDA, EBIT and profit attributable to ordinary shareholders increased by 20%, 3% and 2% respectively compared to 2018.

Ports and Related Services

The ports and related services division handled throughput of 86.0 million twenty-foot equivalent units ("TEU") through 290 operating berths in 2019, a 2% increase compared to 2018. Higher volumes in Rotterdam in the Netherlands, Klang in Malaysia, Laem Chabang in Thailand, Dammam in Saudi Arabia and Freeport in Bahamas, were partly offset by lower volume in HPH Trust and Panama and the loss of throughput from Shantou International Container Terminals, which was fully disposed of at the end of 2018.

In reported currency, total revenue of HK\$35,375 million (US\$4,535 million), EBITDA⁽⁵⁾ of HK\$13,405 million (US\$1,719 million) and EBIT⁽⁵⁾ of HK\$9,061 million (US\$1,162 million) were 1%, 0.1% and 4% higher against 2018 respectively. In local currencies, total revenue, EBITDA and EBIT increased 5%, 3% and 7%, respectively, driven primarily by higher throughput, disciplined cost controls and lower depreciation and amortization due to a concession extension.

(1) Under Post-IFRS 16 basis, EBITDA was HK\$136,049 million (US\$17,442 million); EBIT was HK\$75,344 million (US\$9,659 million).

(2) Under Post-IFRS 16 basis, total consolidated interest expenses and other finance costs were HK\$20,117 million (US\$2,579 million).

(3) Under Post-IFRS 16 basis, total current and deferred taxation charges were HK\$7,619 million (US\$977 million).

(4) Under Post-IFRS 16 basis, profit attributable to ordinary shareholders was HK\$39,830 million (US\$5,106 million).

(5) Under Post-IFRS 16 basis, EBITDA was HK\$16,092 million (US\$2,063 million); EBIT was HK\$10,216 million (US\$1,310 million).

Retail

Revenue of this division for 2019 of HK\$169,225 million (US\$21,696 million) was flat compared to 2018. In local currencies, the retail division reported a 4% underlying growth in revenue in 2019 mainly driven by a 5% increase in store portfolio and a 1.2% comparable stores sales growth. EBITDA⁽⁶⁾ and EBIT⁽⁶⁾ increased 4% and 5%, respectively, to HK\$16,891 million (US\$2,166 million) and HK\$13,671 million (US\$1,753 million), respectively, in 2019 compared to 2018, due to a one-off gain of approximately HK\$633 million (US\$81 million) arising from the formation of the joint venture with Yonghui and Tencent for the division's China supermarket business, partly offset by the challenging trading environment in Hong Kong in the second half of 2019, as well as the adverse foreign currency translation impacts. Excluding the one-off gain, revenue, EBITDA and EBIT increased by 4%, 4% and 3% respectively in local currencies, primarily reflecting steady growth in the Health and Beauty segment through organic expansion of the store portfolio, enhancing digital retail experiences both in store and online, improving margins through own brand and exclusives offerings, and increasing customer connectivity with its 137 million expanding Health and Beauty loyalty member base.

Infrastructure

The Infrastructure division comprises CKI (a listed subsidiary) and 10% of the economic benefits deriving from six co-owned infrastructure investments with CKI.

Total reported revenue, EBITDA⁽⁷⁾ and EBIT⁽⁷⁾ of this division in 2019 were HK\$51,191 million (US\$6,563 million), HK\$28,488 million (US\$3,652 million) and HK\$19,220 million (US\$2,464 million), respectively, a decrease of 21%, 20% and 20%, respectively, compared to 2018. In local currencies, total revenue, EBITDA and EBIT were 17%, 15% and 16% lower, respectively, in 2019 compared to 2018. The lower EBITDA and EBIT were mainly due to adverse foreign currency translation impact, the full year impact of the disposal of the six co-owned infrastructure investments following the divesture in October 2018 of an aggregated 90% economic benefits deriving from CKHH's direct holdings in these investments, the loss on partial disposal of 2.05% interests in Power Assets ("PAH") of HK\$302 million⁽⁸⁾ and lower earnings contributions from the UK operations, primarily due to a change in revenue recognition by UK Power Networks which had no impact on cash earnings nor distributions.

Husky Energy

CKHH's share of revenue, after translation into Hong Kong dollars and including consolidation adjustments for 2019 was HK\$47,618 million (US\$6,105 million), a 12% and 10% decrease in reported and local currency respectively, compared to 2018. This was primarily due to a 3% decrease in average production to 290,000 thousand barrels of oil equivalent per day ("mboe/day") in 2019. The lower production was mainly from reduction of heavy crude oil production from ongoing Alberta provincial government-mandated production curtailments, combined with lower production from the suspension of production at the White Rose field during the first half of 2019, from which production was only fully resumed in the second half of 2019. The decreases were partly offset by increased bitumen production from the thermal projects in Western Canada. During the second half of 2019, Husky announced the commencement of production at its Dee Valley thermal bitumen project, which reached its nameplate capacity of 10,000 barrels/day.

Due to lower long-term commodity price assumptions and reductions in planned future capital spending, Husky has recognized a one-time non-cash before-tax impairment and other charges of C\$3.1 billion in the fourth quarter of 2019, primarily related to impairments made on its upstream assets in North America, exploration-related assets write-downs, and derecognition of assets at the Lima Refinery due to its upgrade in the fourth quarter of 2019. As CKHH rebased certain of these assets to their fair values in the 2015 Reorganization, CKHH's share of these charges, after consolidation adjustments, of HK\$5,983 million (US\$767 million) was included under CKHH's EBITDA and EBIT

⁽⁶⁾ Under Post-IFRS 16 basis, EBITDA was HK\$27,023 million (US\$3,464 million); EBIT was HK\$14,705 million (US\$1,885 million).

⁽⁷⁾ Under Post-IFRS 16 basis, EBITDA was HK\$28,751 million (US\$3,686 million); EBIT was HK\$19,259 million (US\$2,469 million).

⁽⁸⁾ As CKHH rebased Power Assets' assets to their fair values in the 2015 Reorganization, after consolidation adjustment, the disposal gain recognized by CKI resulted in a loss on disposal in CKHH's reported results.

results. Excluding this one-off item, CKHH's share of EBITDA⁽⁹⁾ and EBIT⁽⁹⁾ were HK\$9,122 million (US\$1,169 million) and HK\$2,979 million (US\$382 million) respectively, decreases of 25% and 48%, respectively, in reported currency or 23% and 47% respectively in local currency against 2018.

CKH Group Telecom

In July 2019, CKHH formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings, which consolidates CKHH's 3 Group Europe and Hutchison Telecommunications Hong Kong Holdings ("HTHKH") under one holding entity (collectively "CKH Group Telecom"), providing a diversified telecommunication asset platform across eight geographical locations. In August 2019, the investment grade-rated CKH Group Telecom refinanced all external debt of Wind Tre of approximately €10 billion, which is expected to generate interest cost savings from 2020 onwards. Total revenue, EBITDA⁽¹⁰⁾ and EBIT⁽¹⁰⁾ of this division of HK\$93,517 million (US\$11,989 million), HK\$35,341 million (US\$4,531 million) and HK\$21,131 million (US\$2,709 million) respectively were 8%, 16% and 15% higher than 2018, respectively in reported currency, and were 12%, 21% and 19% higher respectively in local currencies.

3 Group Europe

3 Group Europe's revenue, EBITDA⁽¹¹⁾ and EBIT⁽¹¹⁾ of HK\$87,516 million (US\$11,220 million), HK\$33,511 million (US\$4,296 million) and HK\$20,112 million (US\$2,578 million), respectively, for 2019 were 17%, 21% and 18%, respectively higher against 2018 in local currencies, primarily reflecting the full year impact of the additional 50% share in Wind Tre, which reported solid results in the second half of 2019 with the completion of the network consolidation and modernization, higher than planned synergy realizations, churn reduction and stabilizing ARPU.

Hutchison Telecommunications Hong Kong Holdings

Revenue of HK\$5,582 million (US\$716 million) for 2019 decreased by 29% compared to 2018, primarily driven by the decrease in low margin hardware sales in 2019. EBITDA⁽¹²⁾ of HK\$1,389 million (US\$178 million) was 1% higher as compared to 2018 mainly due to tight cost controls to improve operational efficiency. In addition to the improved EBITDA performance, lower amortization of acquisition and retention costs from contract customers resulted in a 5% improvement in EBIT⁽¹²⁾ to HK\$581 million (US\$74 million) in 2019.

Hutchison Asia Telecommunications

In 2019, HAT reported revenue, EBITDA⁽¹³⁾ and EBIT⁽¹³⁾ of HK\$8,984 million (US\$1,152 million), HK\$2,167 million (US\$278 million) and HK\$1,055 million (US\$135 million) respectively, representing a 9%, 111% and 229% increase in reported currency compared to 2018, primarily attributable to strong margin growth in the Indonesian operation, which reported 58% EBITDA growth compared to 2018. The Vietnamese operation also reported year-on-year performance improvement. The Sri Lankan operation, which was adversely impacted by the Easter terrorist's attacks in 2019, continued to focus on improving its network through network integration and 4G network rollout. HAT's EBITDA growth was partly offset by higher depreciation and amortization with network rollouts advancing in all operations. In local currencies, revenue, EBITDA and EBIT increased 9%, 108% and 218%, respectively, in 2019 compared to 2018.

⁽⁹⁾ Under Post-IFRS 16 basis and before CKHH's share of impairment and other charges after consolidation adjustments, CKHH's share of EBITDA was HK\$9,463 million (US\$1,213 million); CKHH's share of EBIT was HK\$3,009 million (US\$386 million).

⁽¹⁰⁾ Under Post-IFRS 16 basis, EBITDA was HK\$42,417 million (US\$5,438 million); EBIT was HK\$21,987 million (US\$2,819 million).

⁽¹¹⁾ Under Post-IFRS 16 basis, EBITDA was HK\$40,126 million (US\$5,144 million); EBIT was HK\$20,952 million (US\$2,686 million).

⁽¹²⁾ Under Post-IFRS 16 basis, EBITDA was HK\$1,850 million (US\$237 million); EBIT was HK\$597 million (US\$77 million).

⁽¹³⁾ Under Post-IFRS 16 basis, EBITDA was HK\$4,328 million (US\$555 million); EBIT was HK\$2,032 million (US\$261 million).

Finance & Investments and Others

In 2019, Finance & Investments and Others reported revenue of HK\$33,946 million (US\$4,352 million), a 3% decrease in reported currency. EBITDA⁽¹⁴⁾ and EBIT⁽¹⁴⁾ of HK\$12,637 million (US\$1,620 million) and HK\$9,974 million (US\$1,279 million) respectively, representing 147% and 288% increase in reported currency, respectively, compared to 2018. During 2019, CKHH partially disposed of its interest in Hutchison China MediTech Limited (“Chi-Med”) for cash proceeds totaling US\$310 million (approximately HK\$2,400 million), reducing CKHH’s shareholding from 60.15% to 49.86%. This resulted in a one-off disposal gain of approximately HK\$6,885 million (US\$883 million) at EBITDA and EBIT level recognized within this segment, and arising from the derecognition of Chi-Med as a subsidiary to an associated company. Chi-Med raised additional equity through an offering of ADS in early 2020. Correspondingly, CKHH’s shareholding was further diluted to 48.15%.

Year ended December 31, 2018 compared to year ended December 31, 2017

Overview

Total revenue for 2018 of HK\$453,230 million represented an increase of 9% from HK\$414,837 million in 2017. In local currencies, the revenue for 2018 increased 7% compared to 2017 due to higher contributions from all core businesses with the exception of telecommunication operations in Hong Kong, as the fixed-line telecommunication business was disposed of during 2017.

EBITDA and EBIT for 2018 of HK\$113,580 million and HK\$72,885 million represented an increase of 9% and 8%, respectively, when compared to 2017. All core divisions reported improved underlying performance for the year. In addition, the full year contribution from businesses acquired by the Infrastructure division during 2017 together with the accretive contribution from the acquisition of remaining 50% interest in Wind Tre in September 2018 added to earnings and cash flow growth. In local currencies, EBITDA and EBIT increased 7% and 6%, respectively, when compared to 2017.

Total consolidated interest expenses and other finance costs for 2018, including share of associated companies’ and joint ventures’ interest expenses, amortization of finance costs and after deducting interest capitalized on assets under development amounted to HK\$18,025 million, flat when compared to 2017.

Total current and deferred taxation charges for 2018 totaled HK\$8,078 million, an increase of 33% mainly due to the share of tax benefits recognized in Husky Energy following the corporate tax rate reduction in the U.S. in 2017 not recur in 2018, as well as improved profitability during the year.

Profit attributable to ordinary shareholders for 2018 was HK\$39,000 million, an 11% increase compared to HK\$35,100 million in 2017. In local currencies, the profit attributable to ordinary shareholders for 2018 increased 9% compared to 2017.

Ports and Related Services

Overall throughput remained flat at 84.6 million TEU in 2018, with growth in Europe (mainly Rotterdam and Barcelona) and Asia, Australia and others (mainly Asian ports and resumption of trade volumes at Freeport, partly offset by Panama’s intense competition), being fully offset by lower throughput in the Mainland (mainly Shanghai) and in HPH Trust.

Total revenue increased 3% in both reported currency and local currencies to HK\$35,175 million in 2018 driven primarily by higher throughput in Barcelona, better performance in Rotterdam in the Netherlands, as well as full-year operation of the new deep water port in Karachi, Pakistan, partly offset by lower revenue contribution from reduced throughput of ports in Panama and Dammam from keen competition and in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.

⁽¹⁴⁾ Under Post-IFRS 16 basis, EBITDA was HK\$13,958 million (US\$1,789 million); EBIT was HK\$10,119 million (US\$1,297 million).

EBITDA and EBIT increased 7% and 6%, respectively, to HK\$13,392 million and HK\$8,726 million, respectively, in 2018, mainly due to higher revenue and stringent cost discipline across all business units. In November 2018, the division disposed of its 70% interest in Shantou International Container Terminals for cash consideration of HK\$1,628 million and realized a pre-tax gain of approximately HK\$914 million. In local currencies, EBITDA and EBIT both increased in 2018 by 7% when compared to 2017.

Retail

Revenue of this division for 2018 of HK\$168,991 million represented an 8% increase compared to 2017, driven by a 6% increase in store numbers and an overall 2.0% comparable stores sales growth in 2018 compared to 2017. In local currencies, the retail division reported a 6% underlying growth in revenue in 2018. EBITDA and EBIT increased 9% and 8%, respectively, to HK\$16,164 million and HK\$13,078 million, respectively, in 2018 compared to 2017. The principal contributors to growth were the Health and Beauty segment generally, improved performances in other retail operations in Hong Kong, and favorable foreign currency translation impacts. In local currencies, EBITDA and EBIT increased by 7% and 6%, respectively, in 2018 when compared to 2017.

Infrastructure

The Infrastructure division comprises CKI (a listed subsidiary) and CKHH's direct interests in six co-owned infrastructure investments with CKI.

Total reported revenue, EBITDA and EBIT of this division of HK\$64,724 million, HK\$35,422 million and HK\$24,038 million, respectively, were 13%, 7% and 3%, respectively, higher in 2018 than 2017. In local currencies, total revenue and EBITDA growth were 11% and 5%, respectively, in 2018 compared to 2017, whereas EBIT remained flat in 2018 compared to 2017, which were mainly attributable to full year contribution from businesses acquired during 2017, partly offset by one-off items recorded in 2017, as well as lower profit contribution from the six co-owned infrastructure investments following the divestiture of an aggregated 90% economic benefits in CKHH's direct interest in these investments in October 2018.

Husky Energy

CKHH's share of revenue for 2018 was HK\$54,251 million, 21% and 20% increase in reported and local currency respectively, compared to 2017. This was primarily due to higher refined product prices in downstream during 2018, partly offset by a 7% decrease in average production to 299.2 thousand barrels of oil equivalent per day ("mboe/day") for 2018. The lower production was mainly due to lower production in Western Canada subsequent to the disposition of certain low margin legacy assets in 2017, expiry of Husky's participation in the Wenchang contract in late 2017, FPSO vessel suspension and maintenance in Atlantic, as well as a reduction of heavy crude oil production from natural declines and in response to the widening of the light/heavy oil differentials during the year. The reduction was partly offset by higher production in Asia.

CKHH's share of EBITDA and EBIT for 2018 were HK\$12,106 million and HK\$5,742 million, respectively, which increased 35% and 112%, respectively, when compared to 2017. Although year on year production volumes were reduced and oil prices declined in the last quarter of 2018, Husky Energy was able to benefit from its integrated business model and capture strong margins in the Infrastructure and Marketing segment using its committed export capacity on the Keystone pipeline, as well as contributions from higher realized margins for Upgrading operations and growth in the Asia Pacific region. In local currency, CKHH's share of EBITDA and EBIT in 2018 increased by 34% and 113% respectively, when compared to 2017.

CK Hutchison Group Telecom

Total revenue, EBITDA and EBIT of this division of HK\$86,733 million, HK\$30,357 million and HK\$18,409 million, respectively, were 8%, 6% and 7% higher than 2017, respectively, in reported currency, and were 4%, 3% and 4% higher, respectively, in local currencies.

3 Group Europe

3 Group Europe's revenue, EBITDA and EBIT of HK\$78,411 million, HK\$28,761 million and HK\$17,663 million for 2018, respectively, were 11%, 18% and 7% higher than 2017, respectively. EBITDA and EBIT growth were due to the accretive contribution from additional share of Wind Tre, improved net customer service margins and disciplined spending on customer acquisition costs, partly

offset by increased spending on network and IT transformation projects to build a more agile, flexible and sustainable operating model to cater for the future. In local currencies, revenue, EBITDA and EBIT increased 7%, 14% and 3%, respectively, in 2018 compared to 2017.

Hutchison Telecommunications Hong Kong Holdings

Revenue, EBITDA and EBIT of HK\$7,912 million, HK\$1,371 million and HK\$553 million, respectively, for 2018 decreased by 18%, 68% and 22%, respectively, compared to 2017. EBITDA decreased mainly due to the disposal of the fixed-line telecommunications business and the associated gain on disposal in October 2017. The adverse variance at EBIT level is lower compared to 2017 primarily due to the accelerated depreciation charges in 2017 which did not recur in 2018.

Hutchison Asia Telecommunications

HAT reported Revenue, EBITDA and EBIT of HK\$8,220 million, HK\$1,028 million and HK\$321 million for 2018, respectively, representing 7%, 84% and 42% increase, respectively, compared to 2017, primarily driven by better operating performances in Indonesia. Indonesia operations reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. The EBITDA growth was partly offset by higher depreciation and amortization with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortization of the new spectrum licenses in Indonesia. In local currencies, revenue, EBITDA and EBIT increased 13%, 106% and 77%, respectively, in 2018 when compared to 2017.

Finance & Investments and Others

Revenue of HK\$35,136 million for 2018 increased 4% compared to 2017. EBITDA and EBIT were HK\$5,111 million and HK\$2,571 million, respectively for 2018, representing 13% and 31% decrease, respectively, in 2018 compared to 2017 respectively, as EBITDA and EBIT for 2017 included a disposal gain relating to a manufacturing plant in the Mainland that did not recur in 2018.

During 2018, CKHH has recognized a number of non-cash accounting movements which resulted in a nominal net gain of approximately HK\$193 million at EBITDA and EBIT level being recognized within this segment. This included a one-off re-measurement gain arising from the acquisition of the remaining 50% interest in Wind Tre, practically offset by the loss on divestiture of an aggregated 90% economic benefits in its direct interests in six co-owned infrastructure investments, as well as CKHH's share of HPH Trust's one-off impairment of goodwill and certain non-performing assets.

Liquidity and Capital Resources

Treasury Management

CKHH's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by CKHH's internal audit function. CKHH's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on CKHH's overall financial position and to minimize CKHH's financial risks. CKHH's treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to CKHH and its companies. It manages the majority of CKHH's funding needs, interest rate, foreign currency and credit risk exposures. It is CKHH's policy not to have credit rating triggers that would accelerate the maturity dates of CKHH's borrowings. CKHH uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing CKHH's exposure to interest rate and foreign exchange rate fluctuations. CKHH generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivative instruments to hedge CKHH's earnings were entered during the year or remain outstanding at the end of the year. It is CKHH's policy not to enter into derivative transactions for speculative purposes. It is also CKHH's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

Cash Management and Funding

CKHH operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, CKHH generally obtains long-term financing at CKHH level to on-lend or contribute as equity to its

subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. CKHH regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

CKHH manages its interest rate exposure with a focus on reducing CKHH's overall cost of debt and exposure to changes in interest rates. When considered appropriate, CKHH uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. CKHH's main interest rate exposure relates to US dollar, Pound Sterling, Euro and HK dollar borrowings.

At December 31, 2019, approximately 38% of CKHH's total principal amount of bank and other debts were at floating rates and the remaining 62% were at fixed rates (December 31, 2018: 39% floating; 61% fixed). CKHH has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$6,760 million (US\$867 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$23,718 million (US\$3,041 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 33% of CKHH's total principal amount of bank and other debts were at floating rates and the remaining 67% were at fixed rates at December 31, 2019 (December 31, 2018: 27% floating; 73% fixed). All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, CKHH generally endeavors to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, CKHH may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimized by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. CKHH generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments.

CKHH has operations in over 50 countries and conducts businesses in over 50 currencies. CKHH's functional currency for reporting purposes is Hong Kong Dollars and CKHH's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings, net debt and net assets, in particular for Euro and Pound Sterling. EBITDA⁽¹⁾ for the year ended December 31, 2019 was HK\$112,068 million (US\$14,368 million), of which 55% was derived from European operations, including 22% from the UK. At December 31, 2019, of CKHH's total principal amount of bank and other debts after currency swap arrangements, 52% and 5% were denominated in Euro and Pounds Sterling, respectively, whilst liquid assets comprised 9% Euro and 5% Pounds Sterling denominated cash and cash equivalents. As a result, 82% and 6% of CKHH's consolidated net debt⁽²⁾ of HK\$202,877 million (US\$26,010 million) were denominated in Euro and Pounds Sterling, respectively. Net assets⁽³⁾ was HK\$612,950 million (US\$78,583 million), with 15% and 22% attributable to Continental Europe and UK operations respectively.

At December 31, 2019, CKHH's total principal amount of bank and other debts were denominated as follows: 42% in Euro, 41% in US dollars, 4% in HK dollars, 5% in Pounds Sterling and 8% in other currencies. CKHH had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$36,660 million (US\$4,700 million) to Euro principal amount of borrowings

⁽¹⁾ Under Post-IFRS 16 basis, EBITDA was HK\$136,049 million (US\$17,442 million).

⁽²⁾ Under Post-IFRS 16 basis, consolidated net debt was HK\$202,648 million (US\$25,981 million).

⁽³⁾ Under Post-IFRS 16 basis, net assets was HK\$596,963 million (US\$76,534 million).

to reflect currency exposures of its underlying businesses. CKHH's total principal amount of bank and other debts, after the above swaps, were denominated as follows: 52% in Euro, 31% in US dollars, 4% in HK dollars, 5% in Pounds Sterling and 8% in other currencies.

Credit Exposure

CKHH's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose CKHH to credit risk of counterparties. CKHH controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

CKHH is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

Credit Profile

Our long term credit rating from Moody's, S&P and Fitch remained at A2 (stable outlook), A (stable outlook) and A-(stable outlook) respectively and CKHH aims to maintain a capital structure that is appropriate for these long-term investment grade ratings. Actual credit ratings may depart from these levels from time to time due to economic circumstances.

During 2019, CKH Group Telecom, a newly established wholly-owned subsidiary of CKHH, obtained its first long term credit rating from Moody's, S&P and Fitch at Baa1 (stable outlook), A- (stable outlook) and BBB+ (stable outlook) respectively. CKH Group Telecom will seek to maintain its ratings by applying the same financial disciplines as CKHH.

At December 31, 2019, the consolidated net debt of CKHH, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$202,877 million (US\$26,010 million) (December 31, 2018 — HK\$207,965 million), a 2% decrease compared to the net debt at the beginning of the year, primarily due to the positive funds from operations, partly offset by dividend payments, capital expenditure and investment spending. CKHH's consolidated net debt to net total capital ratio⁽⁴⁾ was 24.8% as at December 31, 2019 (December 31, 2018 — 26.0%). CKHH's consolidated cash and liquid investments as at December 31, 2019 were sufficient to repay all outstanding consolidated CKHH's principal amount of debt maturing before 2022.

Market Price Risk

CKHH's main market price risk exposures relate to listed/traded debt and equity securities described in "Operations — Finance & Investments and Others" below and the interest rate swaps as described in "Interest Rate Exposure" above. CKHH's holding of listed/traded debt and equity securities represented approximately 5% of the cash, liquid funds and other listed investments ("liquid assets") as of December 31, 2019.

CKHH's liquidity and capital resources for the years ended December 31, 2019, 2018 and 2017

CKHH's capital expenditures and investments are primarily funded by cash generated from operations, cash on hand and, to the extent appropriate, by external borrowings. CKHH finances its working capital requirements primarily through funds generated from operations. CKHH had cash, liquid funds and other listed investments of HK\$144,849 million (US\$18,570 million) as of December 2019, HK\$144,703 million as of December 31, 2018 and HK\$168,283 million as of December 31, 2017.

⁽⁴⁾ Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortized fair value adjustments arising from acquisitions. Net debt is defined as total cash, liquid funds and other listed investments less total bank and other debts. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments. The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, was 25.3% at December 31, 2019.

Net Cash from Operating Activities

EBITDA⁽¹⁾⁽⁵⁾ amounted to HK\$112,068 million (US\$14,368 million) for 2019, HK\$113,580 million for 2018 and HK\$104,354 million for 2017.

Consolidated funds from operations (“FFO”)⁽⁶⁾ before cash profits from disposals, capital expenditures, investments and changes in working capital amounted to HK\$57,919 million (US\$7,426 million) for 2019, HK\$57,345 million for 2018 and HK\$53,892 million for 2017.

Net cash from operating activities⁽⁷⁾ was HK\$53,336 million (US\$6,838 million) for 2019, compared to HK\$55,734 million in 2018, mainly due to a decrease in dividends received from associated companies and joint venture by HK\$5,422 million (US\$695 million), an increase in profit on disposal of subsidiaries, associated companies and joint ventures by HK\$4,652 million (US\$596 million), an increase in interest expenses on borrowings and other finance costs paid of HK\$337 million (US\$43 million), an increase in tax paid of HK\$1,239 million (US\$159 million), an increase in cash outflow from changes in working capital⁽⁸⁾ by HK\$2,972 million (US\$381 million), partially offset by an increase in EBITDA of Company and subsidiaries⁽⁹⁾ by HK\$12,100 million (US\$1,551 million).

Net cash from operating activities was HK\$55,734 million in 2018, compared to HK\$53,596 million in 2017, mainly due to an increase in EBITDA of Company and subsidiaries by HK\$12,531 million, a decrease in dividends received from associated companies and joint ventures by HK\$4,510 million, partly offset by an increase in cash outflow from other non-cash items by HK\$4,213 million, an increase in interest expenses and other finance cost paid by HK\$1,286 million and an increase in cash outflow from changes in working capital by HK\$1,315 million.

Cash Flows used in Investing Activities

Net cash used in investing activities⁽¹⁰⁾ was HK\$37,512 million (US\$4,809 million) in 2019, HK\$59,079 million in 2018 and HK\$48,683 million in 2017 which mainly consisted of purchase of fixed assets and purchase of and advances to associated companies and joint ventures, net of repayments of loans from associated companies and joint ventures.

Net cash used in investing activities of HK\$37,512 million (US\$4,809 million) in 2019 was lower than the HK\$59,079 million in 2018, mainly due to an increase in proceeds from disposal of associated companies and joint ventures of HK\$2,239 million (US\$287 million), a decrease in additions to telecommunications licenses costs by HK\$7,241 million (US\$928 million), acquisition of additional of 50% interests in Wind Tre of HK\$14,348 million (US\$1,839 million) in 2018, a decrease in additions to liquid funds and other listed investments by HK\$8,274 million (US\$1,061 million), partially offset by decrease in cash from de-consolidation of subsidiary companies upon disposal of HK\$1,522 million (US\$195 million) in 2019, proceeds from disposal of subsidiary companies of HK\$1,121 million in 2018, cash disposed arising from de-consolidation of subsidiaries classified as held for sale of HK\$2,429 million (US\$312 million) and an increase in purchase of fixed assets by HK\$4,743 million (US\$608 million).

Net cash used in investing activities of HK\$59,079 million in 2018 was higher than the HK\$48,683 million in 2017, mainly due to an increase in purchase of fixed assets by HK\$4,019 million, an increase in additions to telecommunications licenses costs by HK\$8,311 million, acquisition of addition of 50% interests in Wind Tre of HK\$14,348 million in 2018, an increase in additions to liquid funds and other listed investments by HK\$6,332 million and a decrease in proceeds on disposal of subsidiary companies by HK\$13,080 million, partially offset by a decrease in purchase of and net advances to associated companies and joint ventures by HK\$36,770 million.

⁽⁵⁾ Total EBITDA includes CKHH’s proportionate share of associated companies and joint ventures’ EBITDA, and was adjusted to exclude non-controlling interests’ share of EBITDA of HPH Trust. Total EBITDA for 2018 and 2019 was also adjusted to reflect CKHH’s share of EBITDA on the remaining 10% direct interest in the co-owned infrastructure investments with CKI after the divestment of 90% of the direct economic benefits in October 2018.

⁽⁶⁾ Under Post-IFRS 16 basis, FFO amounted to HK\$74,847 million (US\$9,596 million) and represents funds from operations before payment of lease liabilities, where such payments are included under “Cash flows used in financing activities”.

⁽⁷⁾ Under Post-IFRS 16 basis, net cash from operating activities was HK\$69,270 million (US\$8,881 million).

⁽⁸⁾ Under Post-IFRS 16 basis, increase in cash outflow from changes in working capital as HK\$3,966 million (US\$508 million).

⁽⁹⁾ Under Post-IFRS 16 basis, increase in EBITDA of Company and subsidiaries was HK\$32,744 million (US\$4,198 million).

⁽¹⁰⁾ Under Post-IFRS 16 basis, net cash used in investing activities was HK\$37,419 million (US\$4,797 million).

(i) *Capital Expenditure*

The following table sets forth CKHH's capital expenditure (including license, brand name and other rights, but excluding capital expenditure of assets classified as held for sale) by business divisions in 2019, and CKHH's capital expenditure (including license, brand name and other rights) by business divisions in 2018 and 2017.

Capital Expenditure

	Pre-IFRS 16 ⁽¹⁾		
	Year Ended December 31,		
	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million
Ports and related services	3,703	3,910	3,037
Retail	3,148	3,454	3,072
Infrastructure	5,549	6,060	438
Husky Energy	—	—	—
CKH Group Telecom ⁽²⁾	9,115	19,229	19,871
Hutchison Asia Telecommunications	2,122	4,656	2,902
Finance & Investments and Others ⁽²⁾	278	237	322
Total	<u>23,915</u>	<u>37,546</u>	<u>29,642</u>

⁽¹⁾ As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, IFRS 16 and the precedent lease accounting standard IAS 17 are interchangeably with HKFRS 16 and HKAS 17, respectively. Following the adoption of IFRS 16 on January 1, 2019, CKHH's statutory results for the year ended December 31, 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended December 31, 2017 and 2018 are on a Pre-IFRS 16 basis as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. CKHH believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on Post-IFRS 16 basis, allows a like-with-like comparison with the prior period results, and to better reflect management's view of CKHH's underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH's capital expenditure prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended December 31, 2019. Unless otherwise specified, the discussion of CKHH's operating results for the year ended December 31, 2019 is on a Pre-IFRS 16 basis as mentioned above.

	Post-IFRS 16
	Year Ended December 31, 2019
	HK\$ million
Ports and Related Services	3,037
Retail	3,072
Infrastructure	438
Husky Energy	—
CKH Group Telecom	19,840
Hutchison Asia Telecommunications	2,840
Finance & Investments and Others	322
Total	<u>29,549</u>

⁽²⁾ Previously reported figures in respect of "Finance & Investments and Others" for the years ended December 31, 2017 and 2018 have been reclassified to conform with the presentation of segmental information adopted in the current year.

In 2019, CKHH's total capital expenditure was HK\$29,642 million (US\$3,800 million). The ports and related services division incurred capital expenditure of HK\$3,037 million (US\$389 million), mainly for the operations in Thailand, Pakistan and Rotterdam. The retail division incurred capital expenditure of HK\$3,072 million (US\$394 million), mainly for digital technology, new store openings and store fit-outs. The infrastructure division incurred capital expenditure of HK\$438 million (US\$56 million), mainly for expansion of Enviro Waste and Infrastructure materials division. CKH Group Telecom incurred capital expenditure of HK\$19,871 million (US\$2,547 million) mainly for network & IT infrastructure enhancements and license acquisition. HAT incurred capital expenditure of HK\$2,902 million (US\$372 million), mainly on network expansion in Indonesia and Vietnam.

In 2018, CKHH's total capital expenditure was HK\$37,546 million. The ports and related services division incurred capital expenditure of HK\$3,910 million, mainly for the operations in the United Kingdom, Mexico and Thailand. The retail division incurred capital expenditure of HK\$3,454 million, mainly for new store openings and store fit-outs. The infrastructure division incurred capital expenditure of HK\$6,060 million, mainly for expansion of UK Rails and Northumbrian Water. CKH Group Telecom incurred capital expenditure of HK\$19,229 million mainly for network enhancements. HAT incurred capital expenditure of HK\$4,656 million, mainly on network expansion in Indonesia.

In 2017, CKHH's total capital expenditure was HK\$23,915 million. The ports and related services division incurred capital expenditure of HK\$3,703 million, mainly for new terminal, SAPT, in Pakistan and the operations in the United Kingdom, Mexico and Thailand. The retail division incurred capital expenditure of HK\$3,148 million, mainly for new store openings and store fit-outs. The infrastructure division incurred capital expenditure of HK\$5,549 million, mainly for expansion of UK Rails and Northumbrian Water. CKH Group Telecom incurred capital expenditure of HK\$9,115 million mainly for network enhancements. HAT incurred capital expenditure of HK\$2,122 million, mainly on license renewal and network expansion in Indonesia.

(ii) *Purchase of Subsidiary Companies*

In 2019, there were no significant purchase of subsidiary companies.

In 2018, CKHH acquired additional 50% interest in Wind Tre for HK\$14,348 million, net of cash acquired.

In 2017, CKHH acquired UK Broadband Limited for HK\$2,952 million.

(iii) *Purchase of and advances to Associated Companies and Joint Ventures, net of Repayments of loans from Associated Companies and Joint Ventures*

In 2019, the net cash outflow was HK\$244 million (US\$31 million).

In 2018, the net cash outflow was HK\$224 million.

In 2017, the net cash outflow of HK\$36,994 million mainly represented the acquisitions of CK William (formerly known as Duet Group), Reliance Home Comfort and ista.

(iv) *Proceeds from disposal of subsidiary companies, net of cash disposed*

In 2019, the net cash outflows of HK\$1,522 million (US\$195 million) mainly represented the cash disposed of HK\$187 million (US\$24 million) on disposal of ASW China's supermarket business in Guangdong, in which ASW retained a 40% interest and the net cash disposed of HK\$1,335 million (US\$171 million) on disposal of Hutchison China MediTech Limited, in which CKHH retained a 49.9% interest.

In 2018, the net cash inflows of HK\$1,121 million mainly represented proceeds on disposal of the interests in the Shantou Ports in China.

In 2017, the net cash inflows of HK\$14,201 million mainly represented proceeds on disposal of the fixed-line telecommunication business in Hong Kong.

Cash Flows from Financing Activities

In 2019, the net cash used in financing activities⁽¹¹⁾ of HK\$17,693 million (US\$2,268 million) was mainly due to cash outflow on payment of dividends and distributions of HK\$19,533 million (US\$2,504 million), partially offset by proceeds from partial disposal of Hutchison China MediTech Limited of HK\$2,201 million (US\$282 million) and a net cash inflow from borrowings⁽¹²⁾ of HK\$129 million (US\$17 million) as a result of an increase in external borrowings, issuance of notes partially offset by the repayment of loans and notes as they matured and early repayment of certain debts.

In 2018, the net cash used in financing activities of HK\$18,129 million was mainly due to cash outflows on redemption of perpetual capital securities of US\$425.3 million (approximately HK\$3,317 million) and €1,750 million (approximately HK\$16,118 million) in full, net repayment of loans to non-controlling interests of HK\$185 million, payment of dividends and distributions of HK\$17,449 million and payments for buy-back and cancellation of issued shares of HK\$131 million. The outflows were partly offset by net increase in borrowings of HK\$352 million as a result of increase in external borrowings, issuance of notes, partly offset by the repayment of loans and notes as they matured and early repayment of certain debts and consideration received from the Economic Benefits Agreements of HK\$14,308 million. CKHH also issued €500 million (approximately HK\$4,475 million) of perpetual capital securities.

In 2017, the net cash used in financing activities of HK\$713 million was mainly due to cash outflows on redemption of perpetual capital securities of US\$1,000 million (approximately HK\$7,800 million) and HK\$1,000 million in full, net repayment of loans to non-controlling interests of HK\$2,139 million, payment of dividends and distributions of HK\$16,549 million and the repayment of loans and notes as they matured and early repayment of certain debts, equity contribution from non-controlling interests of HK\$1,584 million. The outflows were partly offset by net increase in borrowings of HK\$12,814 million as a result of increase in external borrowings, issuance of notes and net proceeds from issuance of a perpetual capital securities of US\$650 million (approximately HK\$5,063 million) by a subsidiary company. CKHH also issued US\$1,000 million (approximately HK\$7,800 million) of perpetual capital securities.

Bank and Other Interest Bearing Borrowings

CKHH's borrowings, excluding interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, including unamortized fair value adjustments from acquisitions⁽¹³⁾, totaled HK\$347,726 million (US\$44,580 million) as of December 31, 2019, HK\$352,668 million as of December 31, 2018 and HK\$333,155 million as of December 31, 2017.

As of December 31, 2019, approximately 31% of CKHH's total principal amounts of borrowings were denominated in U.S. dollars, 4% in Hong Kong dollars, 52% in Euro, 5% in Pound Sterling and the remaining 8% in other currencies. As of December 31, 2019, approximately 13% of CKHH's principal amounts of borrowings were repayable within 2020, 44% were repayable between 2021 and 2023 and 43% were repayable beyond 2023. Finance costs on CKHH's borrowings were HK\$10,882 million (US\$1,395 million), HK\$10,174 million and HK\$8,644 million in 2019, 2018 and 2017, respectively.

CKHH's borrowings, excluding interest bearing loans from non-controlling shareholders, including unamortized fair value adjustments arising from acquisition, and net of total cash, liquid funds and other listed investments, were a net debt balance of HK\$202,877 million (US\$26,010 million), HK\$207,965 million and HK\$164,872 million as of December 31, 2019, 2018 and 2017, respectively.

In January 2020, CKHH repaid two HK\$500 million fixed rate notes on maturity.

In February 2020, CKHH obtained a three year floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million).

⁽¹¹⁾ Under Post-IFRS 16 basis, net cash used in financing activities was HK\$33,720 million (US\$4,323 million).

⁽¹²⁾ Under Post-IFRS 16 basis, net cash inflows from borrowings was HK\$71 million (US\$9 million).

⁽¹³⁾ Under Post-IFRS 16 basis, CKHH's borrowings, excluding interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, including unamortized fair value adjustments arising from acquisitions was HK\$347,497 million (US\$44,551 million).

Security Interests

As of December 31, 2019, 2018 and 2017, assets of CKHH, in the amount of HK\$1,260 million (US\$162 million), HK\$111,017 million and HK\$27,990 million, respectively, were pledged as security for bank and other debts.

Undrawn Borrowing Facilities

Committed borrowing facilities available to CKHH but not drawn were HK\$7,528 million (US\$965 million), HK\$14,402 million and HK\$13,168 million as of December 31, 2019, 2018 and 2017, respectively.

Off-Balance Sheet Arrangements

CKHH entered into various interest rate agreements with major financial institutions to swap approximately HK\$6,760 million (US\$867 million), HK\$9,100 million and HK\$9,600 million principal amount of fixed rate borrowings to effectively become floating rate borrowings as of December 31, 2019, 2018 and 2017, respectively. In addition, a principal amount of HK\$23,718 million (US\$3,041 million), HK\$50,613 million and HK\$27,950 million of floating interest rate borrowings were swapped into fixed interest rate borrowings as of December 31, 2019, 2018 and 2017, respectively.

Cash, Liquid Funds and Other Listed Investments

CKHH's total cash, liquid funds and other listed investments amounted to HK\$144,849 million (US\$18,570 million) as of December 31, 2019, HK\$144,703 million as of December 31, 2018 and HK\$168,283 million as of December 31, 2017. As of December 31, 2019, cash represented 95% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed/traded debt securities 3% and listed equity securities 2%. As of December 31, 2018, cash represented 94% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed/traded debt securities 4% and listed equity securities 2%. As of December 31, 2017, cash represented 95% of the total cash, liquid funds and other listed investments, U.S. Treasury notes and listed/traded debt securities 4% and listed equity securities 1%.

As of December 31, 2019, CKHH's total cash, liquid funds and other listed investments were denominated 21% in Hong Kong dollars, 51% in U.S. dollars, 9% in Euro, 5% in Renminbi, 5% in Pound Sterling and 9% in other currencies. As of December 31, 2018, CKHH's total cash, liquid funds and other listed investments were denominated 25% in Hong Kong dollars, 46% in U.S. dollars, 9% in Euro, 7% in Renminbi, 4% in Pound Sterling and 9% in other currencies. As of December 31, 2017, CKHH's total cash, liquid funds and other listed investments were denominated 23% in Hong Kong dollars, 53% in U.S. dollars, 4% in Euro, 7% in Renminbi, 7% in Pound Sterling and 6% in other currencies.

Current and Long-Term Liabilities, Commitments and Contingent Liabilities

A summary of CKHH's current and long-term liabilities as of December 31, 2019 are set forth below.

The obligations as of December 31, 2019 are reflected in CKHH's audited consolidated statement of financial position as of December 31, 2019 and in notes 24, 25 and 27 to the CKHH's audited consolidated financial statements for year ended December 31, 2019 included elsewhere in this offering memorandum.

Current and Long-Term Liabilities

	As of December 31, 2019		
	Payment due by period		
	Total	Due within one year	Due after one year
	HK\$ million	HK\$ million	HK\$ million
Principal amount of bank loans, other loans, notes and bonds ⁽¹⁾	343,187	41,729	301,458
Unamortized fair value adjustments arising from acquisitions	4,539	—	4,539
Total bank and other debts before the following items	347,726	41,729	305,997
Unamortized loan facilities fee and premiums or discounts related to debts and adjustment to carrying amounts pursuant to unrealized losses on interest rate swap contracts	(2,937)	(1,674)	(1,263)
Interest bearing loans from non-controlling shareholders	728	—	728
Trade payables and other current liabilities ⁽²⁾	101,237	101,237	—
Total	<u>446,754</u>	<u>141,292</u>	<u>305,462</u>

⁽¹⁾ Under Post-IFRS 16 basis, the total principal amount of bank loans, other loans, notes and bonds as of December 31, 2019 was HK\$347,497 million (US\$44,551 million).

⁽²⁾ Under Post-IFRS 16 basis, trade payables and other current liabilities as of December 31, 2019 was HK\$99,358 million (US\$12,738 million).

The principal amount of bank and other debts scheduled for repayment by calendar year were as follows:

Debt Maturity Profile

	As of December 31, 2019
	HK\$ million
2020	41,729
2021	44,482
2022	69,445
2023	39,737
2024	54,500
2025 to 2029	65,202
2030 to 2039	22,236
2040 and thereafter	5,856
	<u>343,187</u>

CKHH's capital commitments as of December 31, 2019 are summarized below. Contracted for commitments represent amounts payable pursuant to agreements signed as of December 31, 2019.

Capital and Other Commitments

	As of December 31, 2019
	Contracted for
	HK\$ million
Ports and related services	150
Telecommunications	
— 3 Group Europe	8,955
— HTHKH & HAT	4,251
Others	399
Total	<u>13,755</u>

There have been no material changes in the total amount of capital commitments since December 31, 2018 except for the amounts taken up during the normal course of business.

CKHH has provided guarantees as of December 31, 2019, as shown in note 35 to the CKHH's audited consolidated financial statements for the year ended December 31, 2019, respectively, included elsewhere in this offering memorandum, which are summarized as follows:

Contingent Liabilities

	As of December 31, 2019
	Total
	HK\$ million
Guarantees in respect of bank and other borrowing facilities for associated companies and joint ventures	6,960
Performance and other guarantees	2,817
Total	<u>9,777</u>

BUSINESS OF CKHH

Ports and Related Services

The ports and related services division comprises the 80%-owned subsidiaries, Hutchison Port Holdings and Hutchison Ports Investments S.à r.l. (collectively “Hutchison Ports”), and HPH Trust, the 30.07% owned associate listed on the Main Board of the SGX-ST. CKHH currently has interests in 52 ports comprising 290 operational berths⁽¹⁾ in 27 countries in Asia, the Middle East, Africa, Europe, the Americas and Australasia. In 2018 and 2019, CKHH’s ports and related services division handled combined container throughput of 84.6 million TEU and 86.0 million TEU respectively.

CKHH has interests in various locations including:

- the Mainland, where Hutchison Ports holds interests in Shanghai Mingdong Container Terminals (“SMCT”), Shanghai Pudong International Container Terminals (“SPICT”), Shanghai Container Terminals (“SCT”) (which ceased its container handling business in January 2011), Ningbo Beilun International Container Terminals (“NBCT”), as well as ports in Southern China, and CKHH, through its associate, HPH Trust holds interests in Phase I, II, III and West Port at Yantian International Container Terminals (“YICT”) and Huizhou International Container Terminals (“HICT”);
- Hong Kong, the eighth busiest container port in the world in 2019 in terms of container throughput, where CKHH, through its associate, HPH Trust, holds interests in: Hongkong International Terminals (“HIT”); Asia Container Terminals (“ACT HK”), a strategic partnership between HPH Trust and COSCO SHIPPING Ports Limited; as well as COSCO-HIT Terminals (“CHT”), a 50/50 joint venture between HIT and COSCO SHIPPING Ports Limited;
- the Netherlands, where Hutchison Ports holds interests in Europe Container Terminals (“ECT”) in Rotterdam, Amsterdam Container Terminals (“ACT”) and TMA Logistics (“TMA”) in Amsterdam;
- the UK, where Hutchison Ports holds interests in Hutchison Ports (UK), which operates in the Port of Felixstowe (“PFL”), London Thamesport (“LTP”) and Harwich International Port (“HWH”);
- Continental Europe, where Hutchison Ports holds interests in Barcelona Europe South Terminal (“BEST”) in Spain, Gdynia Container Terminal (“GCT”) in Poland, as well as the right to operate Container Terminal Frihamnen (“CTF”) in Sweden;
- Malaysia, where Hutchison Ports holds interests in Westports Malaysia (“KMT”) at Port Klang;
- Indonesia, where Hutchison Ports holds interests in Jakarta International Container Terminal (“JICT”) in Tanjung Priok and Terminal Petikemas Koja (“KOJA”) at the Port of Tanjung Priok next to JICT;
- South Korea, where Hutchison Ports operates one deep-water container terminal in Busan through Hutchison Korea Terminals (“HKT”) and one terminal in Gwangyang through Korea International Terminals (“KIT”);
- Thailand, where Hutchison Ports holds interests in Thai Laemchabang Terminal (“TLT”) and Hutchison Laemchabang Terminal (“HLT”) at Laem Chabang;
- Pakistan, where Hutchison Ports holds interests in Karachi International Container Terminal (“KICT”) at the Port of Karachi and South Asia Pakistan Terminals (“SAPT”) at the estuary of the Keamari Groyne basin;

⁽¹⁾ Based on 300 meters per berth and is computed by dividing the total berth length by 300 meters, which may be different to the number of physical container berths for vessel mooring. Unless otherwise stated, the number of berths stated elsewhere in this offering memorandum represent the number of physical berths.

- Vietnam, where Hutchison Ports holds interests in Saigon International Terminals Vietnam (“SITV”) in Ba Ria Vung Tau Province, in southern Vietnam;
- Myanmar, where Hutchison Ports holds interests in Myanmar International Terminals Thilawa (“MITT”) at Thilawa;
- Australia, where Hutchison Ports holds interests in Brisbane Container Terminals (“BCT”) at the Port of Brisbane and Sydney International Container Terminals (“SICTL”) at Port Botany;
- Saudi Arabia, where Hutchison Ports holds interests in International Ports Services (“IPS”) at Dammam;
- Egypt, where Hutchison Ports holds interests in Alexandria International Container Terminals (“AICT”), which operates terminals at Alexandria and El Dekheila Ports;
- The United Arab Emirates (“UAE”), where Hutchison Ports holds interests in Hutchison Ajman International Terminals (“HAJT”) in Ajman, Hutchison Ports RAK (“RAK”) in Ras Al Khaimah and Hutchison Ports UAQ (“UAQ”) in Umm Al Quwain;
- Oman, where Hutchison Ports holds interests in Oman International Container Terminal (“OICT”) at the Port of Sohar;
- Iraq, where Hutchison Ports holds interest in NAWAH for Ports Management LLC, a container terminal at the Port of Basra (“Basra”);
- Mexico, where Hutchison Ports holds interests in Internacional de Contenedores Asociados de Veracruz (“ICAVE”), which is located at the Port of Veracruz on the east coast, as well as other port operations in Ensenada, Manzanillo and Lazaro Cardenas which are located on the west coast;
- Argentina, where Hutchison Ports holds interests in Buenos Aires Container Terminal Services (“BACTSSA”) at the Port of Buenos Aires;
- the Bahamas, where Hutchison Ports holds interests in Freeport Container Port (“FCP”) on Grand Bahama Island;
- Panama, where Hutchison Ports holds interests in Panama Ports Company (“PPC”), which manages and operates the ports of Cristobal and Balboa, located on the Atlantic and Pacific side respectively of the Panama Canal;
- Canada, where Hutchison Ports will develop and operate a new container terminal in Québec City; and
- Tanzania, where Hutchison Ports holds interests in Tanzania International Container Terminal Services (“TICT”) at Dar es Salaam.

The division also has interests in other logistics and transportation-related businesses. These include cruise ship terminals, airport operations, distribution centers, rail services and ship repair facilities.

Retail

CKHH currently holds a 75.05% interest in A.S. Watson, the world’s largest international health and beauty retailer with a 138 million loyalty member base, and an operator of major chains of supermarkets and consumer electronics and electrical appliances stores. As of December 31, 2019, A.S. Watson had 15,794 stores in 25 markets mainly in Europe, Hong Kong, the Mainland and other markets in Asia. A.S. Watson also manufactures and distributes water and beverage products in Hong Kong and the Mainland.

Infrastructure

CKI

CKHH currently holds a 75.67%⁽¹⁾ interest in CKI, the largest publicly listed infrastructure company in Hong Kong in terms of market capitalization, with principal operations in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada. As of December 31, 2019, CKI's major interests include:

- a 35.96% interest in Power Assets, a listed company in Hong Kong that holds a 33.37% interest in HK Electric Investments and HK Electric Investments Limited (collectively "HKEI"). HKEI's wholly-owned subsidiary, Hongkong Electric, generates, transmits and is the sole distributor of electricity to Hong Kong Island and Lamma Island. CKI's interest in Power Assets reduced from 38.01% to 35.96% following the disposal of its 2.05% interest in Power Assets in January 2019;
- together with Power Assets, an 80% interest (CKI: 40%; Power Assets: 40%) in UK Power Networks Holdings Limited ("UK Power Networks"), which owns, operates and manages three regulated electricity distribution networks in the UK that cover London, the South East of England and the East of England. UK Power Networks is also engaged in certain non-regulated electricity distribution businesses in the UK, including the distribution of electricity to a number of privately owned sites;
- together with Power Assets, a 60% interest (CKI: 52%; Power Assets: 8%) in Northumbrian Water Group ("Northumbrian Water"), one of the ten regulated water and sewerage companies in England and Wales, which operates in the water supply, sewerage and waste water industries in England and Wales. Northumbrian Water provides water and sewerage services in the North East of England and water services in the South East of England. In addition, Northumbrian Water's operations include a business comprising the Kielder Reservoir, the largest man-made reservoir in Northern Europe, as well as a portfolio of water and waste water contracts;
- together with Power Assets, an 88.35% interest (CKI: 47.06%; Power Assets: 41.29%) in Northern Gas Networks Holdings Limited ("Northern Gas"), which distributes gas to homes and businesses across the North of England, an area covering the North East, Northern Cumbria and much of Yorkshire;
- together with Power Assets, a 75% interest (CKI: 39%; Power Assets: 36%) in each of West Gas Networks Limited ("West Gas Networks") and Western Gas Networks Limited ("Western Gas Networks"), which together owns a 100% interest in Wales & West Utilities Limited ("Wales & West Utilities"). Wales & West Utilities is principally engaged in the management of gas transportation assets, gas distribution and meter work services throughout Wales and the South West of England;
- together with Power Assets, a 75% interest (CKI: 65%; Power Assets: 10%) in UK Rails S.à.r.l. ("UK Rails"), one of the three traditional major rolling stock leasing companies in the UK. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, to passenger and freight train operating companies;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Electricity First Limited, which owns a 50% interest in Seabank Power Limited ("Seabank Power"). Seabank Power owns and operates Seabank Power Station, which is located near Bristol, England;
- a 4.75% interest in Southern Water Group ("Southern Water"), a regulated business which supplies fresh, quality drinking water, as well as treating and recycling waste water in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight;

⁽¹⁾ Based on CKHH's profit sharing ratio in CKI.

- together with Power Assets, a 72.5% interest (CKI: 45.5%; Power Assets: 27%) in Dutch Enviro Energy Holdings B.V. (“Dutch Enviro Energy”) which in turn owns AVR-Afvalverwerking B.V. (“AVR”). AVR is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Portugal Renewable Energy – PTRW, Unipessoal Lda (“Portugal Renewable Energy”), which in turn owns a 100% interest in Iberwind – Desenvolvimento e Projectos, S.A. (“Iberwind”). Iberwind is principally engaged in the business of electricity generation from wind power in Portugal;
- a 35% interest in ista, a fully integrated energy management services provider that runs submetering businesses across 23 countries, measuring energy and water consumption and the cost allocation for properties. It also sells a range of meter hardware and provides a range of related services such as maintenance, meter reading, data processing and billing;
- together with Power Assets, a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in each of (i) SA Power Networks, the primary electricity distributor in the State of South Australia; (ii) Powercor Australia Limited (“Powercor”), one of the largest electricity distributors in the State of Victoria; and (iii) the CitiPower Trust (“CitiPower”), another major electricity distributor in the State of Victoria;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Australian Energy Operations Pty Ltd which holds Transmission Operations (Australia) Pty Ltd (“TOA”) and Transmission Operations (Australia) 2 Pty Ltd (“TOA2”). Both TOA and TOA2 own and operate electricity transmission assets that connect wind turbines to the Victorian power grid. TOA’s Elaine Terminal Station, situated in the vicinity of Ballarat in Victoria, connects the Mt Mercer Wind Farm. TOA completed the connection of the new Moorabool and Elaine wind farms to the Elaine Terminal Station in June 2019 with the terminal station becoming the largest (non-hydro) renewable hub in the southern hemisphere connecting above 600 MW of renewable generation. TOA2 connects the 242 MW Ararat Wind Farm to the transmission grid through its Ararat Terminal Station, located in western Victoria towards Ararat. Approximately 70 km of TOA and TOA2 132kV transmission lines connect these wind farms to the transmission grid;
- together with Power Assets, a 72.48% interest (CKI: 44.97%; Power Assets: 27.51%) in Australian Gas Networks Holdings Pty Ltd (“AGN”), one of the largest natural gas distribution companies in Australia that owns natural gas distribution networks and transmission pipelines in South Australia, Victoria, Queensland, New South Wales and the Northern Territory;
- together with Power Assets, a 60% interest (CKI: 40%; Power Assets: 20%) in CK William Group (formerly known as DUET Group), international owner and operator of energy utility assets, providing low emissions and remote energy generation solutions, gas transmission through the Dampier Bunbury Pipeline in Western Australia and distribution of gas and electricity in Victoria;
- together with Power Assets, a 100% interest (on a 50/50 basis) in Wellington Electricity Distribution Network Limited (“Wellington Electricity”), which supplies electricity to the city of Wellington, the capital of New Zealand, and extends to the Porirua and Hutt Valley regions of New Zealand;
- a 100% interest in Enviro (NZ) Limited (“EnviroNZ”), a diversified, vertically integrated waste management business that has national coverage across New Zealand. It is one of only two vertically integrated waste collection and disposal companies operating throughout New Zealand, offering waste-related services to more than half a million commercial and household customers via collection services, recycling, landfills and transfer stations across the country;

- together with Power Assets, a 100% interest (on a 50/50 basis) in Canadian Power Holdings Inc. (“Canadian Power”), which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant in Saskatchewan, Canada. TransAlta Cogeneration, L.P. owns interests in four natural gas-fired cogeneration plants in Alberta, Canada and Ontario, Canada and a coal-fired generation plant in Alberta, Canada;
- together with Power Assets, a 75% interest (CKI: 65%; Power Assets: 10%) in Park’N Fly (“Park’N Fly”), the largest off-airport car park provider in Canada, and the only national operator. The company provides parking facilities at most major airports in Canada, including Toronto, Vancouver, Montreal, Edmonton, Ottawa and Winnipeg;
- together with Power Assets, a 65% interest (CKI: 16.25%; Power Assets: 48.75%) in Husky Midstream Limited Partnership (“HMLP”), which holds a portfolio of oil pipeline assets in Canada including approximately 2,200 kilometers of oil pipeline across the provinces of Alberta and Saskatchewan and oil storage capacity of 4.4 million barrels at the Hardisty and Lloydminster terminals. The remaining 35% interest in HMLP is held by Husky Energy, an associated company in which CKHH owns a 40.19% interest;
- a 25% interest in Reliance, which operates in the building equipment services sector providing water heaters, heating, ventilation and air conditioning (“HVAC”) equipment, comfort protection plans and other services to homeowners in Canada and the United States;
- interests in joint ventures that own and operate approximately 247.8 kilometers of toll roads and bridges in the Mainland;
- various interests in an infrastructure materials business that produces cement, concrete, asphalt and aggregates mainly in Hong Kong and the Mainland; and
- CKI and Power Assets acquired 30% and 20% economic benefits respectively in CKHH’s direct interests in the six co-owned infrastructure investments – Northumbrian Water, UK Rails, West Gas Networks and Western Gas Networks, AGN, Park’N Fly and Dutch Enviro Energy for a consideration of approximately HK\$7,200 million and HK\$4,800 million respectively under the Economic Benefits Agreements entered between CKHH, CK Asset Holdings Limited (“CKAH”), CKI and Power Assets during 2018. By the end of 2019, CKI and Power Assets completed the supplemental agreements with CKHH for the effective transfer of the proportionate voting rights of the co-owned investments in Europe and Canada from CKHH to the respective parties. As such, CKI’s and Power Assets’ respective interests in these co-owned infrastructure investments as at December 31, 2019 as stated above include their respective additional interest arising from the supplemental agreements.

Co-owned infrastructure investments

Post-Reorganization, CKHH’s infrastructure division held direct interests in six co-owned infrastructure investments (“Co-owned Infrastructure Investments”) with CKI, comprising 40% interest in Northumbrian Water, 30% interest in each of West Gas Networks and Western Gas Networks, 50% interest in UK Rails, 35% interest in Dutch Enviro Energy, 27.51% interest in AGN and 50% interest in Park’N Fly.

In October 2018, CKHH completed the divestiture of an aggregated 90% economic benefits in its direct interest in the Co-owned Infrastructure Investments for a cash consideration of HK\$21.6 billion under the Economic Benefits Agreements entered with CKAH, CKI and Power Assets, which resulted in a reduction of CKHH’s economic interest in its direct interest in these projects to 10% of the shareholding interests as stated above. By the end of 2019, CKHH completed the supplemental agreements with CKAH, CKI and Power Assets for the effective transfer of the proportionate voting rights of the co-owned investments in Europe and Canada from CKHH to the respective parties. Accordingly, Northumbrian Water, UK Rails and Park’N Fly ceased to be consolidated by CKHH as subsidiaries with no gain or loss recognized on deconsolidation.

Husky Energy

Husky Energy, a 40.19% associated company, is an international integrated energy company incorporated in Canada and listed on the Toronto Stock Exchange. Husky Energy's business is conducted predominantly through two major business segments: Upstream and Downstream.

- Upstream operations in the Integrated Corridor and Offshore include exploration for, and development and production of, crude oil, bitumen, natural gas and NGL ("Exploration and Production") and the marketing of Husky Energy's and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke. Additionally, Upstream operations include pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas ("Infrastructure and Marketing"). Infrastructure and Marketing markets and distributes products to customers on behalf of Exploration and Production and is grouped in the Upstream business segment based on the nature of its interconnected operations. Husky Energy's Upstream operations are located primarily in Western Canada, Atlantic and Asia Pacific.
- Downstream operations in the Integrated Corridor in Canada includes upgrading of heavy crude oil feedstock into synthetic crude oil ("Upgrading"), refining crude oil, producing ethanol and marketing of heavy and synthetic crude oil, refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products ("Canadian Refined Products"). It also includes refining of crude oil in the U.S. to produce and market diesel fuels, gasoline, jet fuel and asphalt ("U.S. Refining and Marketing"). Upgrading, Canadian Refined Products and U.S. Refining and Marketing all process and refine natural resources into marketable products and are grouped together as the Downstream business segment due to the similar nature of their products and services.

Telecommunications

CKHH is a leading worldwide operator of mobile telecommunications networks with CK Hutchison Group Telecom ("CKH Group Telecom" or "CKHGT") consolidating unlisted mobile telecommunications businesses in Europe ("3 Group Europe") and an approximate 66.09% interest in HTHKH which is listed on the main board of SEHK; Hutchison Asia Telecommunications ("HAT") consists of telecommunications operations in Indonesia, Vietnam and Sri Lanka; and has an approximate 87.87% interest in Hutchison Telecommunications (Australia) Limited ("HTAL").

- **3 Group Europe** comprises mobile telecommunications businesses in the UK, Sweden, Denmark, Austria and Ireland, offering mobile telecommunications services under the brand name "Three" or "3", and in Italy where Wind Tre S.p.A. ("Wind Tre"), in which CKHH previously indirectly held a 50% interest until it became a wholly-owned operation of CKHH following the completion of the acquisition by CKHH from Veon the remaining 50% interest in Wind Tre in September 2018, offers mobile telecommunications services under the "Three" or "3" and "Wind" brand names, and fixed-line services under the "Infostrada" brand name. As of December 31, 2019, CKHH's 3 Group Europe operations had approximately 48.7 million registered customers.
 - In the UK, Hutchison 3G UK Limited ("**3 UK**") serviced a registered customer base of approximately 13.7 million as of December 31, 2019.
 - In Italy, Wind Tre serviced a registered customer base of approximately 23.8 million as well as 2.7 million fixed line customers as of December 31, 2019.
 - In Sweden, Hi3G Access AB ("Hi3G Access"), in which CKHH holds a 60% interest, serviced a registered customer base of approximately 2.1 million as of December 31, 2019.
 - In Denmark, Hi3G Denmark ApS ("Hi3G Denmark"), in which CKHH holds a 60% interest and a wholly-owned subsidiary of Hi3G Access, serviced a registered customer base of approximately 1.5 million as of December 31, 2019.
 - In Austria, Hutchison Drei Austria GmbH ("**3 Austria**") serviced a registered customer base of approximately 3.7 million as of December 31, 2019.

- In Ireland, Three Ireland (Hutchison) Limited (formerly known as Hutchison 3G Ireland Limited) (“3 Ireland”) serviced a registered customer base of approximately 3.9 million as of December 31, 2019.
- HTHKH, which was listed on the SEHK in May 2009, is a mobile telecommunications operator that provides services in Hong Kong and Macau under the 3 Brand. HTHKH has a combined active mobile customer base of approximately 3.7 million in Hong Kong and Macau as of December 31, 2019.
- HAT holds interests in mobile operations in Indonesia, Vietnam and Sri Lanka. HAT has an active mobile customer base of approximately 45.5 million as of December 31, 2019.
- HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange (“ASX”), has a 50% interest in Vodafone Hutchison Australia Pty Limited (“VHA”), which serviced an active customer base of approximately 5.7 million (including mobile virtual network operators (“MVNOs”)) in Australia as of December 31, 2019. CKHH’s share of VHA’s results is included under the “Finance & Investments and Others” division.

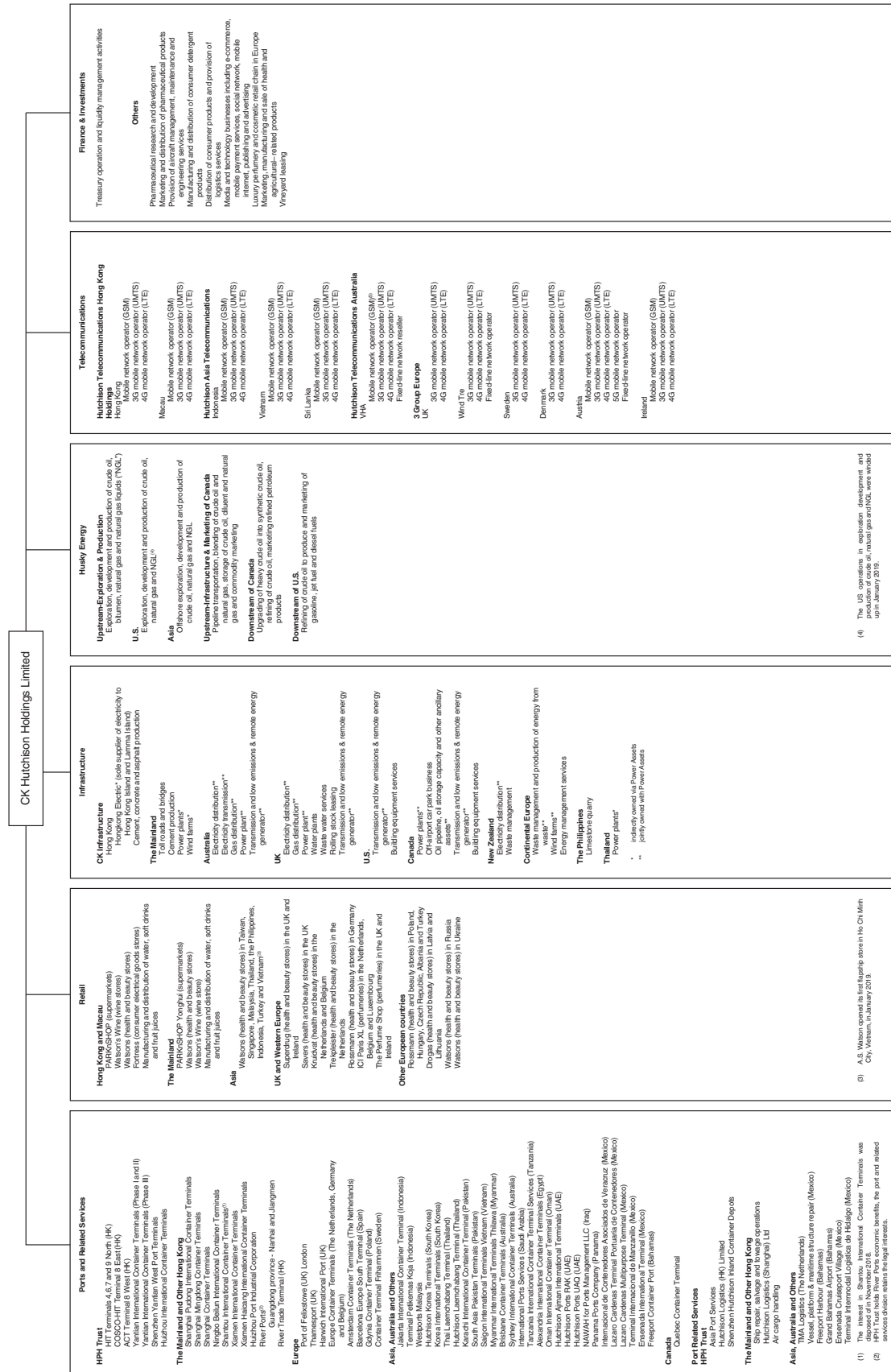
Finance & Investments and Others

CKHH receives income from its finance & investments and others division, which is responsible for the management of CKHH’s cash deposits, liquid assets held in managed funds and other investments. CKHH operates a central cash management system for all of its subsidiaries, except for listed subsidiaries and certain overseas entities conducting businesses in non-Hong Kong or non-U.S. dollar currencies. Income from this division includes interest income, dividends from equity investments, profits and losses from sale of securities, and foreign exchange gains and losses of non-Hong Kong dollar denominated liquid assets. The interest expense and finance costs related to CKHH’s various operating businesses are not attributed to this division but are borne by the operating businesses.

CKHH’s share of the results of Hutchison Whampoa (China) Limited (“HWCL”), Hutchison E-Commerce operations, Hutchison Water (deconsolidated in December 2017), listed associate TOM Group, the Marionnaud Group, AlipayHK, listed associate CKLS and listed subsidiary HTAL, which has a 50% interest in VHA are reported under this division.

- HWCL operates various manufacturing operations, service and distribution joint ventures in the Mainland, Hong Kong and the UK, and also owns 48.15% of Hutchison China MediTech Ltd (“Chi-Med”), which is dual-listed on the AIM Market of the London Stock Exchange in the UK and the Nasdaq Global Select Market (“Nasdaq”) in the U.S. Chi-Med is an innovative biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, as well as manufactures and sells pharmaceuticals and healthcare products. During 2019, CKHH partially disposed of its interest in Chi-Med, reducing CKHH’s shareholding from 60.15% to 49.86%. Chi-Med raised additional equity through an offering of ADS in early 2020. Correspondingly, CKHH’s shareholding was further diluted to 48.15%;
- CKHH has an approximate 45.32% interest in CKLS, a company listed on SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialization, marketing, sale of, and investment in nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products;
- CKHH has an approximate 36.1% interest in the TOM Group, a technology and media company listed on the SEHK. TOM Group has technology operations in e-commerce, social network and mobile internet, and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments;
- CKHH has a 100% interest in the Marionnaud Group, a luxury perfumery and cosmetic retail chain in Europe; and
- CKHH has a 50% interest in AlipayHK, a consumer-oriented digital app, which integrates online and offline payments in Hong Kong.

The following chart illustrates the main activities of CKHH and its associates and joint ventures by business segment:



Recent Developments

COVID-19 impact

- The main impact of COVID-19 outbreak to CKHH in 2020 is expected to be on CKHH's retail operations in the Mainland and Europe. In the Mainland, over 3,900 retail stores are already re-opened with only less than 1% of the total number of CKHH's retail stores remaining closed, but footfall, particularly in malls, has reduced. The operation in China has been able to compensate for part of the sales shortfall with online sales capabilities and promotions. In Europe, COVID-19 has started to disrupt CKHH's operations, mainly in the luxury categories. In the past few weeks, CKHH's major operations have remained relatively stable in the Netherlands, Poland and Germany as CKHH is in the "mass essential" business. In the UK, under the strict lockdown arrangements now in force, sales are decreasing as footfall in the market has been reducing significantly.
- Telecommunications businesses in Europe are currently experiencing reduced churn and higher voice and data usage, which are partly offset by a reduction in roaming contribution. Operations are focused on maintaining network quality and services for customers and at the same time keeping employees safe. Certain countries' retail outlets are reopening after closures in March and April, in which sales are mostly diverted to online and mobile apps during those closures. Spectrum auctions scheduled for second quarter of 2020 in UK and Austria have been deferred due to COVID-19.
- CKHH's infrastructure business has experienced minimal impact apart from the carpark operation in Canada.
- CKHH's ports business is expected to experience some slowness in throughput due to factory closure in the Mainland, which has gradually been resumed production during March 2020, and due to reduced demand particularly in Europe and the US leading to a reduction of container ship sailings.
- See "Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH's Business and Operations."

Husky Energy

- In March 2020, Husky announced a reduction of its 2020 spending by C\$1 billion (including capital expenditure by C\$900 million and cost-saving measures of C\$100 million). In April 2020, Husky Energy announced additional C\$700 million in capital reduction and shutting in negative cash margin production. The total reduction in capital spending of C\$1.7 billion represented approximately a 50% cut from Husky Energy's December 2019 guidance. These measures reflect Husky Energy's commitment to capital discipline, which includes preserving its balance sheet and core business in the extended low commodity price environment given market conditions caused by COVID-19.
- In March 2020, Husky Energy announced that it will begin a systematic and orderly suspension of major construction activities related to the West White Rose Project to prevent transmission of the COVID-19 virus.
- On April 29, 2020, Husky Energy released its unaudited results for the quarter ended March 31, 2020:
 - o Funds from operations, which excludes changes in non-cash working capital, was C\$25 million for the quarter ended March 31, 2020, compared to C\$959 million for the same quarter in 2019. The decrease reflected the steep drop in crude oil and refined product prices and the impact of unfavorable inventory valuation adjustments, including a FIFO loss of C\$397 million (after-tax).
 - o Cash flow from operating activities, including changes in non-cash working capital, was C\$355 million for the quarter ended March 31, 2020, compared to C\$545 million for the same quarter in 2019. The decrease primarily attributed to the significant decline in the global commodity prices in the first quarter of 2020.
 - o Net earnings were a loss of C\$1.7 billion for the quarter ended March 31, 2020, compared to net earnings of C\$328 million for the same quarter in 2019, primarily due to the recognition of non-cash asset impairments of C\$1.1 billion (after-tax) related to Husky Energy's upstream assets in North America and were largely due to lower crude oil price assumptions, as well as an inventory realizable value write-down of C\$274 million (after-tax) primarily in the US Refining, Lloydminster Heavy Oil Value Chain, Oil Sands and Atlantic region.

- o For the first quarter of 2020, overall production from Integrated Corridor and Offshore averaged 298,900 barrels of oil equivalent per day (“boe/day”), compared to 285,200 boe/day for the same quarter in 2019. Since the end of first quarter of 2020, more than 80,000 barrels per day (“bbls/day”) of Integrated Corridor production has been shut in.
- o For the first quarter of 2020, downstream throughput in the Integrated Corridor averaged 307,800 bbls/day, compared to 333,600 bbls/day for the same quarter in 2019. US refining throughput has been reduced by 100,000 bbls/day to match local product demand.
- o Capital expenditure was C\$612 million for the quarter ended March 31, 2020, including C\$43 million in Superior Refinery rebuild capital, primarily directed towards construction of two 10,000 bbls/day Spruce Lake thermal bitumen projects in Saskatchewan, the Lihua 29-1 field offshore China and the West White Rose Project in the Atlantic region.
- On April 29, 2020, Husky Energy announced its board of directors has approved a reduction to the quarterly dividend to C\$0.0125 per common share for the three-month period ended 31 March 2020. The dividend will be payable on July 2, 2020 to shareholders of record at the close of business on June 9, 2020.
- On April 29, 2020, CKHH announced that CKHH’s share of Husky Energy’s 2020 first quarter net earnings loss included in CKHH’s 2020 results is approximately HK\$3.8 billion (US\$0.5 billion). The impact on profit attributable to shareholders of CKHH arising from Husky Energy’s first quarter net earnings loss as well as further Husky Energy losses for the remainder of the year which could arise if crude oil prices and refinery margins remain at the current low levels is expected to be more than fully offset by the VHA Merger gains (as mentioned below under the “Finance & Investments and Others” section).
- See “Risk Factors — Uncertainty and Unpredictability of the Impact of the Present COVID-19 Pandemic on CKHH’s Business and Operations” and “Risk Factors — Energy.”

Telecommunication

- On May 4, 2020, CKHH announced a quarterly trading update presentation, which contains certain unaudited financial information in relation to the performance of CK Hutchison Group Telecom Holdings Limited and its subsidiaries for the quarter ended March 31, 2020.
 - o Active customer base was 42.9 million at March 31, 2020, a 5% decrease from March 31, 2019;
 - o Revenue was €2.5 billion for the first quarter of 2020, 4% below the same quarter in 2019;
 - o Total margin was €1.8 billion for the first quarter of 2020, increased by 1% when compared to the same quarter in 2019;
 - o Monthly average churn percentage of contract customers was 1.2% for the first quarter of 2020, a 0.1%-point improvement from the same quarter in 2019;
 - o Capex was €0.3 billion for the quarter ended March 31, 2020, a 21% increase from the same quarter in 2019;
 - o Net debt was €7.3 billion as at March 31, 2020, a 12% improvement from March 31, 2019.

Finance & Investments and Others

- In January 2020, CKHH repaid two HK\$500 million fixed rate notes on maturity;
- In February 2020, CKHH obtained a three year floating rate term loan facility of US\$1,300 million (approximately HK\$10,140 million);
- In February 2020, the Australian Federal Court has ruled to approve the merger between VHA and TPG Telecom Limited (“TPG”) and rejected the opposition from the Australian Competition and Consumer Commission (“ACCC”). The ACCC announced in March 2020 that it would not appeal the court’s decision and the merger is now expected to complete in mid-2020, subject to the remaining regulatory approval.

- On April 29, 2020, CKHH announced that Vodafone Hutchison Australia Pty Limited (“VHA”) is working with TPG Telecom Limited (“TPG”) with an aim to complete the merger of their telecommunications businesses in Australia in the middle of 2020 with the effective date for the merger in the first half of 2020. Subject to the merger becoming effective, CKHH expects to realize gains arising from the dilution of CKHH’s attributable interest in VHA from 43.93% to 22.01% in its consolidated income statement. Based on the information currently available to CKHH, including the relevant exchange rate prevailing on the announcement date, fair value of TPG estimated based on the closing TPG share price on that date, carrying cost and reclassification adjustments amounts of the Group’s investment in VHA as recorded in CKHH’s books of accounts on that date, CKHH estimates the gains attributable to shareholders arising from the dilution to be approximately HK\$7.2 billion (US\$0.9 billion). The amount of the gains (the “VHA Merger gains”) will depend on the actual exchange rate, fair value of TPG, carrying cost and reclassification adjustments amounts of the Group’s investment in VHA on the date the merger becomes effective and consequently the estimated gains attributable to shareholders of HK\$7.2 billion (US\$0.9 billion) may change.

BUSINESS STRATEGY

In the current global economic environment, CKHH focuses on maintaining financial discipline and the strength of its financial position in order to successfully execute its business strategies. CKHH's overall business strategy is to focus on and continue to cautiously expand its core businesses and its market share in all markets in which it operates, mainly by organic growth, and through selective acquisitions where opportunities exist. CKHH has focused primarily in the markets which it has existing operations and with a stable economic and political environment. CKHH expects to continue to cautiously expand in its core businesses in line with demand for its products and services. CKHH also seeks to establish a strong and diversified local presence in each market in which it operates.

CKHH's divisions have the following specific business strategies:

- The ports and related services division plans to continue to optimize the performance of its existing port operations and to continue to grow and expand its existing position as a leading global competitor in container terminal operations. The division plans to pursue selective expansion opportunities to meet demand in its existing port locations to maintain market share and to cautiously expand into new markets elsewhere around the world. In addition, the division seeks to maximize the operational efficiencies among its global port operations as well as to improve the operating results of the ports through strict cost management strategies in order to maintain stable growth.
- The retail division seeks to build its leading market position by expanding its businesses through organic growth with new store openings mainly in markets with high growth potential. CKHH believes that it can use its retail expertise as a global retailer to expand and continue to grow its operations. In addition to network expansion, the retail division has been creating differentiation through developing its own brand products and building customer relationship management and digital capabilities that provide multi-channel shopping experiences, as well as increase insight into customer preferences to enhance the effectiveness of marketing campaigns.
- CKI seeks to ascertain further opportunities to invest in infrastructure projects with stable returns and accretive earnings and cashflow profiles.
- Husky Energy's business strategy is to generate returns from investing in a deep portfolio of opportunities across two main businesses: (i) an integrated Canada-U.S. Upstream and Downstream corridor ("Integrated Corridor"); and (ii) production located offshore the east coast of Canada ("Atlantic") and offshore China and Indonesia ("Asia Pacific") (Atlantic and Asia Pacific collectively, "Offshore"). These investments are intended to provide for increasing margins, funds from operations and earnings. A strong balance sheet, deep physical integration and largely fixed price contracts in Asia Pacific is expected to provide resilience to market volatility while preserving upside.
 - **Integrated Corridor.** Husky Energy's business in the Integrated Corridor includes crude oil, bitumen, natural gas and NGL production from Western Canada, the Lloydminster upgrading and asphalt refining complex, Husky Midstream Limited Partnership (35% working interest and operatorship), and the Lima Refinery, Toledo Refinery (50% working interest) and Superior Refinery in the U.S. Midwest. Natural gas production from the Western Canada portfolio is closely aligned with Husky Energy's energy requirements for refining and thermal bitumen production and acts as a natural hedge; and
 - **Offshore.** Husky Energy's Offshore business includes operations, development and exploration in Asia Pacific and Atlantic.

CK Hutchison Group Telecom aims to offer its customers the best network quality and coverage. Key strategies include:

- **Operational strategies.** CKHGT aims to offer its customer the best network quality and coverage through (i) improving its network through data-centric digitalization to optimize service quality, increase overall network coverage and expand market share; (ii) IT transformation program to enhance customer experience; and (iii) being actively involved in developing 5G and standardizing operation support systems and core network for 5G readiness. CKHGT has already obtained sufficient 5G spectrum in most operations and is 5G-ready in almost all markets in which it operates.
 - **Business strategies.** CKHGT focuses on (i) increasing contract customer base to protect short term volatility; (ii) expanding revenue streams to increase margins and drive growth, including fixed-wireless access, data analytics, accessories sales, and financial services; and (iii) increasing margin by enhancing cost structure and capturing full cost efficiencies from network and IT transformations.
 - **Financial strategies.** CKHGT aims to maintain investment grade rating and CKHH's standard of financial management, discipline and system. In addition, CKHGT demonstrates its operational efficiency and disciplined cost control, and aims to maintain a strong balance sheet, through (i) prudent financial management and strong financial flexibility through regular and close cash flow monitoring; (ii) stringent capex approval policies consistent with CKHH standards; and (iii) strict dividend policy, with net debt to EBITDA threshold to provide an implicit form of parental support to maintain liquidity of all operating units.
- CKHH also aims to organically grow and increase profitability of its existing telecommunications businesses in Indonesia, Vietnam and Sri Lanka by diversifying revenue streams, network expansion, strengthening competitive positioning and increasing efficiency and continued focus on cost management.

OPERATIONS

Ports and Related Services

The ports and related services division comprises Hutchison Ports, and HPH Trust, the 30.07% owned associate listed on the Main Board of the SGX-ST. CKHH is one of the world's largest privately-owned container terminal operators in terms of throughput handled and CKHH has interests in container terminals operating in six of the 10 busiest ports by container throughput in the world: Shanghai, the Mainland; Ningbo, the Mainland; Shenzhen, the Mainland; Busan, South Korea, Hong Kong and Rotterdam, the Netherlands. The division handled combined container throughput of 84.6 million TEU and 86.0 million TEU in 2018 and 2019, respectively. CKHH currently has interests in 52 ports comprising 290 operational berths⁽¹⁾ in 27 countries.

The market for ports and related services is dependent on a variety of factors. The geographic location of each port is important to its traffic flow. A terminal operator must also have sufficient capacity to meet the demands of its customers. In addition, through its interests in Shanghai, Ningbo, and Delta ports and, through its associate HPH Trust, Yantian Port and Huizhou Port, CKHH is one of the largest private container terminal operators in the Mainland. Through its European operations, CKHH is positioned as one of the market leaders in container terminal operations with businesses in the UK, the Netherlands, Belgium, Germany, Spain, Poland and Sweden. CKHH also operates the largest container terminal operation in Indonesia and Thailand. Shipping lines focus on turnaround time at ports in order to minimize the amount of time their vessels spend at ports. CKHH utilizes the latest technology and management systems in all of its port operations in order to maximize turnaround performance.

The following table set out the container throughput by type of shipment and geographic location, respectively, of the portfolio of ports operated by CKHH's subsidiaries, associates and joint ventures:

Container Throughput⁽²⁾

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	55,643.2	56,075.6
Transshipment	28,918.8	29,942.6
Total	84,562.0	86,018.2
HPH Trust	24,312.4	23,524.4
The Mainland and Other Hong Kong	13,830.0	13,545.3
Europe	15,837.4	16,218.8
Asia, Australia and Others	30,582.2	32,729.7
Total	84,562.0	86,018.2

⁽¹⁾ Based on 300 meters per berth and is computed by dividing the total berth length by 300 meters, which may be different to the number of physical container berths for vessel mooring. Unless otherwise stated, the number of berths stated elsewhere in this offering memorandum represent the number of physical berths.

⁽²⁾ The published statistics from the Hong Kong Marine Department are not directly comparable to throughput figures of HIT, CHT and ACT HK included in the figure for HPH Trust above. HIT, CHT and ACT HK figures include volumes in relation lighterwork, etc. and are more comparable to statistics used by the industry.

HPH Trust

Yantian Port

YICT, a joint venture between HPH Trust and Shenzhen Yantian Port Group, is located in Da Peng Bay, three kilometers from the Hong Kong border.

HPH Trust has a 56.4% interest in YICT, which owns and manages Phases I and II of Yantian Port, the first deep-water port in the southern Mainland. Phases I and II of Yantian Port provide 130 hectares of yard space, five container berths and one barge berth. Yantian Phase III, in which HPH Trust holds a 51.6% interest, was formed to develop terminal facilities at Phase III and Phase III expansion of Yantian Port. A new container berth at Phase III expansion was put into operation in May 2016. Together they provide a total yard space of 226 hectares and 11 container berths.

HPH Trust holds a 51.6% interest in Yantian West Port Phases I and II, which are adjacent to existing Yantian Port Phases I and II facilities. Yantian West Port Phase I provides one container berth and two barge berths with yard space of 17 hectares. Yantian West Port Phase II has been completed and provides three container berths with yard space of 44 hectares. The first berth of Yantian West Port Phase II commenced operation in February 2016, and the other two berths commenced operation in January 2018.

Yantian Port handled throughput of 13.2 million TEU in 2018 and 13.1 million TEU in 2019.

Hong Kong Kwai Tsing Port Operations

HPH Trust holds a 100% interest in HIT. HIT's scope of operations in Hong Kong, one of the busiest ports in the world in terms of throughput in 2019, includes the loading and unloading of containers to and from container vessels, the storage of containers and cargoes and the handling of containers within the container terminal premises. HIT operates 12 container berths and four barge berths at its four terminals at Kwai Tsing. In addition, HIT's 50% joint venture, CHT, operates two container berths and five barge berths at Kwai Tsing. HIT and CHT occupy approximately 141 hectares of terminal space which is held under leases granted by the Hong Kong Government expiring in 2047. Historically, the Hong Kong Government has controlled the amount of land used for container terminals.

HPH Trust currently holds an effective interest of 40% in ACT HK, which owns and operates two container berths at Container Terminal 8 West, adjacent to the HPH Trust's existing container terminals, at Kwai Chung, Hong Kong.

In December 2016, HIT, CHT and ACT HK entered into a Co-Management Agreement for which they will collaborate towards the efficient management and operation of 16 berths across Terminals 4, 6, 7, 8 and 9 in Kwai Tsing, Hong Kong with effect from January 1, 2017.

On January 8, 2019, HIT, CHT, ACT HK and Modern Terminals Limited entered into a Hong Kong Seaport Joint Operating Alliance Agreement (the "Joint Operating Agreement") on which they will collaborate for the efficient management and operation of the 23 berths across Terminals 1, 2, 4, 5, 6, 7, 8 and 9 in Kwai Tsing, Hong Kong. The Joint Operating Agreement has been progressively implemented from April 1, 2019.

Throughput of HIT, CHT and ACT HK together amounted to 10.9 million TEU in 2018 and 10.0 million TEU in 2019.

Huizhou International Container Terminals Limited

HPH Trust holds an effective interest of 41.3% in HICT, the first dedicated container terminal in Huizhou Port, which is located close to the manufacturing hinterland in eastern Guangdong and has two berths, with a total berth length of 800 meters, an area of 60 hectares, a depth alongside of 15.7 meters and approaching channel of 15.2 meters. In December 2016, Hutchison Ports disposed its 80% interest in HICT to HPH Trust.

HICT handled throughput of 252,900 TEU in 2018 and 239,800 TEU in 2019.

Ports in the Mainland and Other Hong Kong

Shanghai Ports

Shanghai was the busiest port in the world in terms of container throughput in 2018 and 2019. Hutchison Ports' interests in Shanghai ports include interests in SMCT, SPICT and SCT. CKHH's Shanghai ports, comprising 17 container berths handled 9.0 million TEU in 2018 and 9.0 million TEU in 2019.

The following table summarizes the combined container throughput of CKHH's Shanghai ports:

Shanghai Ports Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	6,819.8	6,117.0
Transshipment	2,216.8	2,852.2
Total	<u>9,036.6</u>	<u>8,969.2</u>

Shanghai Mingdong Container Terminals Limited. Hutchison Ports holds a 50% interest in SMCT. SMCT, located at Phase V of the Waigaoqiao in Shanghai, consists of four container berths and two barge berths along a 1,300-meter quay. SMCT is currently leasing the Waigaoqiao Phase VI container terminal with three container berths along a 958 meter quay.

Shanghai Pudong International Container Terminals Limited. Hutchison Ports owns a 30% interest in SPICT. SPICT operates three container berths at Phase I of the Waigaoqiao in Shanghai. It also offers supporting services that include a container freight station and reefer facilities.

Shanghai Container Terminals Limited. Hutchison Ports owns a 40% equity interest in SCT, which is a joint venture with Shanghai International Port (Group) Co. Ltd. SCT's Zhanghuabang and Jungonglu terminals are leased to Shanghai International Port (Group) Co. Ltd. for handling domestic cargo.

Other Mainland Ports

Ningbo Beilun International Container Terminals Limited. Ningbo-Zhoushan port was the third busiest port in the world in terms of container throughput in 2018 and 2019. Hutchison Ports holds a 49% interest in NBCT. NBCT is a container-handling facility situated at Ningbo Beilun Port, a natural deep-water port on the southeast coast of China. The facility is situated on 76.2 hectares of land and is equipped with three container berths. NBCT handled 2.1 million TEU in 2018 and 2.1 million TEU in 2019.

Hutchison Delta Ports Limited ("Delta Ports"). Delta Ports, a wholly-owned subsidiary of Hutchison Ports, manages Hutchison Ports' existing interests in river and coastal ports in the Mainland and invests in, develops and operates new river and coastal ports in the Mainland in conjunction with local government entities as its joint venture partners. Delta Ports currently operates and manages joint venture facilities in Nanhai, Jiangmen and Xiamen of which Hutchison Ports' economic interest in the two River Ports (Jiangmen International Container Terminals and Nanhai International Container Terminals) were assigned to HPH Trust prior to its IPO, but Hutchison Ports retains the legal interest in these operations. The two River Ports are 50%-owned joint venture facilities and the Xiamen port is 49%-owned by Hutchison Ports. In November 2018, Hutchison Ports divested its entire 70% interest in Shantou port.

Nanhai, Jiangmen and Xiamen handled a total of 1.5 million TEU and 42,200 tons of non-containerized cargo in 2018 and 1.7 million TEU and 119,300 tons of non-containerized cargo in 2019. The division disposed of its 70% interest in Shantou International Container Terminals in November 2018. Shantou handled 0.4 million TEU in 2018.

Huizhou Port Industrial Corporation Limited ("HPIC"). Hutchison Ports holds a 33.59% interest in HPIC. HPIC, located at Quanwan Port zone in the Daya Bay Economic and Technological Development Zone of Huizhou, is a multi-purpose facility that mainly handles non-containerized cargo such as refined oil, sand and cement.

HPIC handled 13.3 million tons of oil and other non-containerized cargo in 2018 and 14.6 million tons of oil and other non-containerized cargo in 2019.

River Trade Terminal Co. Ltd. ("RTT"). Hutchison Ports has a 50% equity interest in RTT, which handles and consolidates container and break-bulk cargo originating from southern China river ports prior to dispatch to Kwai Tsing, Hong Kong. RTT handled throughput of approximately 0.8 million TEU in 2018 and 0.8 million TEU in 2019.

Ports in Europe

The Netherlands, Germany and Belgium

Europe Container Terminals. Hutchison Ports has a 93.5% equity interest in ECT in Rotterdam, the Netherlands. Through ECT, Hutchison Ports has an 89.37% equity interest in ECT Delta Terminal B.V. and a 60.78% equity interest in Euromax Terminal Rotterdam B.V. ("ETR") in Rotterdam, the Netherlands. ECT is one of the largest container operators in Europe in terms of container throughput, operating two deep-sea terminals with 10 container berths. ECT also has equity interests in inland facilities in the ports of Venlo and Moerdijk in the Netherlands, Duisburg in Germany and Willebroek in Belgium. In September 2016, ECT sold 35% equity interest in ETR to COSCO SHIPPING Ports Limited and Hutchison Ports reduced its interest in ETR from 93.5% to 60.78%.

The following table summarizes the combined container throughput with respect to ECT:

The Netherlands, Germany and Belgium Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	6,239.8	6,688.1
Transshipment	2,633.7	2,406.3
Total	<u>8,873.5</u>	<u>9,094.4</u>

Amsterdam Container Terminals. In December 2017, Hutchison Ports acquired the remaining 29.92% interest in ACT in Amsterdam from Nippon Yusen Kabushiki Kaisha and now has a 100% equity interest in ACT which comprises three berths with a total length of 1,015 meters. The operation is currently engaged in general cargo, project cargoes and short-sea container traffic.

TMA Logistics. In December 2017, Hutchison Ports acquired a 50% equity interest in TMA Logistics B.V., which handles general cargo, project cargo and short-sea container traffic together with warehousing, transport and agency operations.

UK

CKHH's UK port operations consist of PFL, LTP and HWH with 11 container berths and 2 non-container berths. CKHH's UK ports handled 3.9 million TEU in 2018 and 3.9 million TEU in 2019. PFL and LTP together handled approximately 38% of the UK container throughput in 2018.

Port of Felixstowe Limited. Hutchison Ports has a 100% equity interest in PFL, the largest container facility in the UK. PFL's terminals include: Trinity, which can berth seven deep-sea container ships at any one time and Dooley, primarily a roll-on/roll-off facility. The 920-meter deep water berths 8 and 9 was extended in 2015 and can handle two of the largest container ships afloat concurrently.

Thamesport (London) Limited. Hutchison Ports has an 80% equity interest in LTP in the UK. LTP is a container and general cargo terminal on the Thames estuary 35 miles from London.

Harwich International (Holdings) Limited. Hutchison Ports has a 100% equity interest in HWH, which is situated one mile from PFL on the opposite side of the Harwich Haven estuary. It has strong links with Northern Europe, particularly through regular passenger and freight roll-on/roll-off services and cruise vessels. It also handles liquid bulk and agricultural products.

The following table summarizes the combined container throughput with respect to PFL and LTP:

UK Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	3,536.2	3,726.2
Transshipment	420.1	231.7
Total	3,956.3	3,957.9

Spain

Barcelona Europe South Terminal. Hutchison Ports has a 100% equity interest in BEST, which has a 45-year concession, extendable to 50 years, at the Port of Barcelona, Spain. The semi-automated terminal at BEST has a quay length of 1,500 meters. BEST handled 2.4 million TEU in 2018 and 2.4 million TEU in 2019.

Poland

Gdynia Container Terminal. The Port of Gdynia is located on the southern coast of the Baltic Sea, where approximately 97% of Polish sea-borne containerized cargo is handled. Hutchison Ports increased its interest in GCT at the Port of Gdynia from 99.15% to 99.57% in June 2017 and further increased its interest to 100% in July 2017. GCT handled 393,800 TEU in 2018 and 382,400 TEU in 2019.

Sweden

Container Terminal Frihamnen. Hutchison Ports holds the right to operate CTF for 11 years from March 1, 2009 until December 31, 2020. In February 2017, Hutchison Ports signed an agreement with Ports of Stockholm to develop and operate new container-handling facilities at the Port of Nynäshamn, Norvikudden, approximately 60 kilometers south of Stockholm, under a 25-year concession, extendable to 30 years. The new terminal is expected to open in mid-2020 and the existing terminal will close. CTF handled 56,700 TEU in 2018 and 61,900 TEU in 2019.

Ports in Asia, Australia and others

Malaysia

Westports Malaysia. Westports Holdings Berhad (“Westports”), Hutchison Ports’ 23.55% listed associate, is listed on the Malaysia Stock Exchange. Westports is the holding company of KMT at Port Klang, Malaysia. KMT is an integrated terminal situated at Port Klang. It offers container-handling services, with the capability of also handling dry bulk, liquid bulk and other conventional cargo. KMT has 20 container berths and handled 9.5 million TEU in 2018 and 10.9 million TEU in 2019.

Indonesia

Jakarta International Container Terminal. Hutchison Ports has a 49% economic interest in JICT, located at Tanjung Priok Port in Jakarta. JICT is the largest terminal port operator in Indonesia with seven container berths. JICT completed its final phase of the expansion program in November 2016, which has shortened the gate transaction time, and is delivering improved service levels to its customers.

Terminal Petikemas Koja. Hutchison Ports has an effective 45.09% interest in KOJA at Tanjung Priok Port in Jakarta. KOJA is adjacent to JICT and has three container berths. The expansion program at KOJA has been completed. As a result of the investments associated with this expansion program, KOJA increased its capacity to approximately 1 million TEU.

In 2014, Hutchison Ports signed conditional agreements for 20-year extensions to the concessions of JICT and KOJA. The agreements became effective on July 6, 2015 following approval from the Indonesian Government.

The following table summarizes JICT's and KOJA's container throughput:

Indonesia Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	2,787.1	2,830.4
Transshipment	159.6	170.0
Total	2,946.7	3,000.4

South Korea

Hutchison Korea Terminals. Hutchison Ports operates a five-berth deep-water container terminal in Busan, the world's sixth largest container port in terms of throughput in 2018 and 2019.

Korea International Terminals. Hutchison Ports has an equity interest of 88.9% in KIT. KIT is located at the Gwangyang Port Phase II in South Korea with a total of four berths.

The combined throughput handled by HKT and KIT in South Korea was 2.8 million TEU in 2018 and 2.7 million TEU in 2019.

Thailand

Thai Laemchabang Terminal. Hutchison Ports has an 87.5% interest in TLT, which owns a multi-purpose facility with two container berths. The terminal is located at Laem Chabang Port on the Gulf of Thailand, which is 100 kilometers from Bangkok and 25 kilometers from Pattaya.

Hutchison Laemchabang Terminal. Hutchison Ports has an 80% interest in HLT. CKHH has construction, management and operation rights over an 11-berth facility and 141 hectares of land in Laem Chabang port for 30 years, with an option to renew for two further 10-year periods. Four of the total six terminals are currently in operation with the remaining terminals expected to commence operations in phases.

The terminals in Laem Chabang handled combined throughput of 2.9 million TEU in 2018 and 3.3 million TEU in 2019.

Pakistan

Karachi International Container Terminal. Hutchison Ports has a 100% equity interest in KICT, which is one of the container terminal operators at the Port of Karachi in Pakistan. KICT operates five container berths.

South Asia Pakistan Terminals. Hutchison Ports has a 90% equity interest in SAPT, a new port with a concession period of 25 years, extendable for another 25 years. Operation of the first and second berth of phase one commenced in the fourth quarter of 2016 and in May 2017 respectively. SAPT is situated at the estuary of the Keamari Groyne basin and the new terminal provides convenient access to ships entering Karachi. Upon full completion of the terminal construction, SAPT will have four berths with a total quay length of 1,500 meters, a yard area of up to 85 hectares and depth alongside up to 18 meters.

The terminals in Pakistan handled combined throughput of 1.6 million TEU in 2018 and 1.5 million TEU in 2019.

Vietnam

Saigon International Terminals Vietnam. Hutchison Ports has a 70% interest in SITV. SITV is located approximately 55 kilometers from the Ho Chi Minh City hinterland in Vietnam. It is a modern container terminal situated close to the manufacturing centers in the Ba Ria Vung Tau Province.

Myanmar

Myanmar International Terminals Thilawa. Hutchison Ports has a 100% interest in MITT which has a long-term concession to operate a five berth general cargo and container port facility. The terminal is located 25 kilometers from Yangon, the largest city in Myanmar and the country's international trade portal.

Australia

Brisbane Container Terminals. Hutchison Ports has a 100% equity interest in BCT which operates a container terminal at Berths 11 and 12 in the Port of Brisbane, Queensland, Australia.

Sydney International Container Terminals. Hutchison Ports has a 100% equity interest in SICTL which operates the third container terminal at Port Botany, New South Wales, Australia.

The terminals in Australia handled a combined throughput of 529,200 TEU in 2018 and 498,700 TEU in 2019.

Saudi Arabia

International Ports Services. Hutchison Ports has a 51% interest in IPS, which operates a seven container berths and four multi-purpose berths deep-water facility capable of handling containers, roll-on/roll-off cargo and break-bulk refrigerated cargo at King Abdul Aziz Ports, Dammam, in Saudi Arabia. IPS handled 1.1 million TEU in 2018 and 1.4 million TEU in 2019. IPS's current concession has been extended to September 2020 with Saudi Arabia's port authority.

Egypt

Alexandria International Container Terminals. Hutchison Ports has an 80.33% interest in two terminals at Ports of Alexandria and El Dekheila on the Mediterranean Sea. The equity shareholding was increased from 50% to 80.33% following the acquisition of a 30.33% interest in February 2016. AICT handled 841,300 TEU in 2018 and 893,100 TEU in 2019.

Oman

Oman International Container Terminal. Hutchison Ports has a 65% interest in a container terminal in the Port of Sohar. The Port of Sohar is located outside the Strait of Hormuz in the Gulf of Oman, approximately 200 kilometers from Muscat and 160 kilometers from Dubai. OICT handled 828,600 TEU in 2018 and 800,400 TEU in 2019. OICT operates Terminal C with a quay length of 970 meters and a depth alongside of 18 meters.

UAE

Hutchison Ajman International Terminals. CKHH was granted a 10-year concession period commencing on January 1, 2012 to develop and operate Ajman Port in the UAE. HAJT is located 25 kilometers from Dubai and 10 kilometers from Sharjah, where most of the UAE's manufacturing and trading companies are located. The main container and general cargo berths of the terminal have a total quay length of 1,250 meters and a yard area of 12.9 hectares. HAJT handled 158,300 TEU in 2018 and 170,400 TEU in 2019. While a development plan and a longer term extension are under negotiation, the Government of Ajman has agreed to extend the current concession for 3 years until December 31, 2024.

Hutchison Ports RAK. Hutchison Ports has a 60% equity interest in RAK. In October 2017, CKHH was granted a 25-year concession period to operate at Saqr Port in Ras Al Khaimah of the UAE, located in close proximity to the RAK Maritime City Free Zone and the industrial zones of Al Hamra and Al Ghail. Currently, it has a quay length of 815 meters and a yard area of 20 hectares.

Hutchison Ports UAQ. Hutchison Ports has a 60% equity interest in UAQ. In December 2017, CKHH was granted a concession to operate in Umm Al Quwain of the UAE. Currently, it has a quay length of 845 meters and a yard area of 23 hectares.

Iraq

NAWAH for Ports Management LLC. In July 2017, Hutchison Ports acquired 51% interest in a container terminal in the Port of Basra, an existing port with a concession of 15 years, extendable for 10 years based on mutual agreement with Port Authority. The Port of Basra is located in downtown Basra City, Iraq, on the banks of Shatt Al Arab River. Currently, it has a quay length of 158 meters and a yard area of 2 hectares.

Mexico

CKHH's Mexico port operations consist of operations in Veracruz, Lazaro Cardenas, Ensenada and Manzanillo.

Internacional de Contenedores Asociados de Veracruz. Hutchison Ports has a 100% equity interest in ICAVE, which is located at the Port of Veracruz on the east coast of Mexico. In addition to facilities for handling containers, ICAVE is equipped with a container freight station, intermodal station, and empty container depot and external storage and repair facilities. In April 2016, ICAVE was granted a 20-year extension of the current concession for the relocation of ICAVE’s current terminal facilities to the new port of Veracruz, on the east coast of Mexico. In June 2019, ICAVE has commenced operation at the new port of Veracruz.

Lazaro Cardenas Terminal Portuaria de Contenedores (“LCT”). Hutchison Ports has a 100% interest in LCT, which is located in the State of Michoacan, on the Pacific coast of Mexico. Phase I & II of the new terminal development has a total quay length of 930 meters.

Lazaro Cardenas Multipurpose Terminal (“LCMT”). Hutchison Ports has a 100% interest in a multi-purpose terminal, LCMT at the Port of Lazaro Cardenas for a concession period of 20 years. It has a total area of 20 hectares, a 286-meter berth with depth alongside of 14 meters.

Ensenada International Terminal (“EIT”). Hutchison Ports has a 100% equity interest in EIT, located 110 kilometers south of the U.S.-Mexico border along the Pacific Ocean. EIT is a multi-use terminal oriented to manage containers and bulk goods. In February 2017, EIT was granted a 20-year extension of the current concession.

The following table summarizes the combined container throughput with respect to the Mexico operations:

Mexico Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	1,733.0	1,897.4
Transshipment	183.4	171.2
Total	1,916.4	2,068.6

Argentina

Buenos Aires Container Terminal Services. Hutchison Ports has a 100% equity interest in BACTSSA, which is located at Terminal 5 at the Port of Buenos Aires, Argentina. BACTSSA handled 256,400 TEU in 2018 and 216,600 TEU in 2019. In August 2019, BACTSSA has agreed with the local port authority for a 1-year extension to the current 4-year concession which expires in May 2020. The extended concession will expire in May 2021.

The Bahamas

Freeport Container Port. Hutchison Ports has a 51% interest in FCP on Grand Bahama Island in the Bahamas serving as a transshipment hub for the eastern seaboard of the U.S. and the east/west line haul routes through the region. The facility has more than 1,000 meters of quay and 49 hectares of container yard. FCP handled 1.1 million TEU in 2018 and 1.4 million TEU in 2019.

Panama

Panama Ports Company. Hutchison Ports has a 90% interest in PPC, which operates the ports of Balboa on the Pacific Ocean side and Cristobal on the Atlantic Ocean side of the Panama Canal, under a long-term concession agreement and has created a modern post-Panamax transshipment facility with 8 container berths. The ports of Cristobal and Balboa provide the link and strategic access for the transatlantic and transpacific trades to the east and west coasts of the Americas. In addition, Balboa is strategically located to participate in the transshipment trade between Asia, the west coast of the U.S., and the west and east coasts of Central and South America and the Caribbean.

The following table summarizes Panama's container throughput:

Panama Container Throughput

	Year Ended December 31, 2018	Year Ended December 31, 2019
	in thousands of TEU	in thousands of TEU
Local	320.1	301.5
Transshipment	3,045.9	2,674.2
Total	<u>3,366.0</u>	<u>2,975.7</u>

Tanzania

Tanzania International Container Terminal Services. In March 2020, Hutchison Ports decreased its shareholding from 66.5% to 60% in TICT, which is located at Dar es Salaam. TICT has a total quay length of 725 meters and a yard area of 14 hectares. TICT handled 591,900 TEU in 2018 and 605,000 TEU in 2019.

Canada

Québec Container Terminal. In May 2019, Hutchison Ports and Canadian National Railway ("CN") signed a preliminary commercial agreement with Québec Port Authority ("QPA"), to build and operate a new 700k TEU container terminal with a total quay length of 450 meters in Québec City, Canada, under a 60-year concession from QPA. Hutchison Ports will hold 75% interest in the new terminal. The deep-water container terminal project is currently under an environmental assessment process with the Canadian Environmental Assessment Agency.

Port Related Services

Hutchison Ports owns 50% interest in the port operation of Hongkong United Dockyards Limited ("HUD"). HUD provides both marine and general engineering services from its Tsing Yi facility which includes a floating dry-dock and workshops complex. In addition to ship maintenance and repair, HUD is a contractor for steel fabrication, mechanical and electrical engineering. HUD is the largest tug operator in Hong Kong, deploying 13 tugs. The operation provides services including harbor towage, off-shore towage, salvage, and oil spill response, as well as tug design, new building, supervision and project consultancy. It also operates six vessels on long-term contracts for maritime transportation of refuse for the Hong Kong Government. HUD also has a structural steel cut and bend facility on the premises.

Hutchison Ports has a 50% interest in Freeport Harbour Company ("FHC"), a major cruise ship passenger terminal on Grand Bahama Island in the Bahamas. FHC also holds a 100% interest in The Grand Bahama Airport Company, which operates the international airport on the island.

Hutchison Ports has a 100% equity interest in Ensenada Cruiseport Village ("ECV") in Mexico, which is an important international port for worldwide and Pacific Coast cruise ships. ECV also has marina facilities.

Hutchison Ports has a 100% equity interest in Terminal Internacional de Manzanillo ("TIMSA"). TIMSA is a multi-purpose stevedoring operation, which provides services at the Port of Manzanillo, Mexico. The port is strategically situated along the west coast of Mexico and is connected to major trade routes linking the Americas and Asia.

Hutchison Ports has a 100% equity interest in Talleres Navales del Golfo in Mexico, which provides maintenance, technical support, conservation and repair services to vessels, platforms and other kinds of maritime structures.

Hutchison Ports has a 80% economic interest in Terminal Intermodal Logistica de Hidalgo, which operates an intermodal terminal in the Mexican State of Hidalgo, strategically situated near Mexico City.

Hutchison Ports has a 20.83% interest in Hong Kong Air Cargo Terminals Ltd in Hong Kong, which provides air cargo handling services to airlines at Hong Kong International Airport.

HPH Trust has a 100% interest in Asia Port Services, which operates ancillary services including container depots, trucking, feeder and a shipping agency.

In November 2019, HPH Trust increased its interest in Shenzhen Hutchison Inland Container Depots Co., Ltd from 77.7% to 81.7%. Shenzhen Hutchison Inland Container Depots Co., Ltd operates a container depot and warehousing facilities in Shenzhen in the Mainland to provide logistics services, including cargo consolidation, storage and distribution, quality inspection, warehousing, container storage and repair, transportation and other related services. This facility serves to enhance container traffic through Yantian Port.

In April 2019, Hutchison Ports signed a Heads of Agreement (“HOA”) with KA Petra Sdn Bhd (“KA Petra”), a ship-to-ship transfer specialist in Malaysia, to jointly develop what is expected to be the world’s largest ship-to-ship transfer hub in Malaysia. Under the terms of the HOA, KA Petra is expected to have 70% interest in the project, whilst Hutchison Ports will have a strategic 30% stake. The transaction is subject to satisfaction of certain conditions precedent including obtaining regulatory approvals.

Retail

CKHH’s strategy in its retail operation is to continue to build on its portfolio, through a policy of carefully managed growth, while tightly controlling costs. CKHH believes that it can leverage the retail expertise gained to expand and grow its retail operations. As customers become increasingly cost and quality conscious, CKHH strives to provide customers with quality products at competitive prices. As at December 31, 2019, CKHH operates retail businesses across 25 markets, predominantly in Europe, Hong Kong, the Mainland and other markets in Asia. CKHH believes that significant benefits flow from the economies of scale inherent in operating a global retail organization. All A.S. Watson’s retail stores are rented, preserving the operational flexibility of the division. As of the date of this offering memorandum, CKHH’s interest in A.S. Watson is 75.05%.

In May 2019, ASW’s China supermarket business completed the formation of a joint venture with Yonghui Superstores Co. Limited (“Yonghui”) and Tencent Holdings Limited (“Tencent”) to create the largest grocery retail business in Guangdong, China. The joint venture has combined the PARKnSHOP China supermarket asset with Yonghui’s portfolio in Guangdong and leverages Tencent’s digital and data analytical capabilities, with a store network of 93 stores as of December 31, 2019. Subsequent to the joint venture formation, ASW, Yonghui and Tencent holds 40%, 50% and 10% interest in the joint venture respectively.

All the numbers of stores quoted in the following paragraphs are as of December 31, 2019 unless otherwise specified.

Health & Beauty China

Watsons China is the leading retailers of health and beauty products in the Mainland with 3,947 stores.

Health & Beauty Asia

The Watsons business is the leading retailer of health and beauty products in Asia with strong brand name recognition and extensive geographical coverage with 590 stores in Taiwan, 535 in Malaysia, 836 in the Philippines, 249 in Hong Kong and Macau, 561 in Thailand, 103 in Singapore, 140 in Indonesia, 1 in Vietnam and 352 in Turkey.

Health & Beauty Western Europe

A.S. Watson owns 7 leading retail chains (Kruidvat, Trekpleister, Rossmann, Superdrug, Savers, The Perfume Shop, and ICI Paris XL) with 5,630 stores in Western Europe.

A.S. Watson owns Superdrug and Savers in the UK and Ireland. Superdrug is one of the UK’s leading health & beauty retailers operating 813 stores. Savers, a chain of discount health and beauty stores in the UK, has 492 stores. The company also owns a specialty perfumery retailer, The Perfume Shop in the UK and Ireland, which comprises 249 perfumery stores in the UK and Ireland.

ICI Paris XL is another leading perfumery chain in Europe with 290 stores in the Netherlands, Belgium and Luxembourg.

A.S. Watson also owns 3 leading retail chains (Kruidvat, Trekpleister and Rossmann) with 3,786 stores in Western Europe.

Health & Beauty Eastern Europe

A.S. Watson owns 3 leading retail chains (Rossmann, Drogas and Watsons) with 2,370 stores in 7 countries (Poland, Hungary, Czech Republic, Latvia, Lithuania, Russia and Ukraine) in Eastern Europe.

Other Retail

PARKnSHOP is a leading supermarket chain with 278 locations in Hong Kong and Macau. It is one of the market leaders in Hong Kong and has further expanded its offerings into the higher end food retailing market through branded store formats. In the Southern part of the Mainland, PARKnSHOP Yonghui operates supermarkets, selling fresh food, general merchandise and household products. As of December 31, 2019, there were 93 PARKnSHOP Yonghui stores in Guangdong Province.

Fortress is one of the leading retailers of consumer electronics and electrical appliances in Hong Kong. The chain of 78 Fortress stores throughout Hong Kong and Macau offers a wide range of products and after-sales product services.

Watson's Wine is one of the leading Hong Kong wine retailers with 30 outlets in Hong Kong and Macau and 1 outlet in the Mainland. The outlet in the Mainland was subsequently closed in February 2020.

The manufacturing division of A.S. Watson manufactures and distributes local and international branded drinking water, juices and other beverages in both Hong Kong and the Mainland.

A.S. Watson's "Watsons" brand is one of the leading brands of drinking water in Hong Kong. A.S. Watson's water business continues to develop in the Mainland, with strong sales in the Southern region, Shanghai and Beijing. "Mr. Juicy" is one of the best-selling brands of fruit juice in Hong Kong and is also increasingly distributed throughout the Southern Mainland.

Infrastructure

CKI

CKHH's current interest in CKI, a subsidiary listed on the SEHK, is 75.67%⁽¹⁾. Based on the closing price of its shares on the SEHK on December 31, 2019, CKI had a market capitalization of approximately HK\$146,980 million (approximately US\$18,844 million) and became one of the Hang Seng Index constituents on March 14, 2016.

CKI looks for projects with strong economic fundamentals and prefers to invest in operational projects or in projects that are already under construction in order to benefit from immediate or imminent cashflow and to reduce project development risks. CKI's objective is to obtain a relatively secure investment return from its infrastructure businesses by ensuring a stable minimum financial return, with the potential for participation in excess profits. In addition, it has focused on diversification and globalization initiatives and will continue to pursue opportunities when they arise.

Certain regulated operations of CKI's investments are subject to price control by regulatory authorities. The relevant regulatory authorities will reset the price control terms for certain projects in accordance with predetermined schedules.

The following table summarizes certain information with respect to CKI:

CK Infrastructure Holdings Limited

	Year Ended/ As of December 31, 2018	Year Ended/ As of December 31, 2019
Profit attributable to shareholders	HK\$10,443 million	HK\$10,506 million
Earnings per share	HK\$4.14	HK\$4.17
Dividend per share	HK\$2.43	HK\$2.46
Equity attributable to shareholders of CKI — shareholders' funds	HK\$107,173 million	HK\$111,604 million
Net debt	HK\$24,049 million	HK\$19,665 million
Net debt to net capital ratio	16.5%	13.5%

⁽¹⁾ Based on CKHH's profit sharing ratio in CKI.

CKI has reduced its interest in Power Assets, a HK-listed associate from 38.87% to 38.01% during 2017 and further reduced its interest to 35.96% in January 2019.

Power Assets Holdings Limited

Power Assets is listed on the SEHK. Based on the closing price of its shares on the SEHK on December 31, 2019, Power Assets had a market capitalization of approximately HK\$121,653 million (approximately US\$15,597 million). Power Assets completed the separate listing of its Hong Kong electricity business by way of the listing of the share stapled units jointly issued by HKEI on the Main Board of the SEHK on January 29, 2014. Power Assets currently holds 33.37% of HKEI which became an associated company of Power Assets following its separate listing. HKEI's wholly-owned subsidiary, Hongkong Electric, generates, transmits, distributes and is the sole provider of electricity to Hong Kong Island and Lamma Island. Currently, Hongkong Electric supplies electricity to over half a million customers. Total unit sales in 2019 were 10,519 million kWh, a 0.2% decrease from the 10,537 million kWh sold in 2018.

The operations of Hongkong Electric are subject to the Scheme of Control Agreement ("SCA") with the Hong Kong Government.

In April 2017, Hongkong Electric and HKEI signed a new SCA with the Hong Kong Government for a period of 15 years commencing January 1, 2019. The agreement provides for a 8% permitted rate of return on average net fixed assets.

Power Assets indirectly holds a 45% interest in Jinwan Power Plant in the Mainland as at December 31, 2019. The operation rights of Zhuhai Power Plant and Siping Cogen Power Plant, in which Power Assets previously had 45% interest, ceased in 2019.

Power Assets also holds 45% interests in two wind farms, one 48 MW farm in Dali, Yunnan Province and one 49.5 MW farm in Laoting, Hebei Province.

Power Assets has a 25% interest in Ratchaburi Power Company Limited, which owns and operates a 1,400 MW gas-fired power plant project located in Ratchaburi Province, Thailand.

Power Assets also holds interests in the following operations:

- 40% interest in UK Power Networks (CKI's direct interest: 40%);
- 8% interest in Northumbrian Water (CKI's direct interest: 52%);
- 41.29% interest in Northern Gas Networks (CKI's direct interest: 47.06%);
- 36% interest in Wales & West Utilities (CKI's direct interest: 39%);
- 10% interest in UK Rails (CKI's direct interest: 65%);
- 25% interest in Seabank Power (CKI's direct interest: 25%);
- 27.93% in each of SA Power Networks, Powercor and CitiPower (CKI's direct interest in each: 23.07%);
- 27% interest in Dutch Enviro Energy (CKI's direct interest: 45.5%);
- 50% interest in Portugal Renewable Energy (CKI's direct interest: 50%);
- 27.51% interest in AGN (CKI's direct interest: 44.97%);
- 50% interest in Australian Energy Operations (CKI's direct interest: 50%);
- 20% interest in CK William Group (CKI's direct interest: 40%);
- 50% interest in Wellington Electricity (CKI's direct interest: 50%);
- 50% interest in Canadian Power (CKI's direct interest: 50%);
- 10% interest in Park'N Fly (CKI's direct interest: 65%); and
- 48.75% interest in HMLP (CKI's direct interest: 16.25%).

Power Assets may pursue other international investment opportunities on a selective basis including equity investments in infrastructure assets and, where appropriate, participating in partnership with CKI.

The following table summarizes certain information with respect to Power Assets:

Power Assets Holdings Limited

	Year Ended/ As of December 31, 2018	Year Ended/ As of December 31, 2019
Profit attributable to shareholders	HK\$7,636 million	HK\$7,131 million
Earnings per share	HK\$3.58	HK\$3.34
Dividend per share	HK\$2.80	HK\$2.80
Net cash	HK\$1,792 million	HK\$1,557 million

UK Projects

UK Power Networks Holdings Limited

CKI and Power Assets each currently hold a 40% interest in UK Power Networks, which comprises three regional networks with a distribution area that covers London, the South East of England and the East of England. These networks serve approximately 8.3 million customers and provide approximately 30% of the electrical power in the UK. In addition, UK Power Networks' businesses include a non-regulated business comprising the distribution of electricity to a number of privately owned sites.

Northumbrian Water Group

CKI and Power Assets hold a 52% and 8% interest in Northumbrian Water, respectively. Northumbrian Water is one of the ten regulated water and sewerage companies in England and Wales and operates in the water supply, sewerage and waste water industries in England and Wales. Northumbrian Water provides water and sewerage services to approximately 2.7 million people in the North East and South East of England and water services to approximately 1.8 million people in the South East of England. In addition, Northumbrian Water's operations include a business comprising Kielder Reservoir, the largest man-made reservoir in Northern Europe, as well as a portfolio of long term water and waste water contracts. CKHH's effective interest in Northumbrian Water is 45.53%.

Northern Gas Networks Holdings Limited

CKI and Power Assets currently hold a 47.06% and a 41.29% interest, respectively in Northern Gas. The region served by Northern Gas extends south from the Scottish border to South Yorkshire and has coastlines on both the east and west sides of the region. The region contains a mixture of large cities (Newcastle, Sunderland, Leeds, Hull and Bradford) and a significant rural area including North Yorkshire and Cumbria. Northern Gas delivers gas to 2.7 million homes and businesses.

Wales & West Utilities

CKI and Power Assets currently hold a 39% and 36% interest, respectively, in Wales & West Utilities, which is principally engaged in the management of gas transportation assets, gas distribution and meter work services throughout Wales and the South West of England. Wales & West Utilities provides service to a population of 7.5 million and the network covers an area of 42,000 square kilometers. The total length of main gas pipeline is about 35,000 kilometers. CKHH's effective interest in Wales & West Utilities is 42.31%.

UK Rails

CKI and Power Assets hold a 65% and 10% interest, respectively, in UK Rails which in turn owns Eversholt Rail Group, one of the three traditional major rolling stock leasing companies in the UK. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, to passenger and freight train operating companies. CKHH's effective interest in UK Rails is 56.91%.

Seabank Power Limited

CKI, together with Power Assets, holds a 50% interest in Seabank Power, which owns and operates Seabank Power Station, which is located near Bristol, England and comprises two combined cycle gas turbine generating units with an aggregate capacity of approximately 1,150 MW.

Southern Water Group

CKI holds a 4.75% interest in Southern Water which is a regulated business which supplies fresh, quality drinking water to approximately 2.5 million customers, as well as treating and recycling waste water from approximately 4.7 million customers in the South East of England across Sussex, Kent, Hampshire and the Isle of Wight.

Other European Projects

Dutch Enviro Energy Holdings B.V.

CKI and Power Assets holds 45.5% and 27% interest, respectively, in Dutch Enviro Energy which in turn owns AVR. AVR is principally engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands. CKHH's effective interest in Dutch Enviro Energy is 45.28%.

Portugal Renewable Energy

CKI, together with Power Assets owns a 100% interest (on a 50/50 basis) in Portugal Renewable Energy, which in turn owns a 100% interest in Iberwind. Iberwind is principally engaged in the business of electricity generation from wind power in Portugal. Its portfolio comprises 31 wind farms with a power generation capacity of 726 MW.

ista

CKI holds a 35% interest in ista, a fully integrated energy management services provider which provides submetering services across 23 countries and over 12 million homes.

Australian Projects

CKI, together with Power Assets, owns a 51% interest (CKI: 23.07%; Power Assets: 27.93%) in:

- SA Power Networks, the owner and manager of South Australia's primary electricity distributor, which delivers electricity to more than 887,000 residential and business customers. The network has a route length of over 89,000 kilometers including over 400 zone substations, 76,000 transformers and 641,000 poles;
- Powercor, the owner and manager of the largest electricity distributors in Victoria, Australia, which delivers electricity to approximately 831,000 customers in central and western Victoria and Melbourne's outer western suburbs; and
- CitiPower, the owner and manager of the electricity distribution network servicing Melbourne's central business district and inner suburbs. The CitiPower network covers 157 square kilometers and includes distribution to the headquarters of some of Australia's largest companies and most important cultural and sporting icons, such as the Melbourne Cricket Ground, Melbourne Park and the Victorian Arts Centre.

CKI, together with Power Assets, owns a 100% interest (on a 50/50 basis) in Australian Energy Operations Pty Ltd which holds TOA and TOA2. Both TOA and TOA2 own and operate electricity transmission assets that connect wind turbines to the Victorian power grid. TOA's Elaine Terminal Station, situated in the vicinity of Ballarat in Victoria, connects the Mt Mercer Wind Farm. TOA completed the connection of the new Moorabool and Elaine wind farms to the Elaine Terminal Station in June 2019 with the terminal station becoming the largest (non-hydro) renewable hub in the southern hemisphere connecting above 600 MW of renewable generation. TOA2 connects the 242 MW Ararat Wind Farm to the transmission grid through its Ararat Terminal Station, located in western Victoria towards Ararat. Approximately 70 km of TOA and TOA2 132KV transmission lines connect these wind farms to the transmission grid.

CKI, together with Power Assets, owns a 72.48% interest (CKI: 44.97%; Power Assets: 27.51%) in AGN, one of the largest natural gas distribution companies in Australia with approximately 24,450 kilometers of natural gas distribution networks and 1,400 kilometers of transmission pipelines serving around 1.3 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. CKHH's effective interest in AGN is 52%.

CKI, together with Power Assets, owns a 60% interest (CKI: 40%; Power Assets: 20%) in CK William Group (formerly known as DUET Group), an international owner and operator of energy utility assets, providing low emissions and remote energy generation solutions, gas transmission through the Dampier Bunbury Pipeline in Western Australia and distribution of gas and electricity in Victoria. CK William Group is also an operator of energy utility assets in the U.S., Canada and Europe.

New Zealand Projects

Wellington Electricity Distribution Network

CKI, together with Power Assets, owns a 100% interest (on a 50/50 basis) in Wellington Electricity, which supplies electricity to the city of Wellington, the capital of New Zealand. The distribution network extends to the Porirua and Hutt Valley regions of New Zealand and has a system length of over 4,700 kilometers.

Enviro (NZ) Limited

CKI holds a 100% interest of EnviroNZ, a diversified, vertically integrated waste management business that has national coverage across New Zealand. It is one of only two vertically integrated waste collection and disposal companies operating throughout New Zealand, offering waste-related services to more than half a million commercial and household customers via collection services, recycling, landfills and transfer stations across the country.

Canadian Projects

Canadian Power Holdings Inc.

CKI, together with Power Assets, owns a 100% interest (on a 50/50 basis) in Canadian Power, which owns a 100% partnership interest in the Meridian Cogeneration Plant and a 49.99% partnership interest in TransAlta Cogeneration, L.P.. The Meridian Cogeneration Plant is a natural gas-fired cogeneration plant with an installed capacity of 220 MW in Saskatchewan, Canada. TransAlta Cogeneration, L.P. owns interests in four natural-gas fired cogeneration plants in Alberta, Canada and Ontario, Canada and a coal-fired generation plant in Alberta, Canada.

Park'N Fly

CKI and Power Assets holds a 65% and 10% interest, respectively, in Park'N Fly an off-airport car park business in Toronto, Montreal, Ottawa, Edmonton, Vancouver and Winnipeg. CKHH's effective interest in Park'N Fly is 56.91%.

Husky Midstream Limited Partnership

CKI, together with Power Assets, owns 65% interest (CKI: 16.25%; Power Assets: 48.75%) in HMLP, which holds a portfolio of oil pipeline assets in Canada including approximately 2,200 kilometers of oil pipeline across the provinces of Alberta and Saskatchewan and oil storage capacity of 4.4 million barrels at the Hardisty and Lloydminster terminals.

Reliance

CKI holds a 25% interest in Reliance, building equipment services sector providing water heaters, HVAC equipment, comfort protection plans and other services to homeowners in Canada and the United States, serving approximately 1.9 million customers.

Mainland Projects

Power Plants

Through Power Assets, CKI has interests in power projects with an aggregate design capacity of 2,600 MW in the Mainland. The following table summarizes certain information with respect to these power projects as of December 31, 2019.

Business	Business Scale	Power Assets' Interest ⁽¹⁾	Commencement Date of Operations	Expiration Date
Siping Cogen Power Plants . . .	Three units of coal-fired heat and electricity cogeneration plants with a total installed capacity of 200 MW	45.0%	1998-1999 ⁽²⁾	August 2019 ⁽⁴⁾
Zhuhai Power Plant	Two units of coal-fired power plants with a total installed capacity of 1,400 MW	45.0%	April 2000 ⁽³⁾ , February 2001 ⁽³⁾	November 2019 ⁽⁵⁾
Jinwan Phase 1 Power Plant . .	Two units of coal-fired power plants with a total installed capacity of 1,200 MW	45.0%	February 2007	2035

⁽¹⁾ This represents the approximate share of Power Assets' contribution to the total investment of each project in the form of registered capital contribution as of December 31, 2019. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

⁽²⁾ Two units of the power plant were completed and became operational in 1998. The remaining unit was completed and became operational at the end of 1999.

⁽³⁾ The first generating unit became operational in April 2000 and the second generating unit became operational in February 2001.

⁽⁴⁾ The equity of Siping Cogen Power Plants was transferred to the Mainland joint venture partners on June 28, 2019.

⁽⁵⁾ The cooperative joint venture operating period of Zhuhai Power Plant ended on November 1, 2019.

Wind Farms

Through Power Assets' 45% interests, CKI has interests in two wind farms, one 48 MW farm in Dali, Yunnan Province and one 49.5 MW farm in Laoting, Hebei Province.

Roads and Bridges in the Mainland

As of December 31, 2019, CKI had interests in various projects with a total length of 140 kilometers of toll roads (excluding Tangshan Tangle Road which ceased operations in December 2019) and 7.8 kilometers of toll bridges in the Mainland.

The following table summarizes certain information with respect to CKI's transportation projects in the Mainland as of December 31, 2019:

CKI's Transportation Projects

Business	Business Scale (kilometers "km")	CKI's Interest % ⁽¹⁾	Commencement Date of Operation	Expiration Date
Shantou Bay Bridge	2.5 km toll bridge ⁽²⁾	30.0	December 1995	2028
Shenzhen-Shantou Highway (Eastern Section)	140.0 km toll road	33.5	November 1996	2028
Jiangmen Chaolian Bridge	2.0 km toll bridge	50.0	May 1999	2027
Tangshan Tangle Road	100.0 km toll road	51.0	March 1998	2019 ⁽³⁾
Panyu Beidou Bridge	3.3 km toll bridge	40.0	January 2001	2024

⁽¹⁾ This represents the approximate share of CKI's contribution to the total investment of each project in the form of registered capital contribution as of December 31, 2019. It does not necessarily represent either the profit distribution ratio or the ratio of the distribution of assets upon the termination or expiration of the joint venture.

⁽²⁾ The toll bridge including the approach roads is 6.5 kilometers in length.

⁽³⁾ The joint venture operating period of Tangshan Tangle Road ended on December 11, 2019.

Infrastructure Materials

CKI, through Green Island Cement (Holdings) Limited (“Green Island”), Green Island International (BVI) Limited, Alliance Construction Materials Limited (“ACML”) and other subsidiaries and associates, is an integrated construction materials manufacturer involved in the production, distribution and sale of cement, concrete, asphalt and aggregates.

Cement

Green Island operates an integrated cement business, starting from resource extraction and going through development and cement manufacturing to ultimate down-stream distribution in both Hong Kong and the Mainland. In addition, Green Island is involved in the disposal of solid waste (principally fly ash) which is produced as a waste product of power generation by coal-fired power stations.

Concrete

ACML is a major producer of concrete and aggregates in Hong Kong. ACML has one quarry in operation in the Mainland with probable aggregate reserves adequate for consumption for the next decade. ACML has an annual production capacity of approximately 3.2 million cubic meters of concrete and 3.0 million tons of aggregates.

Energy

Husky Energy

CKHH currently holds a 40.19% interest in Husky Energy, an international integrated energy company listed on the Toronto Stock Exchange. Based on the closing price of its shares on the Toronto Stock Exchange on December 31, 2019, Husky Energy had a market capitalization of C\$10,624 million (approximately HK\$63,107 million).

On February 27, 2020, Husky Energy announced its Post-IFRS 16 audited results for the year ended December 31, 2019 with net earnings loss of C\$1,370 million, which included recognition of one-time non-cash impairment and other charges (after-tax) in the fourth quarter of 2019 of C\$2,346 million. Net earnings excluding this one-off item was C\$976 million in 2019, a 33% decrease compared to net earnings of C\$1,457 million in 2018, primarily due to:

- Lower Upstream earnings due to tightening location differentials between Canada and the US despite the higher crude and NGL realized prices,
- Lower realized Upgrading margins,
- Lower Canadian Refining operation earnings due to planned turnaround in 2019 and lower commodity prices, and
- Lower US Refining operation earnings due to extended shutdown of the Lima Refinery to implement a crude oil flexibility project in the fourth quarter of 2019, as well as planned turnaround in Toledo Refinery.

Husky Energy recognized C\$3.1 billion (before-tax) or C\$2.3 billion (after-tax) of non-cash asset impairment and other charges, primarily related to Husky Energy’s Upstream assets in North America which was largely due to lower long-term commodity price assumptions and reductions in planned future capital spending. Other charges included exploration-related write-downs and asset derecognition at the Lima Refinery due to the crude oil flexibility project.

Husky Energy’s business is conducted predominantly through two major business segments: Upstream and Downstream.

Upstream Operations

Thermal Developments

Husky Energy continued to advance its inventory of thermal projects in 2019, with the commencement of production in August 2019 at its Dee Valley Thermal Project in Saskatchewan. These long-life developments are being built with modular, repeatable designs and require low sustaining capital once brought online.

Total thermal bitumen production, including Lloyd thermal projects, the Tucker Thermal Project and the Sunrise Energy Project, averaged 128,800 bbls/day (Husky working interest) in 2019. Production was impacted by government-mandated production quotas in Alberta and planned turnarounds at the Sunrise Energy Project and nine of the Saskatchewan thermal plants.

Lloyd Thermal Bitumen Projects

The following table shows major projects and their status as at December 31, 2019:

Project Name	Estimated Production Capacity in barrels per day ("bbls/day")	Expected Project Production Date	Project Status
Spruce Lake Central . .	10,000	Mid-Year 2020	Central Processing Facility ("CPF") construction is complete and module setting on well pads has begun. Overall project is 90% complete.
Spruce Lake North	10,000	Around the end of 2020	CPF fabrication and module setting is complete. Overall project is 50% complete.
Spruce Lake East	10,000	Around the end of 2021	Regulatory approvals have been received, and lease construction is completed. Procurement and fabrication programs are in progress.
Edam Central	10,000	2022	Regulatory approvals have been received.
Dee Valley 2	10,000	2023	Project sanctioned in November 2019, and regulatory approvals have been received.

Tucker Thermal Project

Total annual production in 2019 averaged 23,700 bbls/day and was impacted by the government-mandated production quotas in Alberta.

Sunrise Energy Project

Total annual production in 2019 averaged 49,200 bbls/day (24,600 bbls/day Husky working interest) and was impacted by the government-mandated production quotas in Alberta and a planned turnaround at one of the two CPFs in the second quarter of 2019.

Non-Thermal Developments

Husky Energy is managing the natural decline in Cold Heavy Oil Production with Sand ("CHOPS") operations with an active optimization program as well as using waterflooding and polymer injection technology. Production in Cold and Enhanced Oil Recovery ("EOR") projects consists of a combination of production technologies including CHOPS, horizontal wells and EOR projects.

Total annual production in 2019 averaged 34,400 bbls/day and was also impacted by government-mandated production quotas in Alberta.

Western Canada Oil and Natural Gas Resource Plays

Husky Energy continues to execute its resource play strategy in Western Canada to advance developments in Montney Formation.

Husky Energy drilled five wells at Wembley and Karr, which completed the 2019 Montney drilling program. It had six Wembley wells producing at the end of 2019 with five Karr wells producing in January 2020.

Asia Pacific

China — Block 29/26

Total production from Liwan 3-1 and Liuhua 34-2 averaged 73,200 barrels of oil equivalent per day (“boe/day”) (35,900 boe/day Husky working interest) in 2019. Total production consisted of conventional natural gas production of 349 million cubic feet per day (“mmcf/day”) and NGL production of 15,100 bbls/day.

Substantial construction work was completed in 2019 at Liuhua 29-1 development project, the third deepwater gas field to be developed as part of the Liwan Gas Project. The remaining three wells were drilled, and all seven wells in the full field development were fully completed. The production pipeline and the mono-ethylene glycol supply line were engineered, fabricated and installed. The project was approximately 80% completed as of December 31, 2019. During 2020, the control system and connecting flow lines are expected to be installed and the field is expected to be placed in production. First gas production from the Liuhua 29-1 field is expected by the end of 2020. Husky Energy holds a 75% working interest in this field. China National Offshore Oil Corporation Limited (“CNOOC”) holds the remaining 25% working interest.

China — Blocks 15/33

Husky Energy is progressing commercial development plans following the successful drilling and testing of the exploration well. The block boundaries have been expanded and additional exploration and appraisal drilling is planned in 2020.

Husky Energy is the operator of the block with a working interest of 100% during the exploration phase. In the event of commercial discovery, CNOOC may assume a participating partnership interest of up to 51% in the block.

China — Blocks 16/25

An exploration well was drilled on Block 16/25 in 2018, which did not encounter commercial hydrocarbons. This block was released and the costs were written off in 2019 after technical evaluation was completed.

China — Blocks 22/11 and 23/07

Husky Energy and CNOOC signed two Production Sharing Contracts for Blocks 22/11 and 23/07 in the Beibu Gulf area of the South China Sea in the first half of 2018. Initial evaluation work of existing data on these two blocks is currently being carried out to assess further exploration potential. Husky Energy has elected to move into the second exploration phase for Block 23/07.

Husky Energy is the operator of both blocks with a working interest of 100% during the exploration phase. In the event of a commercial discovery, CNOOC may assume a participating partnership interest of up to 51% in either or both blocks.

Indonesia — Madura Strait

Total production averaged 19,700 boe/day (7,900 boe/day Husky working interest) in 2019. Production consisted of conventional natural gas production of 82 mmcf/day and NGL production of 6,100 bbls/day.

At the MDA and MBH fields, the two shallow water platforms have been fully installed. Five MDA and two MBH field production wells are expected to be drilled in the 2020 timeframe pending regulatory approval. Contracting for a floating production unit to process the gas is also planned to be finalized during 2020 with fabrication to take place in 2020/2021. Gas production and sales are planned to commence in 2021 with gas sales under government approved contracts into the East Java gas market. Subsequently, an additional shallow water field, MDK, is scheduled to be developed via a separate platform and tied into the MDA and MBH infrastructure.

Atlantic

White Rose Field and Satellite Extensions

A staged and orderly ramp-up of production commenced in January 2019 following a November 2018 spill from a flowline connector at the South White Rose Extension (“SWRX”). The flowline connector was replaced in the second quarter of 2019. Full production was restored to the White Rose field and satellite extensions in mid-August, following regulatory approvals to resume operations from the SWRX and North Amethyst Drill Centres.

Construction of the West White Rose Project continued on multiple fronts including the platform’s concrete gravity structure. A fourth slipform was completed on the platform’s outer caisson, and the first three interior decks were installed. The project was approximately 57% completed as at December 31, 2019. In March 2020, Husky Energy announced that major construction activities related to the White Rose Project have been suspended due to COVID-19.

Atlantic Exploration

Husky Energy continued to evaluate the results of its 2018 discovery at the A-24 exploration well north of the White Rose field. Husky Energy has a 68.875% ownership interest, with partners Suncor Energy and Nalcor Energy Oil and Gas holding 26.125% and 5%, respectively.

Infrastructure and Marketing

Husky Midstream Limited Partnership

Saskatchewan Gathering System Expansion

A multi-year expansion program is underway and will provide transportation of diluent and heavy oil blend for several additional thermal plants.

Ansell Corser Plant

The new gas processing plant is now in service, adding 120 mmcf/day of processing capacity.

Hardisty Tanks

Construction is underway for 1.5 mmbbls of storage at the Hardisty Terminal and is scheduled for completion by the end of 2020.

Downstream

Upgrading

The Upgrader has a throughput capacity of 80,000 bbls/day. The Upgrader produces synthetic crude oil, diluent and ultra-low sulphur diesel. Synthetic crude oil is used as refinery feedstock for the production of transportation fuels in Canada and the U.S. In addition, the Upgrader recovers diluent, which is blended with heavy crude oil and bitumen prior to pipeline transportation to reduce viscosity and facilitate its movement, and returns it to the field to be reused.

Canadian Refined Products

During the first quarter of 2019, Husky Energy announced a strategic review to market and potentially sell the Prince George Refinery and its Canadian Retail and Commercial Network. On November 1, 2019, Husky Energy completed the sale of its Prince George Refinery to Tidewater Midstream and Infrastructure Ltd. for \$215 million in cash plus an inventory closing adjustment of approximately \$53.5 million. In April 2020, Husky Energy announced the suspension of its strategic review of its Canadian Retail and Commercial fuel business.

U.S. Refining and Marketing

Lima Refinery

Husky Energy's crude oil flexibility project is designed to allow for the processing of up to 40,000 bbls/day of heavy crude oil feedstock from Western Canada, providing the ability to swing between light and heavy crude oil feedstock. The Refinery completed a planned turnaround in the fourth quarter of 2019 and made final tie-ins for the project. The project was completed in early 2020 and the refinery has ramped up to full rates in the first quarter of 2020.

Toledo Refinery

Husky Energy holds a 50% interest in the BP-Husky Refinery in Toledo, Ohio with a nameplate throughput capacity of 160,000 bbls/day and produces low sulfur gasoline, ultra-low sulfur diesel, aviation fuels, and by-products. Husky Energy and its partner completed a feedstock optimization project in 2016, allowing the refinery to process up to 70,000 bbls/day of high content naphthenic acids ("High-TAN") crude oil to support production from the Sunrise Energy Project. The refinery's nameplate capacity remained unchanged. During the second and third quarters of 2019, the refinery underwent a planned turnaround.

Superior Refinery

On April 26, 2018, the Superior Refinery experienced an incident while preparing for a major turnaround. Operations at the refinery remain suspended. During 2019, demolition, site preparation work and permitting were completed, and the rebuild work commenced. The investment in the rebuild is estimated to be approximately US\$750 million, of which Husky Energy anticipates a substantial portion will be recovered from property damage insurance. This represents a change from the previous estimate of greater than US\$400 million, with the change being due to a more complete assessment of the extent of equipment damage from the 2018 incident. Husky Energy anticipates that lost income through April 2020 will be compensated by business interruption insurance. The refinery is being rebuilt with the same configuration, and with the capacity to run continuously at the 45,000 bbl/day operation capacity and will be able to produce a full slate of products, including asphalt, gasoline, diesel and fuel oils. Full operations are expected to resume in 2021.

Telecommunications

CKHH is one of the world's leading mobile telecommunications operators and one of the first operators in the world to offer 3G services primarily under the brand name "Three" or "3". The mobile telecommunications businesses span across six countries in Europe, Hong Kong and Macau, as well as four countries in the Asia-Pacific region.

CKHH's telecommunications division currently comprises:

- CK Hutchison Group Telecom, which consolidates 3 Group Europe (comprising unlisted mobile businesses in the UK, Sweden, Denmark, Austria (including fixed-line business), Ireland and Italy (including fixed-line business)) and listed subsidiary HTHKH (in which CKHH currently holds an approximate 66.09% interest) comprising mobile businesses in Hong Kong and Macau;
- mobile operations in Indonesia, Vietnam and Sri Lanka; and
- an approximate 87.87% interest in HTAL, a listed subsidiary in Australia, which has a 50% interest in VHA.

CKHH has made substantial investments to build mobile telecommunications operations in certain key mature mobile telecommunications markets in Europe, Hong Kong and Macau, and Australia, and continues to leverage the strong network coverage and capacity in the Indonesia, Vietnam and Sri Lanka markets to grow its customer base organically. CKHH intends to continue to grow its mobile telecommunications businesses and remain profitable, as well as grow profitability through the expansion of data service offerings and competitive tariff plans to stimulate customer growth.

As part of its strategy, CKHH has formed alliances with leading international telecommunications providers and investors including:

- Investor AB, the largest diversified holding company in Sweden;
- Telefonica, one of the largest telecommunications companies in the world;
- Conexus Mobile Alliance, one of Asia's biggest mobile alliances;
- Vodafone, one of the world's largest telecommunications companies; and
- Etisalat, one of the leading telecommunication groups in emerging markets.

In July 2018, CKHH announced that it had reached an agreement to acquire the entire interest of Veon in the Wind Tre joint venture at a cash consideration of €2.45 billion. The transaction was completed in September 2018. Subsequent to the completion, Wind Tre became a wholly-owned subsidiary of CKHH.

In August 2019, CKHH announced that CK Hutchison Group Telecom will set up a new telecommunication infrastructure company, CK Hutchison Networks Holdings ("CK Hutchison Networks") which will group the 28,500 tower asset interests⁽¹⁾ into a separately managed wholly owned subsidiary of CK Hutchison Group Telecom and could potentially become the fifth largest European telecom infrastructure portfolio. The reorganization is progressing well and expected to be completed by mid-2020. CK Hutchison Networks will start with an expected tenancy ratio of 1.2x across the six European markets. Through reorganizing the tower and infrastructure asset interests under a specialized management team, the new structure will allow CKHH to focus on optimizing the asset portfolio, achieving cost synergies, as well as maximizing returns on invested capital.

⁽¹⁾ CK Hutchison Networks' site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.

CK Hutchison Group Telecom

In July 2019, CKHH formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings, which consolidates CKHH's 3 Group Europe and HTHKH under one holding entity (collectively CKH Group Telecom or CKHGT), providing a diversified telecommunication asset platform across eight geographical locations. In August 2019, the investment grade-rated CKH Group Telecom refinanced all external debt of Wind Tre of approximately €10 billion, which is expected to generate interest cost savings from 2020 onwards.

Key Business Indicators ("KBIs")

The KBIs for the businesses of CKH Group Telecom as included in CKHH's 2019 Annual Report are as follows:

	Registered Customers Base					
	Registered Customers at December 31, 2019 ('000)			Registered Customer Growth (%) from December 31, 2018 to December 31, 2019		
	Non-contract	Contract	Total	Non-contract	Contract	Total
UK	6,428	7,267	13,695	+3%	+4%	+3%
Italy ⁽¹⁾	13,348	10,467	23,815	-33%	+44%	-12%
Sweden	620	1,470	2,090	+19%	-3%	+3%
Denmark	615	853	1,468	+12%	+4%	+7%
Austria	1,089	2,608	3,697	-3%	+2%	+1%
Ireland	2,431	1,492	3,923	+9%	+11%	+10%
3 Group Europe Total ..	24,531	24,157	48,688	-19%	+18%	-4%
HTHKH	2,795	1,475	4,270	+42%	-2%	+23%

Active⁽²⁾ Customers Base

	Active Customers at December 31, 2019 ('000)			Active Customer Growth (%) from December 31, 2018 to December 31, 2019		
	Non-contract	Contract	Total	Non-contract	Contract	Total
UK	3,146	7,153	10,299	+1%	+4%	+3%
Italy ⁽¹⁾	11,815	9,711	21,526	-33%	+45%	-12%
Sweden	550	1,470	2,020	+26%	-3%	+3%
Denmark	570	853	1,423	+12%	+4%	+7%
Austria	356	2,603	2,959	-8%	+2%	+1%
Ireland	870	1,481	2,351	-1%	+12%	+7%
3 Group Europe Total ..	17,307	23,271	40,578	-25%	+18%	-5%
HTHKH	2,180	1,475	3,655	+23%	-2%	+12%

**12-month Trailing Average Revenue per Active User
("ARPU")⁽³⁾ to December 31, 2019**

	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2018
UK	£4.77	£23.73	£17.79	-2%
Italy	€9.90	€11.78	€10.72	-6%
Sweden	SEK117.54	SEK339.52	SEK283.22	-6%
Denmark	DKK88.01	DKK147.95	DKK124.43	-3%
Austria	€10.86	€22.05	€20.62	-2%
Ireland	€15.16	€21.88	€19.28	-4%
3 Group Europe Average⁽⁶⁾	€9.49	€19.72	€15.19	-8%
HTHKH	HK\$13.66	HK\$205.43	HK\$100.17	-3%

**12-month Trailing Net Average Revenue per Active User
("Net ARPU")⁽⁴⁾ to December 31, 2019**

	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2018
UK	£4.77	£16.36	£12.73	-6%
Italy	€9.90	€11.78	€10.72	-6%
Sweden	SEK117.54	SEK213.86	SEK189.43	-7%
Denmark	DKK88.01	DKK137.22	DKK117.91	-2%
Austria	€10.86	€18.14	€17.21	-2%
Ireland	€15.16	€17.35	€16.51	-5%
3 Group Europe Average⁽⁶⁾	€9.49	€15.67	€12.94	-8%
HTHKH	HK\$13.66	HK\$176.07	HK\$86.93	-1%

**12-month Trailing Net Average Margin per Active User
("Net AMPU")⁽⁵⁾ to December 31, 2019**

	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2018
UK	£4.12	£14.17	£11.02	-7%
Italy	€8.13	€10.00	€8.94	-4%
Sweden	SEK93.80	SEK181.86	SEK159.52	-7%
Denmark	DKK74.70	DKK116.20	DKK99.91	-
Austria	€9.51	€16.27	€15.41	-
Ireland	€13.83	€15.24	€14.70	-4%
3 Group Europe Average⁽⁶⁾	€7.92	€13.53	€11.04	-7%
HTHKH	HK\$10.80	HK\$160.69	HK\$78.42	-1%

- (1) Italy KBLs were calculated based on 100% of Wind Tre's figures. In addition to the above, Wind Tre has 2.7 million fixed line customers. The contract customer base of Wind and corresponding KBLs have been adjusted in 2019 to conform with the definition of **3**, the comparative KBLs have not been restated due to limitations of the data tracking system.
- (2) An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.
- (3) ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.
- (4) Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.
- (5) Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.
- (6) **3** Group Europe 12-month trailing ARPU, Net ARPU and Net AMPU in the year ended December 31, 2019 were calculated based on 100% contribution from Wind Tre, whereas 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards.

3 Group Europe

Overview

As a leading global player in the mobile telecommunications arena, **3** Group Europe is continuing to look towards the development of new services and network enhancement. **3** Group Europe is continuing to upgrade their network capabilities and enhance customer experience to ensure that their service quality meets market demands.

With the upgrade of CKHH's networks for increased speed and capacity and the increasing demand for smartphone and related products, **3** Group Europe has become a significant competitor and, in some countries, the market leader in the provision of mobile broadband Internet access and high speed mobile data services on smartphones or mobile devices.

CKHH's **3** Group Europe includes mobile telecommunications businesses in the UK, Italy (including fixed-line business), Sweden, Denmark, Austria (including fixed-line business) and Ireland. As of December 31, 2019, **3** Group Europe had approximately 48.7 million registered mobile customers and 40.6 million active mobile customers.

UK

CKHH currently has a 100% interest in **3** UK, which is one of four networks licensed to operate a national 3G, 4G (LTE) and 5G network in the UK. The current network coverage by population exceeds 98%. **3** UK launched 4G (LTE) services in December 2013, with its 4G (LTE) network coverage by population reaching 94% as of December 31, 2019, and launched its 5G services in August 2019.

3 UK holds the following spectrum which it uses optimally to operate national 3G, 4G (LTE) and 5G services.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
800 MHz	5 MHz	1	Paired	10 MHz	Indefinite
1400 MHz	5 MHz	4	Unpaired	20 MHz	Indefinite
1800 MHz	5 MHz	3	Paired	30 MHz	Indefinite
2100 MHz	5 MHz	3	Paired	30 MHz	Indefinite
2100 MHz	5 MHz	1	Unpaired	5 MHz	Indefinite
3.4 GHz	5 MHz	4	Unpaired	20 MHz	Indefinite
3.5 MHz	40 MHz	1	Unpaired	40 MHz	Indefinite
3.6 GHz	80 MHz	1	Unpaired	80 MHz	Indefinite
3.9 GHz	84 MHz	1	Unpaired	84 MHz	Indefinite
28 GHz (National)	112 MHz	2	Unpaired	224 MHz	Indefinite
28 GHz (Regional)	112 MHz	2	Unpaired	224 MHz	Indefinite
40 GHz	1000 MHz	2	Unpaired	2000 MHz	Indefinite

Revenue for the year ended December, 2019 decreased by 2% in local currency to £2,384 million compared to the same period in 2018. EBITDA and EBIT decreased by 5% and 14% in local currency respectively compared to the same period last year, mainly due to lower margin driven by regulatory changes in the UK and within EU in 2019, increased annual spectrum licence fee imposed by The UK Office of Communications (“OFCOM”), as well as increased network & IT transformation spend, partly offset by improvements in other margins from MVNOs and various initiatives as well as more stringent operating costs control.

3 UK has a shared network agreement with Everything Everywhere Limited via its 50/50 joint venture Mobile Broadband Network Limited. The shared network currently has over 98% outdoor coverage of the UK population.

In May 2017, **3** UK completed the acquisition of UK Broadband for a total consideration of approximately £300 million. UK Broadband provides wireless home and business broadband services in Central London and Swindon, and has spectrum holdings in the 3.4 GHz and 3.6 to 3.8 GHz bandwidths.

Italy

Prior to November 5, 2016, CKHH held a 97.414% shareholding interest in **3** Italia S.p.A., which operated one of four national mobile networks in Italy. The remaining 2.586% shareholding in **3** Italia S.p.A. was held by Private Equity International S.A. (“PE International”), a company belonging to the Intesa Sanpaolo group, one of the leading Italian banking groups.

On November 5, 2016, CKHH and Veon formed a joint venture company, VIP-CKH Luxembourg S.à r.l. (“VCL”), in which CKHH and Veon each indirectly owned a 50% interest. VCL combined the ownership and operations of the Italian telecommunications businesses of **3** Italia S.p.A. and WIND Acquisition Holdings Finance S.p.A. under VCL’s wholly-owned subsidiary, Wind Tre. The combined businesses trade under the “Wind”, “Tre”, and “Wind Tre Business” brands.

CKHH’s 50% interest in VCL includes a 1.293% indirect economic interest in VCL received by PE International in exchange for its 2.586% shareholding in **3** Italia S.p.A. prior to November 5, 2016.

In September 2018, CKHH acquired the entire interest of Veon in the Wind Tre joint venture at a cash consideration of €2.45 billion. Wind Tre became a wholly-owned subsidiary of CKHH and contributed accretively as a wholly-owned subsidiary for four months in 2018. As of December 31, 2019, Wind Tre had approximately 23.8 million registered mobile customers and approximately 2.7 million fixed-line customers.

Wind Tre’s 4G (LTE) network coverage by population reached 97% as of December 31, 2018 and 100% as of December 31, 2019.

As of December 31, 2018, Wind Tre had incurred indebtedness under certain notes and loan facilities (both drawn and undrawn) in an aggregate principal amount of €10.7 billion on the back of security over the shares of capital stock of Wind Tre, certain subordinated shareholder loans advanced to Wind Tre and certain other assets held by Wind Tre. All such indebtedness and security have been discharged and released respectively in August 2019.

The results of the telecommunications businesses in Italy included in CKHH’s consolidated income statement for the year ended December 31, 2019 represented CKHH’s 100% contribution, whereas 2018 was based on 50% contribution from Wind Tre from January to August and 100% from September to December. In addition, the accounting standards require CKHH to account for Wind Tre’s assets and liabilities at their acquisition-date fair values when Wind Tre became a joint venture and again when it became a subsidiary of CKHH. Accordingly, adjustments to the results of the telecommunications businesses in Italy have been made as a result of the acquisitions when CKHH’s interest in Wind Tre is incorporated into CKHH’s consolidated results.

CKHH’s share of revenue of the telecommunications businesses in Italy for the year ended December 31, 2019 increased by 48% in local currency to €4,854 million, while EBITDA and EBIT grew by 53% and 51% respectively over 2018, all reflecting the full year accretive contribution from the acquisition of the additional 50% share in Wind Tre since September 2018. On a comparable basis, Wind Tre’s EBITDA and EBIT increased 5% and 6%, respectively, as compared to 2018, mainly driven by disciplined cost control, further realization of synergies, and a more efficient network through consolidation and modernization which has substantially completed in 2019. The lower costs mitigated the margin shortfall due to intense competition.

Wind Tre holds the following spectrum for use in operating a national mobile network.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
800 MHz	5 MHz	2	Paired	20 MHz	2029
900 MHz	5 MHz	2	Paired	20 MHz	2029
1800 MHz	5 MHz	4	Paired	40 MHz	2029
2000 MHz	5 MHz	2	Unpaired	10 MHz	2029
2100 MHz	5 MHz	4	Paired	40 MHz	2029
2600 MHz	5 MHz	4	Paired	40 MHz	2029
2600 MHz	15 MHz	2	Unpaired	30 MHz	2029
3600 MHz	20 MHz	1	Unpaired	20 MHz	2037
27 GHz	200 MHz	1	Unpaired	200 MHz	2037

Scandinavia

CKHH has a 60% interest in Hi3G Access, which owns and operates 3G and 4G mobile telecommunications networks in Scandinavia. Investor AB (publ), an owner of high quality Nordic-based international companies, holds the remaining 40% interest.

The mobile telecommunications businesses in Scandinavia comprise operations in Sweden and Denmark. CKHH has invested in these businesses through Hi3G Access, which also provides central management and financial control.

In Sweden, revenue of SEK6,757 million, EBITDA of SEK2,179 million and EBIT of SEK1,217 million for the year ended December 31, 2019 decreased 5%, 4% and 15% respectively as compared to 2018. The decreases were mainly due to lower net customer service margin as VAT reclaim was not recognized from December 2018 onwards. If excluding the VAT reclaim benefit for 2018, underlying EBITDA compared to 2018 would be 6% higher primarily driven by lower operating costs and total CACs from stringent cost control. Underlying EBIT, compared to the same period in 2018, would be 1% higher than the same period last year primarily due to the higher depreciation and amortization from an enlarged asset base, particularly the ongoing LTE network rollout since 2018.

In Denmark, revenue for the year ended December 31, 2019 of DKK2,182 million was flat in local currency as compared to 2018. EBITDA of DKK844 million increased 16% in local currency when compared to 2018, mainly due to 1% growth total margin driven by 7% growth in customer base, as well as lower CACs. EBIT of DKK471 million increased 15% when compared to 2018 in local currency mainly driven by the EBITDA growth.

Sweden

Hi3G Access has a license to operate a national mobile network in Sweden. Hi3G Access's 4G (LTE) network coverage by population reached 86% as of December 31, 2018 and 88% as of December 31, 2019.

Hi3G Access holds the following spectrum for use in operating a national mobile network.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
800 MHz	10 MHz	1	Paired	20 MHz	2035
900 MHz	5 MHz	1	Paired	10 MHz	2025
1800 MHz	5 MHz	1	Paired	10 MHz	2027
2100 MHz	20 MHz	1	Paired	40 MHz	2025
2100 MHz	5 MHz	1	Unpaired	5 MHz	2025
2600 MHz	10 MHz	1	Paired	20 MHz	2023
2600 MHz	50 MHz	1	Unpaired	50 MHz	2023

3G Infrastructure Services AB ("3GIS"), a 50/50 joint venture with Telenor Sverige AB, constructs and operates a UMTS infrastructure network in certain areas of Sweden.

Denmark

Hi3G Denmark, a wholly-owned subsidiary of Hi3G Access, has one of four licenses to operate a national mobile network in Denmark. Hi3G Denmark's 4G (LTE) network coverage by population reached 98% as of December 31, 2018 and 100% as of December 31, 2019.

Hi3G Denmark holds the following spectrum for use in operating a national mobile network.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
700 MHz	10 MHz	1	Paired	20 MHz	2040
900 MHz	10 MHz	1	Paired	20 MHz	2034
900 MHz	5 MHz	1	Paired	10 MHz	2034
1800 MHz	5 MHz	2	Paired	20 MHz	2032
1800 MHz	10 MHz	2	Paired	40 MHz	2032
2100 MHz	15 MHz	1	Paired	30 MHz	2021
2100 MHz	5 MHz	1	Unpaired	5 MHz	2021
2600 MHz	10 MHz	1	Paired	20 MHz	2030
2600 MHz	5 MHz	5	Unpaired	25 MHz	2030

Hi3G Denmark also holds an equal equity interest (25% equity share) with Telenor, Telia and TDC A/S in 4T at 1. Oktober 2012 ApS. The purpose of the joint venture is to provide mobile payment services in the Denmark market.

Since December 2016, Hi3G Denmark holds an equal equity interest (25% equity share) of OCH A/S with Telenor, Telia and TDC A/S. The purpose of this joint venture is to implement and handle number portability within the Danish telecommunications market.

Austria

CKHH's wholly-owned subsidiary, **3** Austria, is one of three companies licensed to operate a national mobile and fixed-line network in Austria.

3 Austria's 4G (LTE) network coverage by population reached 98% as of December 31, 2018 and 98% as of December 31, 2019.

In January 2013, **3** Austria completed the acquisition of a 100% interest in Orange Austria and the simultaneous onward sale of the "Yesss!" brand and certain other assets (including certain licenses) to Telekom Austria Group. Together with the licenses acquired following the acquisition of Orange Austria, **3** Austria holds the following spectrum for use in operating a national mobile network.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
900 MHz	5 MHz	1	Paired	10 MHz	2034
1800 MHz	5 MHz	4	Paired	40 MHz	2034
2100 MHz	5 MHz	5	Paired	50 MHz	2020
2100 MHz	5 MHz	1	Unpaired	5 MHz	2020
2600 MHz	5 MHz	5	Paired	50 MHz	2026
2600 MHz	25 MHz	1	Unpaired	25 MHz	2026
3500 MHz ⁽¹⁾	10 MHz	10	Unpaired	100 MHz	2039

⁽¹⁾ Spectrum acquired in March 2019.

In December 2010, **3** Austria signed a Sale and Purchase agreement selling defined assets of the 3G network to BVPenintadio Beteiligungsverwaltung GmbH ("BVPenintadio"). Subsequently, **3** Austria entered into an operating lease agreement with BVPenintadio to lease back the network assets. BVPenintadio has appointed ZTE to operate, modernize and upgrade the network. In early 2016, the network was subsequently bought back.

In November 2017, **3** Austria completed the acquisition of Tele2, a fixed-network provider in Austria, for a total consideration of approximately €100 million.

In September 2019, **3** Austria was the first Austrian provider to launch 5G commercially with new offers and devices.

Revenue for the year ended December 31, 2019 of €867 million decreased 2% in local currency compared to 2018. EBITDA of €373 million decreased by 1% in local currency mainly due to higher network and IT costs to cope with network capacity expansion. EBIT of €233 million increased 2% in local currency when compared to 2018 mainly driven by lower amortization from capitalized customer value from Orange acquisition fully amortized at the end of 2018, partly offset by higher depreciation from an enlarged asset base.

Ireland

3 Ireland is one of the three companies licensed to operate a national mobile network in the Republic of Ireland. In July 2014, Hutchison completed the acquisition of O₂ Ireland for €780 million with an additional deferred payment of €70 million payable dependent upon achievement of agreed financial targets.

3 Ireland's 4G (LTE) network coverage by population reached 98% as of December 31, 2018 and 98% as of December 31, 2019.

Together with the licenses acquired following the acquisition of O₂ Ireland, **3** Ireland holds the following spectrum for use in operating its national network.

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
800 MHz	5 MHz	2	Paired	20 MHz	2030
900 MHz	5 MHz	3	Paired	30 MHz	2030
1800 MHz	5 MHz	7	Paired	70 MHz	2030
2100 MHz	5 MHz	6	Paired	60 MHz	2022
2100 MHz	5 MHz	1	Unpaired	5 MHz	2022
3600 MHz	5 MHz	20	Unpaired	100 MHz	2032

Revenue for the year ended December 31, 2019 in local currency increased 2% to €603 million compared to 2018. EBITDA of €211 million increased by 6% compared to 2018 driven by improved margin of 3% from increased customer base, as well as stringent control on total CACs, partly offset by higher operating cost due to inclusion of certain provision releases in 2018 which did not recur in 2019. EBIT of €89 million decreased 6% from 2018 due to higher depreciation and amortization from an enlarged asset base.

Hutchison Telecommunications Hong Kong Holdings Limited

Overview

HTHKH operates mobile telecommunications services in Hong Kong and Macau marketed under the **3** brand. In May 2019, HTHKH completed the acquisition of the entire 24.1% non-controlling interest in each of Hutchison Telephone Company Limited and Hutchison 3G HK Holdings Limited, which hold HTHKH's mobile telecommunications business, for a consideration of US\$60 million (approximately HK\$471 million). The transaction has increased HTHKH's shareholding in these subsidiaries from 75.9% to 100% after completion.

Based on the closing price of HTHKH's shares on the SEHK on December 31, 2019, HTHKH had a market capitalization of approximately HK\$7,566 million (approximately US\$970 million).

On February 28, 2020, HTHKH announced Post-IFRS 16 profit attributable to shareholders of HK\$429 million (US\$55 million) for the year ended December 31, 2019.

In April 2020, HTHKH launched 5G network service in Hong Kong.

Hong Kong and Macau Mobile

HTHKH provides services to approximately 3.7 million active customers as of December 31, 2019 in Hong Kong and Macau.

HTHKH holds a unified carrier license (“UCL”) in Hong Kong, under which it currently operates. HTHKH currently holds the following spectrum:

License	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum	Expiry
900 MHz ⁽¹⁾	8.3 MHz	1	Paired	16.6 MHz	2021
900 MHz	5 MHz	1	Paired	10 MHz	2026
1800 MHz	11.6 MHz	1	Paired	23.2 MHz	2021
2100 MHz	14.8 MHz	1	Paired	29.6 MHz	2031
2300 MHz	30 MHz	1	Unpaired	30 MHz	2027
2600 MHz ⁽²⁾	5 MHz	1	Paired	10 MHz	2028
2600 MHz ⁽²⁾	15 MHz	1	Paired	30 MHz	2024
3300 MHz	30 MHz	1	Unpaired	30 MHz	2034
3500 MHz ⁽³⁾	40 MHz	1	Unpaired	40 MHz	2035

⁽¹⁾ To align with the new spectrum assignment period, the expiry date of the license of the existing 16.6 MHz in the 900 MHz spectrum band has been extended to January, 2021.

⁽²⁾ Held by Genius Brand Limited, a 50/50 owned joint venture between HTHKH and Hong Kong Telecommunications (HKT) Limited.

⁽³⁾ HTHKH holds 40 MHz in the 3500 MHz band from April 2020 to 2035.

In 2018, HTHKH exercised a right of first refusal offered by the Communications Authority of Hong Kong and was selected as a preferred bidder in a spectrum auction. Accordingly, HTHKH will hold 10 MHz in the 900 MHz spectrum band for a 15-year term commencing from January 12, 2021 and 30 MHz in the 1800 MHz spectrum band for a 15-year term commencing from September 30, 2021 after expiry of the existing licenses. The total spectrum utilization fee was HK\$2,040 million. After the spectrum auction in 2019, HTHKH acquired 30 MHz in the 3300 MHz band for a spectrum utilization fee of HK\$199.5 million for 15 years from 2019, as well as 40 MHz in the 3500 MHz band for a spectrum utilization fee of HK\$202 million for 15 years from 2020.

CKHH’s fixed-line operation in Hong Kong was disposed of in October 2017.

European Union Regulation

EU telecoms regulatory framework

Individual national regulatory authorities (“NRA(s)”) regulate 3 Group Europe businesses in the EU under national laws, which implement the EU telecoms regulatory framework (“EU Framework”). The current EU Framework came into force on May 25, 2011.

The EU Framework comprises several pieces of legislation which provide for, among other things, the way in which telecommunications operators are authorized to operate, the terms for access to, and interconnection between, operators’ networks, principles for ensuring the universal availability of a basic set of telecommunications services at affordable prices, the protection of personal data privacy and the principles and coordination procedures for the development of a coherent EU radio spectrum policy.

The EU Framework is built upon the general concepts of competition law, with the main objectives being:

- to maintain sector-specific obligations in situations where operators are regarded as having significant market power (“SMP”), which concept accords with the concept of “dominance” under existing EU competition laws;
- to use a competition law based approach to sector-specific regulation; and
- to conduct periodic market reviews, with the aim of gradually phasing out sector-specific regulation, in favor of generally applicable competition laws.

In order to ensure consistency in the implementation and interpretation across the EU, the EU Framework establishes powers for the European Commission (“Commission”), as well as processes for collaboration among the NRAs, and between the NRAs and the Commission.

Under the current EU Framework, the NRAs are required to conduct market reviews periodically with respect to markets recommended by the Commission to require ex ante regulation. The NRAs may only impose remedies (such as price controls and non-discrimination obligations) on operators in identified markets if they have been designated as having SMP.

The Commission's "Recommendation on relevant markets" includes the market for "voice call termination on individual mobile markets". The list is a non-exhaustive list, and NRAs have the discretion to examine other markets not identified by the Commission. The Commission launched a consultation on February 15, 2019 as part of a review of the Recommendation. Under the new European Electronic Communications Code (the "EEC Code," as described below) the Commission is obliged to adopt a new Recommendation by December 21, 2020.

In May 2009, the Commission adopted a recommendation to harmonize the way NRAs determine the price controls on wholesale mobile termination rates ("MT Rates") ("MT Rates Recommendation"). The MT Rates Recommendation set out a common methodology for calculating the cost of mobile termination. Many NRAs have set MT Rate price controls which followed the MT Rates Recommendation and data collected by the NRAs show the weighted average MT Rate in the 28 EU Member States as at July 2019 was 0.7926 eurocents per minute (compared to the weighted average in Europe in 2012 of 2.76 eurocents per minute).

All Mobile Networks Operators ("MNOs") in Europe, including the 3 Group companies, have been designated as having SMP in the market for voice call termination and the NRAs have imposed price controls on their respective MT Rates. In the UK and Italy:

- OFCOM issued a statement in March 2018 on the regulation of MT Rates for the period April 2018 to March 2021, with the MT Rate currently capped at 0.468 ppm (pence per minute) until March 31, 2021, the end of the current charge control period.
- The Italian NRA ("AGCOM") has regulated down the MT Rates for all MNOs in phases, and as from January 1, 2014, it was 0.98 eurocents per minute for all MNOs. In January 2019, AGCOM issued a further decision specifying the MT Rates for the years 2018 – 2021 for all MNOs and full MVNOs to be: 0.98 eurocents per minute in 2018, 0.90 eurocents per minute in 2019, 0.76 eurocents per minute in 2020 and 0.67 eurocents per minute in 2021. Over the years there have been several appeals of the MT Rates by the MNOs. The appeals by Telecom Italia with respect to the MT Rates payable during the period November 1, 2008 to June 30, 2009 and the period from January 1, 2013 until present resulted in decisions from the Italian Council of State instructing AGCOM to review its assessment of these MT Rates. Accordingly, the MT Rates stated for these periods may change with respect to that MNO. As of January 2020, AGCOM has reviewed the MT Rate asymmetry for 2013 with respect to Wind Tre's legacy business (Tre), and issued a draft decision confirming the amount of Wind Tre's MT Rate for 2013 to be unchanged.

NRAs have powers to determine interconnection disputes (whether or not an SMP designation has been made) when a dispute is referred to them by a communications provider.

Reform of the EU Framework — the European Electronic Communications Code ("EEC Code") and the BEREC Regulation

The Commission published legislative proposals on September 14, 2016 to revise the EU Framework and establish the EEC Code. The EEC Code came into effect on December 20, 2018 and Member States have two years to transpose the directive into national legislation. The EEC Code will replace the EU Framework with effect from December 21, 2020 (other than the directive on e-privacy which is being reviewed separately — see below "E-privacy").

The EEC Code contains provisions to: harmonize further the management of spectrum; lighten regulated access to infrastructure (e.g. fixed-line networks) where the operator has SMP; revise the definition of the universal service obligation; implement new consumer protection rules that will regulate internet based ("over-the-top" or "OTT") communication services and fully harmonize many consumer protection measures across the EU (e.g. maximum contract periods, rights of termination where customer terms have changed, new rules and transparency measures with respect to bundled packages, mandated one day recipient led number porting); and set a single maximum MT Rate for the whole EU. The Commission's stated objective is to increase the availability of fast broadband connections and the EEC Code contains measures to encourage investment in fast broadband connections, principally fiber. This is partly achieved by lightening the regulation of access to new fiber infrastructure, which may make it more difficult for competitors to access the fiber infrastructure of fixed-line incumbents, including the mobile backhaul services needed by MNOs. The EEC Code also contains provisions that would allow NRAs to impose national roaming or infrastructure sharing to improve coverage of telecoms networks.

In addition to the EEC Code, the European Parliament and European Council agreed to formalize and enhance the Body of European Regulators of Electronic Communications (“BEREC”) in a revised BEREC Regulation which came into effect on December 20, 2018. The BEREC Regulation also contains a provision to cap the retail prices of international calls and SMS made by persons in their home Member State to persons in other Member States at 19 eurocents per minute and 6 eurocents per SMS respectively, with effect from May 15, 2019.

International roaming

There is EU regulation which sets price controls on the wholesale international roaming charges for voice, SMS and data roaming that MNOs based in the EU can charge other operators based in the EU, and on the retail international roaming charges that EU operators can charge their customers while roaming on mobile networks in other Member States within the EU:

- The European Parliament and Council first adopted a roaming regulation in 2007 which imposed wholesale and retail price caps on international roaming charges for voice calls, and thereafter regulation was extended to SMS and data roaming, with progressively lower wholesale and retail price caps.

Retail price caps

- Under the Telecoms Single Market Regulation that came into force on November 29, 2015. From June 15, 2017, customers are to be charged their domestic prices when roaming, subject to a fair use policy, which will allow operators to limit international roaming in the EU at the domestic prices to periodic travel.
- On December 15, 2016, the Commission adopted an implementing regulation to define the fair use policy and “sustainability” mechanism. The Commission’s fair use policy is the minimum amount of EU roaming services that operators must offer their customers at domestic prices. For roaming traffic that exceeds the fair use limit, retail international roaming prices will be capped at the domestic price plus a surcharge equal to the wholesale cap. The Telecoms Single Market Regulation requires that operators must be able to recover their costs and the sustainability mechanism defines the test that NRAs must apply if an operator claims that it cannot sustainably offer roaming at domestic prices.

Wholesale price caps

- The Telecoms Single Market Regulation also required the Commission to undertake a review of wholesale roaming charges. The latest wholesale price caps which came into effect from January 1, 2020 are: 3.20 eurocents per minute for wholesale voice roaming, 1 eurocent per SMS and, for data, 3.50 eurocents per gigabyte. The voice and SMS caps will remain unchanged until June 30, 2022 whereas the wholesale data price cap will decrease in stages down to 2.50 eurocents per gigabyte from January 1, 2022.
- In 2019, the Commission undertook a review of the price caps for wholesale roaming charges and appointed consultants to model the costs of wholesale roaming. While the results of the cost model showed that the price caps are above the costs of providing wholesale roaming, the Commission decided not to change the price caps prior to June 30, 2022, when the current wholesale price caps expire. The Commission has announced that it will instead conduct an impact assessment in 2020 on whether to table a legislative proposal to extend regulation of roaming beyond June 2022. (The Commission also intends to use the results of the cost model to inform the single EU price cap on mobile termination (see above “EU telecoms regulatory framework”), which is due to come into effect by December 31, 2020.)

The amendments to the regulation of roaming that were adopted in 2012 also included structural changes to the way roaming services are provided to allow new forms of competition in the international roaming market from, inter alia, MVNOs and resellers. In particular, the regulation obliges MNOs to meet all reasonable requests for wholesale roaming access from July 1, 2012 and to enable their customers to choose a local provider of data roaming services (a “local break-out” or LBO provider) from July 1, 2014.

Net neutrality

The Telecoms Single Market Regulation imposes obligations on operators not to discriminate in their treatment of data traffic (commonly referred to as “net neutrality”). The Regulation requires providers of publicly available “internet access services” to treat all data traffic equally. It also gives end-users the right to access and distribute information and content, via their internet access service, and use and provide applications and services and terminal equipment of their choice, regardless of location, origin or destination of the information, content, application or service. The Regulation allows “reasonable” traffic management, which must be transparent, non-discriminatory and reasonable and not based on commercial considerations. The Regulation required BEREC to issue guidelines on the implementation of the obligations and these were issued by BEREC on August 30, 2016. The guidelines address commercial practices, traffic management, specialized services and transparency requirements. In particular, they prohibit offers that limit the websites that can be accessed (“sub-internet offers”), and impose restrictions on tethering, certain zero rating offers (where data use does not count against the consumer’s allowance) and network based blocking of content, including blocking of advertising. NRAs are responsible for enforcing the Regulation and are to take utmost account of BEREC’s guidelines. In 2019 BEREC consulted on changes to its guidelines and has announced that revised guidelines will be published in June 2020.

The Regulation requires the Commission to review the net neutrality provisions of the Telecoms Single Market Regulation and report to the European Parliament and European Council. The Commission published the first such review on April 30, 2019 and concluded that there was no need to amend the Regulation at that time.

Spectrum

On March 14, 2012, the European Parliament and Council adopted the Radio Spectrum Policy Programme (“RSPP”). The RSPP is a Decision that sets the strategic objectives for spectrum policy in the EU. One such objective is to identify sufficient spectrum for wireless broadband. In that regard, the RSPP required European Member States to authorize the use of the 800 MHz band for mobile operators by January 1, 2013, with derogations possible only until December 31, 2015. By a decision adopted on May 17, 2017, Member States are required to assign the 694-790 MHz band to wireless broadband services by June 30, 2020, with the possibility of an extension of up to 2 years in duly justified cases. In addition, the EEC Code requires Member States to assign the 3.4 – 3.8 GHz band and at least 1 GHz in the 24.25 – 27.5 GHz band by December 31, 2020.

The Radio Spectrum Policy Group has announced that it intends to review the RSPP and make recommendations for changes in light of the EEC Code.

Data protection

The General Data Protection Regulation (“GDPR”) was adopted in April 2016 and came into effect on May 25, 2018, when it replaced the 1995 Data Protection Directive. The GDPR is directly effective and does not need to be implemented in national laws. It applies to all data controllers and data processors in the EU that are processing personal data, and those outside the EU that target data subjects in the EU. The GDPR introduces new rights for data subjects, such as the right to be forgotten and data portability, and strengthens existing obligations on data controllers in obtaining consents and to ensure their systems and procedures are compliant (privacy by design and by default), and requires data controllers to maintain a data processing register. Fines for failing to comply with the GDPR can be up to 4% of worldwide annual revenue.

E-privacy

On January 10, 2017, the Commission published its legislative proposals to revise the e-Privacy Directive. The Directive would be replaced by an e-Privacy Regulation that would regulate not only electronic communications services, as is currently the case, but also internet based (OTT) communication services. There is a stricter requirement to obtain consent for the use of personal or meta data, revisions to the requirement to obtain consent for cookies, rules on data breach notification and higher fines for breaches of the Regulation (up to 4% of worldwide annual turnover, in line with the fines in the GDPR). Member States have proposed a range of amendments and it is not clear when the Regulation will be adopted.

Hutchison Asia Telecommunications

Overview

HAT currently operates mobile telecommunications services in three markets in Asia: Indonesia, Vietnam and Sri Lanka. The services are marketed under the **3** brand in Indonesia, **Vietnamobile** brand in Vietnam and the **Hutch** brand in Sri Lanka.

Indonesia

CKHH provides mobile telecommunications services in Indonesia through PT Hutchison 3 Indonesia (“H3I”). H3I network covers more than 33,000 villages, in 313 cities and 3,000 districts across all of Indonesia. H3I is expanding its telecommunications network to many cities on Kalimantan, Sulawesi, Sumatra, Java, Bali and Lombok and continues to upgrade its 4G network with 4G national population coverage of approximately 72% as at December 31, 2019. H3I had approximately 30.5 million active customers as of December 31, 2019.

Vietnam

In Vietnam, CKHH had been engaged in a mobile operation as part of a business cooperation contract. In October 2016, this operation was converted into a Joint Stock Company as Vietnamobile Telecommunications Joint Stock Company and continues to operate the mobile telecommunications services in Vietnam under the same brand, **Vietnamobile**. Upon the completion of the conversion, CKHH holds 49% of the business. Vietnamobile’s network has nationwide coverage. Vietnamobile has further upgraded its network to provide 4G services in regions with high growth potential, focusing in southern Vietnam. **Vietnamobile** had approximately 10.5 million active customers as of December 31, 2019.

Sri Lanka

CKHH provides mobile telecommunications services in Sri Lanka through Hutchison Telecommunications Lanka (Private) Limited (“Hutch Lanka”). In November 2018, Hutch Lanka completed the acquisition of Etisalat Lanka (Private) Limited (“ESL”), the Sri Lanka telecommunication business of Emirates Telecommunications Group Company PJSC (“Etisalat Group”), and CKHH holds 85% interest in the enlarged Sri Lanka telecommunications business. In July 2019, Hutch Lanka and ESL were amalgamated with Hutch Lanka as the surviving entity. Hutch Lanka’s network has nationwide coverage. Hutch Lanka continues its 4G network rollout to provide 4G services on a nationwide scale. The operation had approximately 4.5 million active customers as of December 31, 2019.

HTAL, share of VHA (included in Finance & Investments and Others division)

HTAL, an 87.87% owned subsidiary listed on the ASX, holds 50% of VHA, a 50-50 joint venture with Vodafone Group Plc.

On February 26, 2020, HTAL announced its results for the year ended December 31, 2019 and reported that VHA’s active customer base decreased 4.6% to approximately 5.7 million (including MVNOs) as of December 31, 2019. Complaint rate to the Telecommunications Industry Ombudsman were less than half the industry average for the last quarter in 2019.

VHA’s EBITDA⁽¹⁾ decreased 5.9% to A\$1,036.6 million for the year ended December 31, 2019 and its loss attributable to shareholders⁽¹⁾ increased from A\$124.4 million for the year ended December 31, 2018 to A\$231.3 million for the year ended December 31, 2019.

In August 2018, VHA entered into an agreement with TPG Telecom Limited (“TPG”) for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia (the “Merged Group”). In February 2020, the Australian Federal Court has ruled to approve the merger and rejected the opposition from the Australian Competition and Consumer Commission (“ACCC”). The ACCC announced in March 2020 that it would not appeal the court’s decision and the merger is now expected to complete in mid-2020, subject to the remaining regulatory approvals. Following completion, VHA shareholders will own 50.1% of the equity of the Merged Group and TPG shareholders will own the remaining 49.9%. In addition, VHA and TPG have signed a separate joint venture agreement, whereby the joint venture acquired 60 MHz of 3600 MHz spectrum for a total of A\$263 million in December 2018.

⁽¹⁾ Under Post-IFRS 16 basis, EBITDA was A\$1,178.7 million; net loss attributable to shareholders was A\$279.3 million.

Finance & Investments and Others

CKHH receives income from its finance & investments and others division, which is responsible for the management of CKHH's cash deposits, liquid assets held in managed funds and other investments. Managed funds are portfolios of short-term and liquid debt securities, primarily denominated in U.S. dollars, managed by independent professional fund managers in various financial centers around the world. CKHH also has certain investments in shares and convertible securities of listed companies. Income from this division includes interest income, dividends from equity investments, profits and losses from sale of securities and foreign exchange gains and losses of non-Hong Kong dollar denominated liquid assets. CKHH has adopted a strategy of minimizing credit, interest rate, market price and currency risks in its fixed income investments, and has divested its medium-term, long-term and foreign currency investments in favor of U.S. dollar denominated short-term liquid debt securities.

CKHH has operations in over 50 countries and conducts businesses in over 50 currencies. CKHH's functional currency for reporting purposes is Hong Kong Dollars and CKHH's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. CKHH generally does not enter into foreign currency hedges in respect of its foreign currency earnings. It is CKHH's policy not to enter into derivative transactions for speculative purposes. It is also CKHH's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

As of December 31, 2019, CKHH's liquid assets totaled HK\$144,849 million (US\$18,570 million) of which 21% were denominated in Hong Kong dollars, 51% in U.S. dollars, 5% in Renminbi, 9% in Euro, 5% in Pound Sterling and 9% in other currencies. Cash and cash equivalents represented 95% of such total, U.S. Treasury notes and listed/traded debt securities 3% and listed equity securities 2%. The U.S. Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of U.S. Treasury notes of 70%, government and government guaranteed notes of 20%, notes issued by financial institutions of 1% and others of 9%. 99% of the U.S. Treasury notes and listed/traded debt securities were rated at Aaa/AAA or Aa1/AA+, with an average maturity of approximately 2.3 years on the overall portfolio. CKHH has no exposure in mortgage-backed securities, collateralized debt obligations or similar asset classes.

The interest expense and finance costs related to CKHH's various operating businesses are not attributed to this division but are disclosed separately in the consolidated income statement and related notes thereto set forth in the audited consolidated financial statements of CKHH included elsewhere in this offering memorandum.

Hutchison Whampoa (China) Limited

In addition to subsidiaries and joint ventures in several of its core businesses, CKHH is also engaged in other activities in the Mainland, Hong Kong and the UK through its wholly-owned subsidiary HWCL and its 48.15% associated company Chi-Med. These activities include the provision of aircraft management, maintenance and engineering services, biopharmaceutical development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, the manufacture and distribution of healthcare and pharmaceutical products, the manufacturing and trading of detergent products, the distribution of consumer products, and the provision of logistics services.

CKHH is the major shareholder of Chi-Med, which is listed on the AIM and Nasdaq. Chi-Med had a market capitalization of approximately £2,534 million (approximately HK\$25,748 million) as of December 31, 2019.

HWCL has the following major investments, which operate in the Mainland, Hong Kong and the UK:

- Guangzhou Aircraft Maintenance Engineering Company ("GAMECO") (50% interest), a joint venture with China Southern Airlines. GAMECO serves both Chinese and international airlines from its maintenance facilities at Guangzhou's airport and other locations in the Mainland, conducting both routine maintenance services and overhauls;
- China Aircraft Services Limited (20% interest), a joint venture with China Airlines, China National Aviation Corporation and United Airlines, providing aircraft maintenance and support services. This operation was disposed of as part of the Gama Aviation Plc acquisition in March 2018;

- Gama Aviation Plc (29.79% interest), a global business aviation services provider listed on the AIM;
- Shanghai Hutchison Whitecat Company Limited (“Whitecat”) (100% interest), which develops and manufactures consumer and industrial detergent products. During 2017, HWCL acquired the 20% non-controlling interest in Whitecat for RMB285 million and increased its shareholding in Whitecat from 80% to 100%. Subsequent to the completion of the return of Whitecat’s manufacturing plant in Shanghai in 2017, a total disposal gain after tax of HK\$1,605 million was recognized; and
- Chi-Med (48.15% interest), a company listed on the AIM and Nasdaq. Chi-Med is an innovative biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, as well as manufactures and sells pharmaceuticals and healthcare products. In October 2017, Chi-Med completed a secondary offering through new issuance of 11,369,810 American Depository Shares (“ADS”), representing 5,684,905 ordinary shares, at a price of US\$26.5 per ADS, raising gross proceeds of approximately US\$301 million. With effect from May 30, 2019, each of Chi-Med’s ordinary shares of US\$1.00 each has been subdivided into 10 new ordinary shares of US\$0.10 each. Concurrently, the ADS ratio has been changed from 1 ADS representing one-half of an ordinary share to 1 ADS representing 5 new ordinary shares. During 2019, CKHH partially disposed of its interest in Chi-Med reducing CKHH’s shareholding from 60.15% to 49.86%. Chi-Med has therefore been derecognized as a subsidiary to an associated company. Chi-Med raised additional equity through an offering of ADS in early 2020. Correspondingly, CKHH’s shareholding was further diluted to 48.15%.

E-Commerce Operations

CKHH has invested in e-commerce and related opportunities. These operations include:

- bigboXX.com (100% interest) — an office supplies procurement portal for business corporations in Hong Kong;
- Hutchison Travel (100% interest) — an internet based travel service company that offers air tickets, hotel rooms, rental car, air plus hotel combo and travel insurance; and
- ESD*life* (85% interest) — ESD*life* is focused on providing a one-stop shop for public and commercial electronic services, as well as professional digital solutions through the establishment of a vast digital information infrastructure.

CKHH also has a 50% economic interest in Metro Broadcast, a licensed radio broadcasting operator in Hong Kong currently operating three analog radio channels, namely Metro Finance (FM 104), Metro Info (FM 997) and Metro Plus (AM 1044).

Hutchison Water

CKHH had a 49% interest in a water desalination project in Israel and is one of the largest desalination plants in the world in terms of capacity. In December 2017, Hutchison Water Group was deconsolidated and is currently an unlisted investment.

TOM Group

CKHH also has a 36.1% interest in TOM Group, a technology and media company listed on the SEHK. TOM Group has a technology platform with operations in e-commerce, social network and mobile internet, as well as investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments. Based on the closing price of its shares on the SEHK on December 31, 2019, TOM Group had a market capitalization of approximately HK\$4,988 million (approximately US\$639 million).

Marionnaud Group

CKHH has a 100% interest in the Marionnaud Group, a luxury perfumery and cosmetic retail chain in Europe. As of December 31, 2019, Marionnaud operated approximately 900 stores in 11 European markets, providing luxury perfumery and cosmetic products.

CK Life Sciences Group

CKHH has an approximate 45.32% interest in CKLS, a company listed on the SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialization, marketing and sale of, and investment in nutraceuticals, pharmaceuticals and agriculture-related products and assets as well as investment in various financial and investment products. It has business interests in three key divisions: agriculture, nutraceutical and pharmaceutical research and development. Based on the closing price of its shares on the SEHK on December 31, 2019, CKLS had a market capitalization of approximately HK\$8,362 million (approximately US\$1,072 million).

AlipayHK

CKHH has a 50% interest in AlipayHK, a consumer oriented digital app, which integrates online and offline payments in Hong Kong. As of February 27, 2020, AlipayHK has over 1 million merchants in Hong Kong, the Mainland and Macau accepting AlipayHK.

Environmental Matters

CKHH's operations are subject to various environmental laws. Compliance with such laws has not had, and is not expected to have, a material adverse effect upon CKHH's capital expenditure, earnings or competitive position.

Legal Proceedings

CKHH is not engaged in any material litigation or arbitration proceeding, and no material litigation or claim is known by CKHH to be pending or threatened against it that would have a material adverse effect on CKHH's financial condition and results of operations.

Insurance

CKHH believes that its properties are covered by adequate property insurance by reputable companies and with commercially reasonable deductibles and limits, covering fire, earthquake, loss of rent and third party liabilities.

Employees

The following table shows the divisional allocation of employees.

Number of Employees

	As of December 31,		
	2017	2018	2019
Ports and related services	35,005	33,727	33,861
Retail ⁽¹⁾	180,567	188,135	192,782
Infrastructure	31,897	31,988	32,121
Husky Energy	5,152	5,157	4,802
3 Group Europe ⁽²⁾	16,698	16,313	16,302
Hutchison Telecommunications Hong Kong Holdings ..	1,295	1,220	986
Hutchison Asia Telecommunications	1,600	2,260	1,966
HTAL	2,722	2,416	2,010
Finance & investments	497	601	656
Others	25,585	24,824	25,305
Total number of employees	<u>301,018</u>	<u>306,641</u>	<u>310,791</u>

⁽¹⁾ Employees of Marionnaud Group have been reclassified from Retail to Others.

⁽²⁾ Includes all employees in Wind Tre.

HONG KONG

Until July 1, 1997, Hong Kong was a colony of the UK. On July 1, 1997, sovereignty over Hong Kong reverted from the UK to the Mainland, and Hong Kong became a Special Administrative Region of the PRC. The agreement between the British and Chinese governments regarding this transfer is embodied in the Joint Declaration, which was signed on December 19, 1984 and subsequently ratified by both governments. Acting pursuant to the Joint Declaration, in April 1990 PRC's National People's Congress (the "NPC") adopted the Basic Law, which is the basic constitutional document of Hong Kong. Under the Basic Law, Hong Kong is to have its own legislature, legal and judicial system and full economic autonomy for 50 years. Defense and foreign affairs are the responsibility of the central government in Beijing, although Hong Kong will still be able to participate in international organizations and agreements, where deemed appropriate. The Basic Law provides that the Hong Kong dollar will remain the legal tender currency in Hong Kong and is to remain freely convertible, and that no exchange controls will be applied. Existing freedoms, including the rights of free speech and assembly, a free press, freedom of religion, and to strike and to travel, are ensured by law, and business ownership, private property, the right of inheritance and foreign investment are to be legally protected.

Under the Basic Law, the laws in force in Hong Kong prior to June 30, 1997 remain in force, except for any that contravene the Basic Law, and are subject to amendment by Hong Kong's legislature. The power of interpretation of the Basic Law is vested in the Standing Committee of the NPC, although the courts of Hong Kong may interpret the Basic Law in adjudicating cases before them, subject to certain limitations. The power of amendment of the Basic Law is vested in the NPC. The Basic Law provides that the Chief Executive of Hong Kong shall be recommended by a committee composed of Hong Kong residents representing a broad spectrum of distinct constituencies, such as industry, labor, and various professions, and appointed by the central government of the PRC.

MANAGEMENT OF CKHH

The Directors of CKHH are set forth below.

Name	Age	Position
LI Tzar Kuoi, Victor	55	Chairman, Group Co-Managing Director and Executive Director
FOK Kin Ning, Canning	68	Group Co-Managing Director and Executive Director
Frank John SIXT	68	Group Finance Director, Deputy Managing Director and Executive Director
IP Tak Chuen, Edmond	67	Deputy Managing Director and Executive Director
KAM Hing Lam	73	Deputy Managing Director and Executive Director
LAI Kai Ming, Dominic	66	Deputy Managing Director and Executive Director
Edith SHIH	68	Executive Director and Company Secretary
CHOW Kun Chee, Roland	82	Non-executive Director
LEE Yeh Kwong, Charles	83	Non-executive Director
LEUNG Siu Hon	88	Non-executive Director
George Colin MAGNUS	84	Non-executive Director
WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)	66	Non-executive Director
KWOK Tun-li, Stanley	93	Independent Non-executive Director
CHENG Hoi Chuen, Vincent	71	Independent Non-executive Director
The Hon Sir Michael David KADOORIE	78	Independent Non-executive Director
LEE Wai Mun, Rose	67	Independent Non-executive Director
William Elkin MOCATTA	67	Alternate Director to The Hon Sir Michael David Kadoorie
William SHURNIAK	88	Independent Non-executive Director
WONG Chung Hin	86	Independent Non-executive Director
WONG Yick-ming, Rosanna	67	Independent Non-executive Director

The principal place of business of CKHH is 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

The Board of Directors of CKHH consists of twenty members (including Alternate Director) of which 7 are Executive Directors, 8 are Independent Non-executive Directors (including Alternate Director) and 5 are Non-executive Directors. Set forth below is selected biographical information for each of the Directors:

LI Tzar Kuoi, Victor, aged 55, has been a Director of CKHH since December 2014. He was designated as Executive Director, Managing Director and Deputy Chairman of CKHH in January 2015, re-designated as Executive Director, Group Co-Managing Director and Deputy Chairman of CKHH in June 2015, and appointed as Chairman of CKHH since May 2018. Mr Li has been a member of the Remuneration Committee of CKHH since May 2018 and Chairman of the Nomination Committee of CKHH since January 2019. He joined Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") in 1985 and acted as Deputy Managing Director from 1993 to 1998. He was Deputy Chairman of Cheung Kong (Holdings) since 1994, Managing Director since 1999 and Chairman of the Executive Committee since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited (the "SEHK") was replaced by CKHH in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He was an Executive Director of Hutchison Whampoa Limited ("HWL") since 1995 and Deputy Chairman since 1999 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. Mr Li is Chairman, Managing Director and Executive Director of CK Asset Holdings Limited ("CKA"), Chairman of CK Infrastructure Holdings Limited ("CKI") and CK Life Sciences Int'l., (Holdings) Inc. ("CKLS"), a Non-executive Director of Power Assets Holdings Limited ("Power Assets") and HK Electric Investments Manager Limited ("HKEIML") as the trustee-manager of HK Electric

Investments (“HKEI”), a Non-executive Director and Deputy Chairman of HK Electric Investments Limited (“HKEIL”) and Co-Chairman of Husky Energy Inc. (“Husky Energy”). Save and except CKA, the aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Li oversees the management. Mr Li is also the Deputy Chairman of Li Ka Shing Foundation Limited (“LKSF”) and Li Ka Shing (Global) Foundation (“LKSGF”, formerly known as Li Ka Shing (Overseas) Foundation), Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People’s Political Consultative Conference (“CPPCC”) of the People’s Republic of China. He is also a member of the Chief Executive’s Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.). Mr Li is the elder son of Mr Li Ka-shing, the Senior Advisor of CKHH and a substantial shareholder (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) of CKHH, and a nephew of Mr Kam Hing Lam, Deputy Managing Director of CKHH. Mr. Li is a director of certain substantial shareholders of CKHH and certain companies controlled by substantial shareholders of CKHH.

FOK Kin Ning, Canning, aged 68, has been a Non-executive Director of 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 member of the Nomination Committee of CKHH since January 2019. Mr Fok was a Director of Cheung Kong (Holdings) since 1985 and became a Non-executive Director in 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Fok was an Executive Director of HWL since 1984, Group Managing Director since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is also Chairman of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”), Hutchison Telecommunications (Australia) Limited (“HTAL”), Hutchison Port Holdings Management Pte. Limited (“HPHM”) as the trustee-manager of Hutchison Port Holdings Trust (“HPH Trust”), Power Assets, HKEIML as the trustee-manager of HKEI, and HKEIL, Co-Chairman of Husky Energy and Deputy Chairman of CKI. The aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Fok oversees the management. Mr Fok is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of CKHH. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

Frank John SIXT, aged 68, 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 a member of the Nomination Committee of CKHH since January 2019. Mr Sixt was an Executive Director of Cheung Kong (Holdings) since 1991 and became a Non-executive Director in 1998 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He was an Executive Director of HWL since 1991, Group Finance Director since 1998 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is also Non-executive Chairman of TOM Group Limited (“TOM”), an Executive Director of CKI, a Director of HTAL and Husky Energy, and an Alternate Director to Directors of HTAL, HKEIML as the trustee-manager of HKEI, and HKEIL. The aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Sixt oversees the management. Mr Sixt is a director of certain substantial shareholders (within the meaning of the SFO) of CKHH, and certain companies controlled by substantial shareholders of CKHH. 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.

IP Tak Chuen, Edmond, aged 67, has been a Director of CKHH since December 2014 and was designated as an Executive Director and Deputy Managing Director of CKHH in January 2015. He has been a member of the Nomination Committee of CKHH since January 2019. He is an Executive Director and a Deputy Managing Director of CKA. Mr Ip was an Executive Director of Cheung Kong (Holdings) since 1993 and Deputy Managing Director since 2005 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Ip is also an Executive Director and Deputy Chairman of CKI, Senior Vice President and Chief Investment Officer of CKLS, and a Non-executive Director of Hui Xian Asset Management Limited (“HXAML”) as the manager of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”). Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Ip oversees the management. Mr Ip is a director of certain companies controlled by substantial shareholders (within the meaning of the SFO) of CKHH. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

KAM Hing Lam, aged 73, has been an Executive Director and Deputy Managing Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH since January 2019. He is also an Executive Director and Deputy Managing Director of CKA. Mr Kam was Deputy Managing Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He is also Group Managing Director of CKI and the President and Chief Executive Officer of CKLS. Mr Kam was an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is also Chairman of HXAML as the manager of Hui Xian REIT. Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Kam oversees the management. He holds a Bachelor of Science degree in Engineering and a Master’s degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, the Senior Advisor of CKHH and a substantial shareholder (within the meaning of the SFO) of CKHH, and an uncle of Mr Li Tzar Kuoi, Victor, Chairman and Group Co-Managing Director of CKHH.

LAI Kai Ming, Dominic, aged 66, has been an Executive Director and Deputy Managing Director of CKHH since June 2015 and a member of the Nomination Committee of CKHH since January 2019. Mr Lai was an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is a Non-executive Director of HTHKH, a Director of HTAL and a member of the Board of Commissioners of PT Duta Intidaya Tbk (“PTDI”). He is also an Alternate Director to Directors of HTHKH, HTAL and TOM. The aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Lai oversees the management. Mr Lai has over 35 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master’s degree in Business Administration.

Edith SHIH, aged 68, has been an Executive Director of CKHH since January 2017 and a member of the Nomination Committee of CKHH since January 2019. She is also the Company Secretary of CKHH and was the Head Group General Counsel of CKHH from June 2015 to March 2017. She was previously the Head Group General Counsel of HWL from 1993 to June 2015 and has been the Company Secretary of HWL since 1997. HWL was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of CKHH. She is a Non-executive Director of HTHKH, Hutchison China MediTech Limited (“Chi-Med”) and HPHM as the trustee-manager of HPH Trust. She is also a member of the Board of Commissioners of PTDI. The aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Ms Shih oversees the management. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is currently the International President and Executive Committee Chairman of The Chartered Governance Institute (“CGI”, formerly known as Institute of Chartered Secretaries and Administrators) as well as a past President and current chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries (“HKICS”). She is also the Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants, a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the CGI and HKICS,

holding Chartered Secretary and Chartered Governance Professional dual designations. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHOW Kun Chee, Roland, aged 82, has been a Non-executive Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH since January 2019. He was a Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Chow is a solicitor of the High Court of the Hong Kong Special Administrative Region and is a consultant of Messrs. Herbert Tsoi and Partners, Solicitors. He holds a Master of Laws degree from the University of London. Mr Chow is a cousin of Mr Leung Siu Hon, a Non-executive Director of CKHH. Mr Chow is a director of certain substantial shareholders (within the meaning of the SFO) of CKHH, and certain companies controlled by substantial shareholders of CKHH.

LEE Yeh Kwong, Charles, GBM, GBS, OBE, JP, aged 83, has been a Non-executive Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH since January 2019. Mr Lee was a Non-executive Director of Cheung Kong (Holdings) since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. He was a Director of Cheung Kong (Holdings) during the period from August 1972 to March 1997. Mr Lee was also a Non-executive Director of HWL since 2013 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is the President, Chairman of the Board and a Vice Patron of The Community Chest of Hong Kong as well as a member of the Board of Governors of Our Hong Kong Foundation. Mr Lee is one of the founders of the solicitor's firm Woo Kwan Lee & Lo, a major law firm in Hong Kong. He holds a Master's degree in law and is a qualified solicitor in both Hong Kong and the United Kingdom. He was awarded the degree of Doctor of Laws honoris causa by The Hong Kong University of Science and Technology, the degree of Doctor of Business Administration honoris causa by The Hong Kong Polytechnic University and the degree of Doctor of Social Sciences honoris causa by the University of Hong Kong and The Open University of Hong Kong respectively. Mr Lee is also a qualified accountant and a chartered secretary.

LEUNG Siu Hon, aged 88, has been a Non-executive Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH since January 2019. He was a Director of Cheung Kong (Holdings) since 1984 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Leung holds a B.A. Law (Honours) (Southampton) degree, and has been awarded the Honorary degree of Doctor of Laws by the University of Southampton in July 2001 and appointed by the Northwest University of Politics & Law, China to the post of Adjunct Professor in May 2014 and July 2018. Mr Leung is a solicitor of the High Court of the Hong Kong Special Administrative Region and an attesting officer appointed by the People's Republic of China. He is presently a consultant of Messrs. S.H. Leung and Co., Solicitors. Mr Leung is a cousin of Mr Chow Kun Chee, Roland, a Non-executive Director of CKHH.

George Colin MAGNUS, OBE, BBS, aged 84, has been a Non-executive Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH since January 2019. He acted as an Executive Director of Cheung Kong (Holdings) since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. He was a Non-executive Director of Cheung Kong (Holdings) since November 2005 until June 2015. Mr Magnus was an Executive Director of HWL since 1980 and was re-designated as a Non-executive Director since November 2005 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He served as Deputy Chairman of HWL from 1984 to 1993. He is also a Non-executive Director of CKI, an Independent Non-executive Director of HKEIML as the trustee-manager of HKEI, and HKEIL, and a Director (independent) of Husky Energy. Mr Magnus holds a Master's degree in Economics.

WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan), aged 66, has been a Non-executive Director of CKHH since January 2017 and a member of the Nomination Committee of CKHH since January 2019. She was an Executive Director and Group Deputy Managing Director of CKHH from June 2015 to July 2016, Senior Advisor of CKHH from August 2016 to December 2016, Executive Director of HWL (which was privatised by way of a scheme of arrangement and became a wholly owned subsidiary of CKHH since June 2015) from October 1993 to June 2015, Deputy Group Managing Director from January 1998 to June 2015 and Director from June 2015 to July 2016. Prior to joining HWL, Mrs Chow was a partner of Woo Kwan Lee & Lo, a major law firm in Hong Kong. Mrs Chow is a Director of HTAL and an Alternate Director to Directors of CKI, HKEIML as the trustee-manager of HKEI, and HKEIL. She previously served as a member of the Listing Committee of the SEHK, the Joint Liaison Committee on Taxation of the Law Society of Hong Kong, the Committee on Real Estate Investment Trusts of the Securities and Futures Commission, the Trade and Industry Advisory Board, the Court of The Hong Kong University of Science and Technology and the Appeal Boards Panel (Education). Mrs Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

KWOK Tun-li, Stanley, aged 93, has been an Independent Non-executive Director of CKHH since January 2015, a member of the Audit Committee of CKHH since March 2015 and a member of the Nomination Committee of CKHH since January 2019. He was a member of the Remuneration Committee of CKHH from March 2015 to June 2015. He was a Director of Cheung Kong (Holdings) since 1989 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. Mr Kwok holds a Bachelor's degree in Science (Architecture) from St. John's University, Shanghai, China, and an A.A. Diploma from the Architectural Association School of Architecture, London, England. Mr Kwok is a Director (independent) of Husky Energy. He is also presently a Director of Amara Holdings Inc. and Element Lifestyle Retirement Inc..

CHENG Hoi Chuen, Vincent, GBS, OBE, JP, aged 71, has been an Independent Non-executive Director and a member of both the Audit Committee and the Remuneration Committee of CKHH since June 2015, and a member of the Nomination Committee of CKHH since January 2019. He was an Independent Non-executive Director of HWL since 2014 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is an Independent Non-executive Director of Airstar Bank Limited, CLP Holdings Limited, Great Eagle Holdings Limited, HXAML as manager of Hui Xian REIT, Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. He was previously an Independent Non-executive Director of MTR Corporation Limited. Mr Cheng joined The Hongkong and Shanghai Banking Corporation Limited in 1978 of which he became Chief Financial Officer in 1994, General Manager and an Executive Director in 1995 and Chairman from 2005 to 2010. He was also the Chairman of HSBC Bank (China) Limited from 2007 to 2011, an Executive Director of HSBC Holdings plc from 2008 to 2011 and an adviser to the Group Chief Executive of HSBC Holdings plc from 2011 to 2012. In 2008, Mr Cheng was appointed as a member of the 11th National Committee of the CPPCC of the People's Republic of China and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC of the People's Republic of China. Mr Cheng's previous government advisory roles include being a member of the Executive Council (the Hong Kong government's highest policy-making body) from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council of the Hong Kong Government from 1991 to 1995. In 2005, Honorary Doctorates of Social Science and of Business Administration were conferred on Mr Cheng by The Chinese University of Hong Kong and The Open University of Hong Kong respectively. Mr Cheng holds a Bachelor of Social Science degree in Economics and a Master of Philosophy degree in Economics.

The Hon Sir Michael David KADOORIE, GBS, Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne, Commandeur de l'Ordre de Leopold II, aged 78, has been an Independent Non-executive Director of CKHH since June 2015 and a member of the Nomination Committee of CKHH since January 2019. He was a Director of HWL since 1995 until July 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is the Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited.

LEE Wai Mun, Rose, JP, aged 67, has been an Independent Non-executive Director of CKHH since June 2015 and a member of the Nomination Committee of CKHH since January 2019. She was an Independent Non-executive Director of HWL since 2012 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. She is also an Independent Non-executive Director of Swire Pacific Limited and MTR Corporation Limited, a

Board Member of the West Kowloon Cultural District Authority, a member of its Investment Committee as well as Vice Patron of The Community Chest of Hong Kong. Ms Lee was previously an Executive Director, Vice-chairman and Chief Executive of Hang Seng Bank Limited, Group General Manager of HSBC Holdings plc and Vice President of The Hong Kong Institute of Bankers. Ms Lee is a Fellow of The Hong Kong Institute of Bankers. She holds a Bachelor's degree in Business Administration.

William Elkin MOCATTA, aged 67, has been an Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director of CKHH, since June 2015. He was an Alternate Director to The Hon Sir Michael David Kadoorie, former Independent Non-executive Director of HWL, since 1997 until July 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. He is the Chairman of CLP Power Hong Kong Limited, CLP Properties Limited and Castle Peak Power Company Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

William SHURNIAK, S.O.M., M.S.M., LLD (Hon), aged 88, has been an Independent Non-executive Director and a member of the Audit Committee of CKHH since June 2015, and a member of the Nomination Committee of CKHH since January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. In addition, Mr Shurniak is a Director (independent) and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan, The University of Western Ontario and the University of Regina in Canada. He was awarded the Saskatchewan Order of Merit by the Government of Saskatchewan in 2009, the Queen Elizabeth II Diamond Jubilee Medal by the Lieutenant Governor of Saskatchewan in 2012 and the Meritorious Service Medal by Governor General of Canada in 2016.

WONG Chung Hin, CBE, JP, aged 86, has been an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of CKHH since June 2015, and a member of the Nomination Committee of CKHH since January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of CKHH. Mr Wong was previously an Independent Non-executive Director of Power Assets. He is a solicitor.

WONG Yick-ming, Rosanna, DBE, JP, aged 67, has been an Independent Non-executive Director of CKHH since January 2015, Chairman of the Remuneration Committee of CKHH since March 2015 and a member of the Nomination Committee of CKHH since January 2019. She was an Independent Non-executive Director of Cheung Kong (Holdings) since 2001 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by CKHH in March 2015. She was previously an Alternate Director of CKHH and Cheung Kong (Holdings). She is currently a member of the 13th National Committee of the CPPCC of the People's Republic of China. She is an Independent Non-executive Director of HTHKH and The Hongkong and Shanghai Hotels, Limited, the Senior Advisor of The Hong Kong Federation of Youth Groups ("HKFYG"), a Director of RJJ Ideas Limited, a Steward of The Hong Kong Jockey Club, a member of the Board of Governors of Our Hong Kong Foundation and Chairman of Asia International School Limited. She was previously the Executive Director of HKFYG, Non-executive Chairman of the Advisory Committee of The Hongkong Bank Foundation, an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, Chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority, a member of The Hong Kong University of Science and Technology Business School Advisory Council, Chairman of the Advisory Board of California Center Early Learning School, Shanghai and a Global Advisor to Mars, Incorporated. She holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), U.S.A. and has been awarded Honorary Doctorates by The Chinese University of Hong Kong, The Hong Kong Polytechnic University, the University of Hong Kong, The Hong Kong Institute of Education and University of Toronto in Canada.

CKHH'S CONNECTED TRANSACTIONS

CKHH enters into transactions from time to time with CK Asset Holdings Limited ("CKA") and other connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules")). CKHH's practice is to ensure that all such transactions are in compliance with the Listing Rules. The following is a brief description of CKHH's connected transactions disclosed and published on the websites of Hong Kong Exchanges and Clearing Limited and CKHH, respectively, in 2019 and from January 1, 2020 to the date of this offering memorandum.

Economic Benefits Agreements

CKHH conducted the following transaction which constituted a variation of the connected transaction of CKHH as disclosed in an announcement dated August 31, 2018 (the "August 2018 Announcement"), in respect of which an announcement dated March 29, 2019 (the "March 2019 Announcement") was issued.

As disclosed in the August 2018 Announcement issued by CKHH and the 2018 Annual Report, Henley Riches Limited ("CKH Sub", an indirect wholly owned subsidiary of CKHH) and CKHH (as guarantor of CKH Sub) entered into, among other things, an economic benefits agreement (the "Economic Benefits Agreement") with Team Ace Enterprises Limited ("CKA Sub", a wholly owned subsidiary of CKA) on August 31, 2018 pursuant to which CKH Sub would pay CKA Sub its economic benefits amounts (the "Economic Benefits Amounts") on an ongoing basis with effect from the date upon receipt by CKH Sub of the consideration of approximately US\$1,222.93 million (equivalent to approximately HK\$9,600 million) (the "Effective Date").

The Economic Benefits Amounts payable by CKH Sub to CKA Sub under the Economic Benefits Agreement refer to the sums (in US dollars) equal to 40% of the economic benefits, comprising amounts including dividends and other distributions declared by Cheung Kong (Infrastructure Investment) Limited ("CKII", an indirect wholly owned subsidiary of CKHH) to Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)", a wholly owned subsidiary of CKHH and a holding company of CKII) and other proceeds or payments received by Cheung Kong (Holdings) from CKII from and including the Effective Date.

Subsequently, as jointly announced by CKHH and CKA in the March 2019 Announcement, CKHH, CKH Sub and CKA Sub entered into a supplemental agreement the "CKA Sub Supplemental Agreement") on the same day to amend and restate the Economic Benefits Agreement on the terms of and subject to the conditions set out in the CKA Sub Supplemental Agreement.

Subject to the satisfaction (or, where applicable, waiver) of the conditions summarised in the March 2019 Announcement, the Economic Benefits Agreement will be amended and restated pursuant to the CKA Sub Supplemental Agreement to provide certain ancillary protections in relation to CKA Sub's interest in the Economic Benefits Amounts under the existing terms of the Economic Benefits Agreement which will, on one hand, enhance the protection of the CKA group's interest in relation to its Economic Benefits Amounts through the voting arrangement provided to CKA Sub over the exercise of 40% of the voting rights at general meetings of any Voting Right Company (as defined in the March 29 Announcement) and the director nomination rights to the relevant Voting Right Companies (other than 1822604 Alberta Ltd.) and thereby further solidify its interests in the relevant infrastructure businesses with effect from the Amendment Effective Date (as defined in the March 2019 Announcement), while, on the other hand, streamline the existing operation of the Economic Benefits Agreement for CKHH and CKH Sub.

Given that CKA is deemed by the SEHK as a connected person of CKHH under the Listing Rules, the entering into of the Economic Benefits Agreement with CKA Sub constituted a connected transaction for CKHH under the Listing Rules. The CKA Sub Supplemental Agreement constituted a variation of the connected transaction of CKHH as disclosed in the August 2018 Announcement, and the variation may be regarded as material. Since Mr Victor T K Li has or may be regarded as having a material interest in the transactions contemplated in the Economic Benefits Agreement and the CKA Sub Supplemental Agreement, he had voluntarily abstained from voting on the board resolutions of CKHH for approving the Economic Benefits Agreement and the CKA Sub Supplemental Agreement.

DESCRIPTION OF THE NOTES AND THE GUARANTEE

The notes are to be issued under a fiscal agency agreement (the “Fiscal Agency Agreement”), to be executed among the Issuer, the Guarantor and The Bank of New York Mellon, as fiscal and paying agent, transfer agent and registrar (the “Fiscal Agent”). Copies of the Fiscal Agency Agreement and the notes are available for inspection free of charge during normal business hours at the offices of the Fiscal Agent. The following summaries of certain provisions of the notes and the Fiscal Agency Agreement do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions thereof, including the definitions therein of certain terms. Whenever particular defined terms from the notes or the Fiscal Agency Agreement are referred to, the definitions of such terms are incorporated herein by reference.

General

The notes will be issued in an aggregate principal amount of US\$750,000,000 for the 2.500% Notes Due 2030 and US\$750,000,000 for the 3.375% Notes Due 2050. The notes will bear interest at the applicable rates per annum shown on the front cover of this offering memorandum from and including May 8, 2020 or from and including the most recent interest payment date to which interest has been paid or provided for, to and excluding the next interest payment date or the maturity date payable semi-annually in arrears on May 8 and November 8 of each year, commencing November 8, 2020, and at maturity, being May 8, 2030 for the Notes Due 2030 and May 8, 2050 for the Notes Due 2050, to the person in whose name the relevant note (or any predecessor note) is registered at the close of business on the preceding April 23 and October 24, as the case may be. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the global notes representing the relevant series of notes will be made to the registered holder thereof in immediately available funds. Payments of principal of, and interest on, any individual notes that are subsequently issued in certificated form, as set forth below, will be made by check drawn on a bank in The City of New York or, in the case of any holder of more than US\$1,000,000 in principal amount of individual certificated notes, upon timely application, by electronic transfer of immediately available funds to an account of such holder at a bank in The City of New York.

Payments of the principal amount of such note at maturity or the principal amount to be prepaid upon redemption in full, together with accrued interest due at maturity or redemption, as the case may be, will be made to the registered holder thereof against presentation and surrender of such note at the specified office of the paying agent. Provided that in the event that a paying agent in Singapore is required by the Listing Manual of the SGX-ST, and for so long as the relevant notes are listed on the SGX-ST, a paying agent in Singapore will be appointed and maintained and the relevant notes may be presented or surrendered to such paying agent in Singapore for payment or redemption, and such payments of principal and payments of interest may be made by such paying agent in Singapore. Any payments of principal of and interest on the notes to be made on a date that is not a Business Day may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. “Business Day” means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in The City of New York, London, Hong Kong or Singapore.

The transfer of the notes will be registrable, and the notes will be exchangeable at the Corporate Trust Office (as defined in the Fiscal Agency Agreement) in The City of New York, which initially will be the office of the Fiscal Agent. In the case of the transfer of less than all of the principal amount of any individual notes, a new individual note will be delivered by the transfer agent to the transferor in respect of the untransferred portion.

Ranking

The notes will constitute direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligations of the Issuer, ranking (subject as aforesaid) *pari passu*, without any preference or priority of payment among themselves and among each series thereof and with all other present and future unsecured and unsubordinated indebtedness of the Issuer, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights.

Guarantee

The Guarantor will fully and unconditionally guarantee to each holder of a note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of and interest on such note (and any Additional Amounts (as hereinafter defined) payable in respect thereof), when and as the same shall become due and payable, whether at the stated maturity of the note, by declaration of acceleration, call for redemption, or otherwise, in accordance with the terms of such note and of the Fiscal Agency Agreement. The Guarantee will constitute a direct, unconditional, unsecured (subject to the lien covenant in the notes) and unsubordinated obligation of the Guarantor and will (subject as aforesaid) rank pari passu with all other present and future unsecured and unsubordinated indebtedness of the Guarantor, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors rights.

Notes; Delivery and Form

The statements set forth herein include summaries of certain rules and operating procedures of DTC, Euroclear and Clearstream which will affect transfers of interests in the global notes.

The notes sold in offshore transactions in reliance on Regulation S will be initially in the form of one or more Regulation S global notes, fully registered without interest coupons, which will be deposited with The Bank of New York Mellon (in such capacity, the “Custodian”) for DTC and registered in the name of Cede & Co., as nominee of DTC for credit to the respective accounts of the purchasers, or to other accounts as they may direct, at Euroclear or Clearstream, each of which is a participant in DTC.

The notes sold to qualified institutional buyers in reliance on Rule 144A will be issued initially in the form of one or more Rule 144A global notes, fully registered without interest coupons, which will be deposited with the Custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The notes will be issued in minimum denominations of US\$200,000 and integral multiples of US\$1,000 above that amount. The original issue date will be on or about May 8, 2020.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and will bear a legend regarding such restrictions as set forth under “Transfer Restrictions”. Under certain circumstances, transfers may be made only upon receipt by the Fiscal Agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement).

Prior to the 40th day after the later of the commencement of the offering and 9:00 p.m., Hong Kong time, on or about May 8, 2020 (the “Time of Delivery”), a beneficial interest in a Regulation S global note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A global note only if the transferor, and any person acting on its behalf, reasonably believes that the transferee is a qualified institutional buyer, and upon receipt by the transfer agent of a written certification (in the form(s) provided in the Fiscal Agency Agreement) (a) from the transferee to the effect that such transferee (i) is a qualified institutional buyer purchasing for its own account (or for the account of one or more qualified institutional buyers over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under “Transfer Restrictions”, and (b) from the transferor to the effect that the transfer was made in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the 40th day after the later of the commencement of the offering and the Time of Delivery, the certifications contemplated by clause (a) (i) and clause (b) of the preceding sentence shall no longer be required, but the transferee will still be required to certify as provided by clause (a) (ii) of such sentence.

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the Fiscal Agent of written certifications (in the form(s) provided in the Fiscal Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (if available).

Any individual notes issued in exchange for an interest in a Rule 144A global note under the circumstances described under “Individual Notes” below may be transferred only upon receipt by the Fiscal Agent of a written certification from the transferor (in the form(s) provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with the restrictions on transfer set forth under “Transfer Restrictions”, and in the case of any resale other than a “Safe Harbor Resale” as defined under “Transfer Restrictions”, the execution and delivery by the transferee of a written certification (also in the form attached to the Fiscal Agency Agreement) and any additional documents or other evidence (including, but not limited to, an opinion of counsel) that the Issuer or the Fiscal Agent may, in its sole discretion, deem necessary or appropriate to evidence compliance with such transfer restrictions.

Any beneficial interest in one of the global notes that is transferred to an entity who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Investors may hold their interests in the global notes directly through DTC, Clearstream or Euroclear, as the case may be, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream and Euroclear will hold interests in the notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are participants in DTC.

Transfers between participants in DTC (the “Participants”) will be effected in the ordinary way in accordance with DTC rules. Transfers between participants in Clearstream and Euroclear (“Clearstream Participants” and “Euroclear Participants”, respectively) will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Initial settlement for the notes will be made in same-day funds. So long as DTC continues to act as depository for the notes, the notes will trade in DTC’s Same-Day Funds Settlement System.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between DTC, on the one hand, and Clearstream or Euroclear Participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be.

Persons who are not Participants may beneficially own interests in the global notes held by DTC only through Participants or Indirect Participants (as defined below) (including Euroclear and Clearstream). So long as Cede & Co., as the nominee of DTC, is the registered owner of the global notes, Cede & Co. for all purposes will be considered the sole holder of such notes.

Payment of interest and principal on the global notes will be made to Cede & Co., the nominee for DTC, or such other nominee as may be requested by an authorized representative of DTC, as the registered owner of the global notes in immediately available funds. None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

Payments of interest on and principal of the notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as the case may be, in accordance with the relevant system’s rules and procedures. Payments by Participants to owners of beneficial interests in the global notes held through such Participants will be the responsibility of such Participants, as is the case with securities held, for the accounts of customers in bearer form or registered in “street name”.

So long as the notes of a particular series are represented by global notes and such global notes are held on behalf of DTC or any other clearing system, such clearing system or its nominee will be considered the sole holder of these notes represented by the applicable global notes for all purposes under the Fiscal Agency Agreement, including, without limitation, obtaining consents and waivers thereunder, and none of the Fiscal Agent, the Issuer nor the Guarantor shall be affected by any notice to the contrary. None of the Fiscal Agent, the Issuer nor the Guarantor shall have any responsibility or obligation with respect to the accuracy of any records maintained by any clearing system or any Participant of such clearing system. The clearing systems will take actions on behalf of their Participants

(and any such Participants will take actions on behalf of any Indirect Participants) in accordance with their standard procedures. To the extent that any clearing system acts upon the direction of the holders of the beneficial interests in the applicable global note and such beneficial holders give conflicting instructions, the applicable clearing system may take conflicting actions in accordance with such instructions.

All interests in the global notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of their respective systems.

None of the Issuer, the Guarantor nor the Fiscal Agent will have any responsibility for the performance by DTC, Clearstream and Euroclear, or their respective Participants or Indirect Participants, of their respective obligations under the rules and procedures governing their operations.

Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (“Indirect Participants”).

Individual Notes

If DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Issuer within 90 days or if there shall have occurred and be continuing an Event of Default (as described below) with respect to the notes of a particular series and the Fiscal Agent has received a request from the holders of more than 25% in aggregate principal amount of the Outstanding Notes of such series to issue notes in certificated form, the Issuer will issue individual notes of such series in certificated, fully registered form in exchange for the relevant global notes.

Subject to the transfer restrictions set forth on the individual notes in certificated form, the holder of such individual notes in certificated form may transfer or exchange such notes by surrendering them at the Corporate Trust Office. Prior to any proposed transfer of individual notes in certificated form (other than pursuant to an effective registration statement), the holder may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation to the transfer agent as described under “Notes; Delivery and Form” above. Upon the transfer, exchange or replacement of individual notes in certificated form not bearing the legend referred to under “Transfer Restrictions”, the transfer agent will deliver individual notes in certificated form that do not bear the legend. Upon the transfer, exchange or replacement of individual notes in certificated form bearing the legend, or upon specific request for removal of the legend on an individual note in certificated form, the transfer agent will deliver only individual notes in certificated form that bear such legend or shall refuse to remove such legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Redemption

Unless earlier redeemed in the limited circumstances set forth below, the Notes Due 2030 will mature on May 8, 2030 and the Notes Due 2050 will mature on May 8, 2050 at a price equal to 100% of the principal amount thereof.

Notes of a particular series may be redeemed at the option of the Issuer or the Guarantor, at any time in whole but not in part, upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to the principal amount thereof plus accrued interest to, but excluding, the date fixed for redemption if, as a result of any change in or amendment to the laws of the Cayman Islands (or any political subdivision or any taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Cayman Islands or such political subdivision or taxing authority is a party, which change, amendment or treaty becomes effective on or after May 5, 2020, the Issuer or the Guarantor is or would be required on the next succeeding due date for a payment with respect to the Notes Due 2030 or the Notes Due 2050, as the case may be, to pay Additional Amounts with respect to the relevant notes as described below under “— Additional Amounts”, and such obligation cannot be avoided by the use of reasonable measures available to the Issuer or the

Guarantor, as the case may be. Prior to any such redemption of the relevant notes, the Issuer or the Guarantor, as the case may be, shall deliver to the Fiscal Agent a certificate stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred.

At any time on or after February 8, 2030, Notes Due 2030 may be redeemed and at any time on or after November 8, 2049, Notes Due 2050 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole but not in part, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the principal amount thereof plus accrued interest to, but excluding, the date fixed for redemption.

In the case of any redemption, a notice will be published (as provided under the subheading "— Notices"). Except as set forth above, the notes are not subject to redemption at the option of the Issuer or the Guarantor.

Additional Amounts

All payments of principal and interest in respect of the notes of each series, and all payments pursuant to the Guarantee, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as applicable, shall pay such additional amounts ("Additional Amounts") as will result in the receipt by the holders of the applicable series of notes of such amounts as would have been payable to those holders had no such withholding or deduction been required, except that no such Additional Amounts shall be payable:

- (a) in respect of any taxes, duties, assessments or other governmental charges that would not have been imposed but for a connection between the holder or beneficial owner of a note and the Cayman Islands or any political subdivision or any authority thereof or therein, as the case may be, otherwise than merely holding such note or Guarantee or receiving principal or interest in respect thereof; or
- (b) in respect of any note or Guarantee presented for payment more than 30 days after the relevant date, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period. For this purpose, the "relevant date" in relation to any note or Guarantee means (i) the due date for payment thereof and (ii) if the full amount payable on such due date has not been received in The City of New York by the Fiscal Agent on or prior to such due date, the first date on which such full amount has been so received and notice to that effect has been given to the holders of such notes; or
- (c) to a holder or to a third party on behalf of a person who would have been able to avoid such withholding or deduction by duly presenting the note to another paying agent.

In addition, any amounts to be paid by the Issuer or the Guarantor on the notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code ("FATCA Withholding").

Neither the Guarantor nor the Issuer will be required to pay Additional Amounts on account of any FATCA Withholding.

Unless the context otherwise requires, any reference in the notes to principal and/or interest shall be deemed to include any Additional Amounts which may be payable as described above.

Certain Covenants

Lien Covenants

The Issuer will not create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Issuer (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the notes will be secured at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the relevant series of notes as provided in the Fiscal Agency Agreement and such notes.

The Guarantor will not, and will not permit any of its Principal Subsidiaries (other than Listed Principal Subsidiaries) to create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Indebtedness for Borrowed Money of the Guarantor or such Principal Subsidiary (or any secured guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Guarantee will be secured either at least equally and ratably with such Indebtedness for Borrowed Money or by such other Lien as shall have been approved by the holders of the relevant series of notes as provided in the Fiscal Agency Agreement, for so long as such Indebtedness for Borrowed Money will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness for Borrowed Money (excluding that of Listed Principal Subsidiaries and their respective Subsidiaries) entered into after the Time of Delivery (as defined in "Notes; Delivery and Form") would not exceed 50% of the Guarantor's Adjusted Consolidated Net Worth.

If there occurs a breach of the foregoing restriction and that breach would not have occurred but for a change in the accounting standards applicable to the audited consolidated accounts of Guarantor as of December 31, 2019 and for the financial year ended December 31, 2019 that affects the calculation of the Guarantor's Adjusted Consolidated Net Worth, such breach shall be deemed not to have occurred provided that a written opinion from the auditors of the Guarantor is delivered to the Fiscal Agent opining on a calculation of the Guarantor's Adjusted Consolidated Net Worth as if there had been no change in accounting standards showing that a breach of the foregoing restriction would not have occurred but for the relevant change in accounting standards. Such opinion shall be conclusive and binding on all holders of the relevant series of notes.

The foregoing restriction will not apply to:

- (a) Liens existing on or prior to the Time of Delivery;
- (b) Liens for taxes or assessments or other applicable governmental charges or levies;
- (c) Liens created or arising by operation of law or created in the ordinary course of business, including, but not limited to, landlords' liens and statutory liens of carriers, warehousemen, mechanics, materialmen, vendors and other liens securing amounts which are not more than 60 days overdue or which are being contested in good faith;
- (d) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations;
- (e) easements, rights-of-way, zoning and similar restrictions and other similar charges or encumbrances not interfering with the ordinary conduct of the business of the Guarantor and such Principal Subsidiaries;
- (f) Liens created on any property or assets acquired, leased or developed after the Time of Delivery; provided, however, that (i) any such Lien shall be confined to the property or assets acquired, leased or developed; (ii) the principal amount of the debt encumbered by such Lien shall not exceed the cost of the acquisition or development of such property or assets or any improvements thereto or thereon and (iii) any such Lien shall be created concurrently with or within three years following the acquisition, lease or development of such property or assets;

- (g) rights of setoff of a financial institution with respect to deposits or other accounts of the Guarantor or such Principal Subsidiary held by such financial institution in an amount not to exceed the aggregate amount owed to such financial institution by the Guarantor or such Principal Subsidiary, as the case may be;
- (h) Liens on documents and the goods they represent in connection with letters of credit and similar transactions entered into in the ordinary course of business;
- (i) Liens arising in connection with industrial revenue, development or similar bonds or other means of project financing (not to exceed the value of the project financed and limited to the project financed);
- (j) Liens in favor of the Guarantor or any Principal Subsidiary;
- (k) leases, subleases, licenses and sublicenses granted to third parties in the ordinary course of business;
- (l) attachment, judgment and other similar Liens arising in connection with court proceedings which are effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings;
- (m) any Lien against any property or assets of a Person existing at the time such Person becomes such a Principal Subsidiary or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (n) any Lien existing on any property or assets prior to the acquisition thereof, which Lien was not created in connection with the acquisition thereof, except for Liens permitted pursuant to clause (f) above;
- (o) Liens on any property or assets of the Guarantor or any such Principal Subsidiary in favor of any government or any subdivision thereof, securing the obligations of the Guarantor or such Principal Subsidiary under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;
- (p) Liens created in connection with any sale/leaseback transaction;
- (q) any renewal or extension of any of the Liens described in the foregoing clauses which is limited to the original property or assets covered thereby; and
- (r) Liens in respect of Indebtedness for Borrowed Money with respect to which the Guarantor or any Principal Subsidiary has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Guarantor and its Subsidiaries in respect thereof (other than the obligations that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full).

Consolidation, Merger and Sale of Assets

The Guarantor may not, without the consent of the holders of the relevant series of Outstanding Notes, consolidate with or merge into any other Person in a transaction in which the Guarantor is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to, any Person unless, among other things, (i) any Person formed by such consolidation or into which the Guarantor is merged or to whom the Guarantor has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the jurisdiction of its organization and such Person assumes the Guarantor's obligations under the Fiscal Agency Agreement (including the Guarantee and any obligation to pay Additional Amounts), (ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (iii) any such Person not organized and validly existing under the laws of the United States, any state thereof or the District of Columbia or the Cayman Islands shall expressly agree in a supplemental fiscal agency agreement to the Fiscal Agency Agreement that all payments pursuant to the Guarantee in respect of principal of and interest on the notes shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the jurisdiction of organization of such Person or any authority therein or thereof having the power to tax, unless such withholding or

deduction is (a) required by law, in which case such Person will pay such additional amounts (“Successor Additional Amounts”) as will result in the receipt by the holders of the applicable series of notes of such amounts as would have been payable to the holders of the applicable series of notes had no such withholding or deduction been required, subject to the same exceptions (other than the right to redeem the notes as a result of such consolidation, merger, conveyance, lease or transfer) as apply with respect to the payment by the Guarantor of Additional Amounts in respect of the Guarantee (inserting references to the taxing jurisdiction where appropriate) or (b) the result of FATCA Withholding, (iv) if, as a result of the transaction, property of the Guarantor would become subject to a Lien that would not be permitted under the subheading “— Lien Covenants”, the Guarantor or such successor Person takes such steps as shall be necessary to secure the notes and the Guarantee equally and ratably with (or prior to) the indebtedness secured by such Lien and (v) the Guarantor has delivered to the Fiscal Agent an officers’ certificate and an opinion of counsel each stating that such consolidation, merger, conveyance, transfer or lease comply with this paragraph and that all conditions precedent herein provided for relating to such transaction have been complied with.

Listing of the Notes

By the Time of Delivery, the Issuer would have made an application for the notes to be listed and quoted on the SGX-ST but an application may instead be made to another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development. In connection with such application, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain the listing as promptly as practicable after the Time of Delivery (if not already obtained). The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS in which event the Issuer will use endeavors considered in its sole opinion to be reasonable to it to seek a replacement listing of such notes on another section of any stock exchange on which they are traded or another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, provided that obtaining or maintaining a listing on such section or stock exchange would not be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS. In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain a replacement listing elsewhere.

Events of Default

With respect to any series of notes, the occurrence of each of the following events will constitute an event of default (“Events of Default”) with respect to such series of notes:

- (i) failure to pay principal of any note of such series within five days after the due date for such payment; or
- (ii) failure to pay interest on any note of such series within 30 days after the due date for such payment; or
- (iii) failure to perform any other covenant of the Issuer or the Guarantor in the Fiscal Agency Agreement or the notes of such series (excluding the covenant under “— Certain Covenants — Listing of the Notes”) which has continued for 60 days after there has been given, by registered or certified mail, to the Issuer or the Guarantor by the Fiscal Agent or by the holders of at least 25% in aggregate principal amount of the Outstanding Notes of such series, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Fiscal Agency Agreement or the notes, as the case may be; or
- (iv) (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries), (ii) acceleration of the maturity of any Indebtedness for Borrowed Money of the

Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) following a default by the Issuer, the Guarantor or such Principal Subsidiary, if such Indebtedness for Borrowed Money is not discharged, or such acceleration is not annulled, within 10 days after receipt of the written notice as provided in the Fiscal Agency Agreement, or (iii) failure to pay any amount payable by the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) under any guarantee or indemnity in respect of any Indebtedness for Borrowed Money of any other Person; provided, however, that:

- (1) no such event set forth in clause (i), (ii) or (iii) of this paragraph (d) shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money to which all such events relate exceeds HK\$380,000,000 (or its equivalent in any other currency or currencies converted at the date of the relevant event); and
- (2) Indebtedness for Borrowed Money which is:
 - (x) in the form of secured project financing or secured limited recourse financing and such Indebtedness for Borrowed Money is not guaranteed by the Guarantor or a Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries);
 - (y) incurred or guaranteed by a Subsidiary of the Guarantor:
 - (A) which has an issuer credit rating of either BB+ or higher by S&P or Fitch or Ba1 or higher by Moody's; and
 - (B) which is not guaranteed by the Guarantor or a Principal Subsidiary (other than such Subsidiary of the Guarantor incurring or guaranteeing such Indebtedness and its Subsidiaries);
 - (z) incurred by any Subsidiary or the Guarantor before June 3, 2015 unless the relevant Indebtedness for Borrowed Money remains outstanding after 15 Specified Business Days after the event referred to in clauses (i), (ii) or (iii) of this paragraph (d);

shall be deemed not to be Indebtedness for Borrowed Money for the purpose of this paragraph (d);

For purposes of this paragraph (d):

"Fitch" means Fitch Ratings, Inc., Fitch Ratings Ltd., their respective affiliates and subsidiaries or any successor to their respective rating businesses;

"Moody's" means Moody's Investors Service, Inc., its affiliates and subsidiaries or any successor to their respective rating businesses;

"S&P" means S&P Global Ratings, its affiliates and subsidiaries or any successor to their respective rating businesses; and

"Specified Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in London and Hong Kong and (x) (in relation to any date for payment or purchase of a currency other than Euro) the principal financial center of the country of that currency; or (y) (in relation to any date for payment or purchase of Euro) any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto is open for settlement of payments in Euro; or

- (v) the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) becomes insolvent and is unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, begins negotiations or takes any proceeding or other step with a view to readjustment, rescheduling or deferral of all of its Indebtedness for Borrowed Money (or any part of its Indebtedness for Borrowed Money which it will or might otherwise be unable to pay when due) or proposes or makes a general assignment or any arrangement or composition with or

for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of the Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiaries (other than a Listed Principal Subsidiary or any of its Subsidiaries) or of the Issuer or the Guarantor and their respective Subsidiaries taken as a whole; or

- (vi) a distress, attachment, execution or other legal process (other than one initiated in relation to a Non-Recourse Debt) is levied, enforced or sued out on or against all or any material part of the assets of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) and is not discharged or stayed within 30 days (or such longer period as the holders of a majority in aggregate principal amount of the Outstanding Notes of such series may permit); or
- (vii) any present or future encumbrance (other than any encumbrance securing a Non-Recourse Debt) on or over all or any material part of the assets of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries) becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar officer) is taken to enforce that encumbrance; or
- (viii) any bona fide step is taken by any person for the dissolution of the Issuer, the Guarantor or any Principal Subsidiary (other than a Listed Principal Subsidiary or any of its Subsidiaries), except (in each such case) for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (1) on terms approved by the holders of at least a majority in aggregate principal amount of the Outstanding Notes of such series, or (2) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries pursuant to a merger of such Principal Subsidiary with the Guarantor or such other Subsidiary or by way of a voluntary winding up or dissolution where there are surplus assets in such Principal Subsidiary and such surplus assets attributable to the Guarantor and/or such other Subsidiary are distributed to the Guarantor and/or such other Subsidiary; or
- (ix) any event occurs which under the laws of any relevant jurisdiction has an analogous or equivalent effect to any of the events referred to in sub-paragraphs (e) through (h) above.

If an Event of Default (other than an Event of Default described in paragraphs (e) to (i) above) with respect to any series of the notes shall occur and be continuing, the holders of at least 25% in aggregate principal amount of the Outstanding Notes of such series, by notice as provided in the Fiscal Agency Agreement, may declare the principal amount of the notes of such series, and any accrued and unpaid interest thereon to be due and payable immediately. If an Event of Default referred to in paragraphs (e) to (i) above with respect to the notes shall occur, the principal amount of all notes of each series and any accrued and unpaid interest thereon will automatically, and without any action by any holder of the notes of any series, become immediately due and payable. After any such acceleration but before a judgment or decree based on acceleration has been obtained, the holders of a majority in aggregate principal amount of the Outstanding Notes of any series may, under certain circumstances, rescind and annul such acceleration with respect to such series if all then existing Events of Default have been cured or waived as provided in the Fiscal Agency Agreement.

Modification and Amendment

The Issuer or the Guarantor may, at any time, and the Fiscal Agent shall at any time after the notes of any series shall have become immediately due and payable due to an Event of Default, upon a written request of holders of at least 10% of the Outstanding Notes of such series, call a meeting of holders of the notes of such series at such time and at such place in The City of New York as the Issuer, the Guarantor or those holders of at least 10% in principal amount of Outstanding Notes may determine. At a meeting of the holders of the notes of any such series, persons entitled to vote a majority in aggregate principal amount of the Outstanding Notes of such series shall constitute a quorum. In the absence of a quorum, within 30 minutes of the time appointed for any such meeting, at any such meeting, the meeting may be adjourned; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Outstanding Notes of such series shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Modifications and amendments to the Fiscal Agency Agreement or the notes requiring consent of holders may be made, and future compliance therewith or past defaults by the Issuer and the Guarantor may be waived with respect to any series of notes, with the consent of the holders of at least a majority in aggregate principal amount of the Outstanding Notes of such series or by a resolution adopted at a meeting of holders of notes of such series at which a quorum is present; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any note may, without the consent of each holder of the series affected thereby, (a) change the stated maturity of the principal of, or date for payment of interest on, any such note; (b) reduce the principal of or interest on any such note; (c) change the currency of payment of the principal of or interest on any such note; (d) change the provisions or procedures relating to the redemption of such notes; or (e) reduce the above-stated percentage of aggregate principal amount of Outstanding Notes in respect of such notes or reduce the quorum requirements or the percentage of votes required for the taking of any action. Any resolution at a meeting of holders of Outstanding Notes of any series to modify or amend the Fiscal Agency Agreement with respect to such series or the notes of such series, or to waive compliance with, or past defaults of the Issuer and the Guarantor of, any of the covenants or conditions referred to above (other than those set forth above as requiring the consent of each holder of a note affected thereby) shall be adopted if passed by the lesser of (a) a majority in aggregate principal amount of the Outstanding Notes of such series and (b) 75% in aggregate principal amount of the Outstanding Notes of such series represented and voting at the meeting.

Defeasance and Covenant Defeasance

The Issuer and the Guarantor, at the Issuer's or the Guarantor's option, (a) will be deemed to have been discharged from any and all obligations in respect of the notes of any series (except for certain obligations to pay any Additional Amounts in respect of any withholding or deduction for taxes assessed by or within the Cayman Islands (as described above under "— Additional Amounts") then unknown, to register the transfer of or exchange notes, to replace stolen, lost, destroyed or mutilated notes upon satisfaction of certain requirements (including, without limitation, providing such security or indemnity as the Fiscal Agent, the Issuer or the Guarantor may require), to maintain paying agents and to hold certain monies in trust for payment) or (b) need not comply with certain restrictive covenants with respect to the notes of any series (including those described under "— Certain Covenants"), in each case if, among other things, the Issuer or the Guarantor deposits, in trust with the Fiscal Agent, money in an amount, or U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or a combination thereof, in each case sufficient to pay all the principal of, interest on, and any Additional Amounts in respect to any withholding or deduction for taxes assessed by or within the Cayman Islands known at such time and required to be paid with regard to, such series of notes, on the dates such payments are due in accordance with the terms of the Fiscal Agency Agreement and such notes. In the case of discharge pursuant to clause (a) above, the Issuer or the Guarantor, as the case may be, is required to deliver to the Fiscal Agent an opinion of counsel stating that (i) the Issuer or the Guarantor, as the case may be, has received from, or there has been published by, the U.S. Internal Revenue Service, a ruling, or (ii) since the date of the Fiscal Agency Agreement, there has been a change in the applicable U.S. federal income tax laws, in either case to the effect that the holders of the notes of the applicable series will not recognize gain or loss for U.S. federal income tax purposes as a result of the exercise of the option under clause (a) above and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised.

Fiscal Agent

The Bank of New York Mellon is the Fiscal Agent under the Fiscal Agency Agreement. The Corporate Trust division of the Fiscal Agent is located at 240 Greenwich Street, New York, NY 10286, United States of America. The Fiscal Agent is an agent of the Issuer and does not have the duties of a trustee with respect to the holders of the notes.

The Fiscal Agent may resign at any time or may be removed by the Issuer or the Guarantor. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any cause, a successor Fiscal Agent will be appointed in accordance with the provisions of the Fiscal Agency Agreement. In such event, the Issuer will notify the SGX-ST where such change in Fiscal Agent may have a material effect on the price or value of the notes or on an investor's decision whether to trade in the notes.

Obligation Currency

To the fullest extent permitted by applicable law, the Issuer's obligation under the notes to make all payments in U.S. dollars (the "Obligation Currency") will not be satisfied by any payment, recovery or any other realization or proceeds in any currency other than the Obligation Currency. The Issuer has agreed to indemnify the holders of the notes in U.S. dollars for any shortfall in the aggregate amount of Obligation Currency actually received by such holders and the aggregate amount of payments due and payable.

Governing Law

The Fiscal Agency Agreement, the notes and the Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Return of Unclaimed Funds

Any funds deposited with the Fiscal Agent to pay principal or interest on any note, that remain unclaimed and unescheated for one year after the date upon which the last payment of principal or interest on any note to which such deposit relates shall have become due and payable, shall be repaid to the Issuer upon its written request by the Fiscal Agent, and the holder of any note to which such deposit related that is entitled to receive payment shall thereafter look only to the Issuer for the payment thereof and all liability of the Fiscal Agent with respect to such funds and the Fiscal Agency Agreement shall thereupon cease.

Further Issues

Subject to applicable law and the Fiscal Agency Agreement, the Issuer may, from time to time, without the consent of the holders of any series of notes, create and issue additional notes pursuant to the Fiscal Agency Agreement either having the same terms and conditions as any series of notes in all respects (or in all respects except for the first payment of interest on them) and so that such additional notes may be consolidated and form a single series with such existing series of notes or having such other terms as the Issuer may determine at the time of issue.

Notices

Notices to the holders of the notes will be mailed to them at their respective addresses in the register of notes. Any such notice will be deemed to have been given on the fourth day after being so mailed. So long as and to the extent that the notes are represented by global notes and such global notes are held by DTC, notices to owners of beneficial interests in the global notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

Definitions

Set forth below are definitions of certain of the terms used herein. Additional terms are defined elsewhere above or in the Fiscal Agency Agreement.

"Adjusted Consolidated Net Worth" means the aggregate of (a) the amount paid up or credited as paid up on the issued share capital (including ordinary shares and preference shares) of the Guarantor; and (b) the amounts standing to the credit of the Guarantor's consolidated reserves (including but not limited to any such balance on the share premium account, exchange reserves, revaluation reserves and retained profits or losses); and (c) the amount of non-controlling interests and perpetual capital securities, all as shown by the then latest audited consolidated statement of financial position of the Guarantor and its Subsidiaries; provided, however, that the aggregate of the amounts described in clauses (a) through (c) above shall be adjusted (to the extent that the same has not been taken into account in such latest audited consolidated statement of financial position) by (i) deducting therefrom any amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is less than its book value in such latest audited consolidated statement of financial position, and/or (ii) adding thereto the amount directly or indirectly attributable to the Guarantor by which the Market Value of any asset is greater than its book value in such latest audited consolidated statement of financial position.

“Indebtedness for Borrowed Money” means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance and that is evidenced by any agreement or other instrument, excluding trade payables; *provided, however*, that for the purposes of determining the amount of Indebtedness for Borrowed Money outstanding at any relevant time, the amount included as Indebtedness for Borrowed Money in respect of leases (to the extent they qualify as “Indebtedness for Borrowed Money” pursuant to the foregoing) shall be the net amount from time to time characterized as “obligations under finance leases” in accordance with Hong Kong Accounting Standard 17 Leases as revised and published by the Hong Kong Institute of Certified Public Accountants in January 2017 (and, in this regard, an opinion from the auditors of the Guarantor opining on such amount shall be conclusive and binding on all holders of the relevant series of notes).

“Lien” means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind, provided that the term “Lien” shall not include an unsecured guarantee or Liens arising by operation of law.

“Listed Principal Subsidiary” means any Principal Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other recognized stock exchange.

“Market Value” means (a) the best price at which the relevant asset (other than shares falling within clause (b)) is expected to be sold on the relevant date assuming (i) a willing seller; (ii) a reasonable period in which to negotiate the sale; (iii) values will remain constant during the negotiation period; (iv) the asset will be freely exposed to the market; and (v) there is no special purchaser; and (b) in the case of shares in associated companies of the Guarantor and its Subsidiaries which are quoted on any stock exchange, the value of such shares, having regard to the underlying net assets of such associated companies and the percentage holding of the Guarantor and its Subsidiaries in such associated companies, in each such case as reasonably determined by the Guarantor after deducting (or, where such Market Value is to result in an adjustment to the then latest audited consolidated statement of financial position, adjusting for) an estimate of the direct tax liabilities (if any) which would arise on the sale of such asset at such price computed solely by reference to such sale price and the cost price for tax purposes.

“Outstanding Notes” means all notes of a particular series authenticated and delivered under the Fiscal Agency Agreement except (1) notes theretofore canceled by, or delivered for cancellation to, the Fiscal Agent; (2) notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Fiscal Agent for the holders of such notes, *provided* that if such notes are to be redeemed, notice of such redemption has been duly given pursuant to the Fiscal Agency Agreement and the notes; (3) notes which have been paid or purchased by or on behalf of the Issuer or by any person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer (in determining whether the Fiscal Agent shall be protected in making any calculation as to the aggregate principal amount of Outstanding Notes or in relying upon any request, demand, authorization, direction, notice, consent or waiver, only notes which a Responsible Officer of the Fiscal Agent has received written notice to have been so paid or purchased shall be so disregarded); (4) notes in exchange for or in lieu of which other notes have been authenticated and delivered pursuant to the Fiscal Agency Agreement; and (5) notes which have been defeased.

“Person” means any person or entity.

“Principal Subsidiary” means at any time a Subsidiary of the Guarantor: (a) as to which one or more of the following conditions is satisfied: (i) its net profits (before taxation and extraordinary items) or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net profits (before taxation and extraordinary items) attributable to the Guarantor are at least 10% of the consolidated net profits of the Guarantor and its Subsidiaries (before taxation and extraordinary items but after deducting non-controlling interests’ share of the net profits (before taxation and extraordinary items) of the Subsidiaries); or (ii) its net assets or (in the case of a Subsidiary of the Guarantor which has Subsidiaries) consolidated net assets attributable to the Guarantor represent 10% or more of the consolidated net assets (after deducting non-controlling interests in Subsidiaries) of the Guarantor and its Subsidiaries; all as calculated by reference to the then latest audited accounts or annual accounts reviewed by the auditor (consolidated or, as the case may be, unconsolidated) of such Subsidiary, and as adjusted to conform with the group accounting policies and measurement basis of the Guarantor, and the then latest consolidated audited accounts of the Guarantor and its Subsidiaries, provided that: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then

latest relevant audited accounts of the Guarantor and its Subsidiaries relate, the reference to the then latest audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until audited accounts of the Guarantor and its Subsidiaries for the financial period in which the acquisition is made are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries adjusted to consolidate the latest audited accounts or annual accounts reviewed by the auditor of such Subsidiary in such accounts; and (2) if, in the case of any Subsidiary of the Guarantor which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of the combined accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by the Guarantor's auditors; or (b) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary of the Guarantor which immediately prior to such transfer was a Principal Subsidiary, provided that the Subsidiary which so transfers its assets and undertaking shall forthwith upon the transfer cease to be a Principal Subsidiary and the Subsidiary of the Guarantor to which the assets and undertaking are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited consolidated accounts of the Guarantor and its Subsidiaries prepared as of a date later than such transfer are published unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (a) above. An opinion by the auditors of the Guarantor on a calculation to show whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"Responsible Officer" when used with respect to the Fiscal Agent, means any officer within the corporate trust and agency group (or any successor department) of the Fiscal Agent, including, without limitation, any vice president, any assistant vice president, any assistant secretary or any assistant treasurer, or any trust officer or any other officer of the Fiscal Agent customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Subsidiary" means in relation to an entity, any other entity which would be accounted for and consolidated in the latest audited consolidated financial statements of that entity as a subsidiary pursuant to the accounting standards applicable to such financial statements.

TAXATION

Cayman Islands Taxation

The Cayman Islands currently has no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of the notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of notes and gains derived from the sale of the notes will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Issuer.

The Issuer has applied for and has obtained an undertaking from the Financial Secretary of the Cayman Islands that, in accordance with the Tax Concessions Law (2018 Revision) of the Cayman Islands, for a period of 20 years from April 15, 2020, no law that is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the Issuer or (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law (2018 Revision).

No stamp duty is payable in respect of the issue of the notes and the certificates representing the notes. Notes (in the global form) will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of notes or certificates representing notes is stampable if executed in or brought into the Cayman Islands.

U.S. Federal Income Taxation

The following summary describes certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) regarding the ownership and disposition of notes. This discussion is for general information only and does not address all U.S. federal income tax matters that may be relevant to a particular holder of notes in light of its particular circumstances, and it does not address any state, local, estate and gift, non-U.S. or alternative minimum tax consequences of the ownership and disposition of notes.

For purposes of this summary, a U.S. Holder is a beneficial owner of notes that is a U.S. person. A U.S. person is (i) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any U.S. state or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust (a) if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) that has validly elected to be treated as a U.S. person under applicable U.S. Treasury regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold notes should consult with their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and existing and proposed U.S. Treasury regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein, possibly on a retroactive basis. The following summary is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts. This summary applies only to U.S. Holders that hold their notes as capital assets within the meaning of Section 1221 of the Code and that are purchasers of notes offered hereby at the price indicated on the cover of this offering memorandum.

This summary is for general guidance only and does not address the U.S. federal income tax consequences applicable to certain categories of holders of notes who are subject to special rules under U.S. federal income tax law, including, but not limited to:

- dealers in securities;
- traders in securities that elect to use a mark-to-market method of accounting;
- certain former citizens or long-term residents of the United States;
- tax-exempt organizations;
- banks, financial institutions, insurance companies, or mutual funds;
- U.S. Holders who have a “functional currency” other than the U.S. dollar;
- persons who file applicable financial statements (and who are required to recognize income when the associated revenue is reflected on such financial statements); and
- persons who hold their notes as part of a wash sale, straddle, hedge, constructive sale, conversion transaction or other risk management transaction.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any prospective investor, and no representation with respect to the tax consequences to any particular investor is made. Each holder of notes should consult its own tax advisors with respect to the U.S. federal income tax considerations relevant to such holder in its particular circumstances.

Payments of Interest

Interest payable on the notes will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued in accordance with the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes.

Interest income on the notes generally will constitute income from sources outside the United States and will, depending on the U.S. Holder’s circumstances, be either “passive” or “general” income for purposes of the rules regarding the foreign tax credit allowable to a U.S. Holder. The rules governing the foreign tax credits are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Retirement or Other Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, a U.S. Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any amount attributable to accrued but unpaid interest, which will be treated as an interest payment) and the U.S. Holder’s adjusted tax basis in such note. A U.S. Holder’s tax basis in a note generally will be the amount such U.S. Holder paid for such note. Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be treated as U.S. source gain or loss. U.S. Holders should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, retirement or other disposition of notes. Such gain or loss will be capital gain or loss and generally will be long-term capital gain or loss if the note has been held for more than one year at the time of sale, exchange, retirement or other disposition. Net long-term capital gains of non-corporate taxpayers, including individuals, currently are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Medicare Tax

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. Holder’s “net investment income” (or “undistributed net investment income” in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. Holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual’s circumstances). A U.S. Holder’s net investment income generally includes its interest income and its net gains from the disposition of notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. Holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the notes.

FATCA Reporting and Withholding

Sections 1471 through 1474 of the Code and the Treasury regulations promulgated thereunder (such sections commonly referred to as the “Foreign Account Tax Compliance Act” or “FATCA”), generally impose information reporting requirements on foreign financial institutions in respect of their direct and indirect U.S. investors and U.S. accountholders in order for a foreign financial institution to avoid becoming subject to withholding on certain U.S.-source payments it receives. If the Guarantor is treated as a foreign financial institution for these purposes, or if one or more of the Guarantor’s subsidiaries (including the Issuer) were to be so treated, it or they may face increased compliance costs in order to comply with these requirements and information regarding the holders of notes may be reported (directly or indirectly through local tax authorities) to the IRS.

If the payee is a foreign financial institution and is subject to diligence and reporting requirements, then, pursuant to an agreement between it and the U.S. Treasury, it must, among other things, identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. An applicable intergovernmental agreement regarding FATCA between the United States and a non-U.S. entity’s jurisdiction may modify the general rules described above.

The withholding tax imposed by FATCA, when and if it applies, may affect payments made to custodians or intermediaries in the series of payments leading to a holder if any such custodian or intermediary has not complied with information reporting, certification and related requirements. Accordingly, a holder of notes that holds notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because the bank or broker fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. Pursuant to recently proposed regulations, the U.S. Treasury has indicated its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The U.S. Treasury has indicated that taxpayers may rely on these proposed regulations pending their finalization. Prospective investors should consult their tax advisors regarding FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the notes. Many non-U.S. governments, including those of the Cayman Islands and Hong Kong, have entered into or are expected to enter into agreements with the United States to implement FATCA in a manner that alters the rules described herein. In the event any withholding under FATCA is imposed with respect to any payments on the notes, no additional amounts will be payable by the Issuer or the Guarantor with respect to any withheld amount. Depending on a note holder’s circumstances, it may be entitled to a refund or credit in respect of some or all of any such withholding. However, even if a holder of notes is entitled to have any such withholding refunded, the required procedures could be cumbersome and significantly delay the note holder’s receipt of any amounts withheld.

Information with Respect to Foreign Financial Assets

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons; (ii) financial instruments and contracts that have non-U.S. issuers or counterparties; and (iii) interests in foreign entities. U.S. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the notes.

Information Reporting and Backup Withholding

For non-corporate U.S. Holders, information reporting requirements will generally apply to payments of principal and interest on the notes in the United States, and the payment of proceeds from the sale, exchange, retirement or other disposition of the notes effected through the U.S. office of a broker or the non-U.S. office of a broker that has certain connections with the United States. Backup withholding may apply to these payments if a U.S. Holder fails to provide a correct taxpayer identification number or certification of exempt status, fails to report in full dividend and interest income or, in certain circumstances, fails to comply with applicable certification requirements. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a U.S. Holder’s U.S. federal income tax, provided the U.S. Holder furnishes the required information to the IRS in a timely manner.

Hong Kong Taxation

Withholding Tax

Under existing Hong Kong law, no withholding tax is payable in respect of payments of principal or interest on the Notes Due 2030 and the Notes Due 2050 or in respect of any capital gains arising from the sale of the Notes Due 2030 and the Notes Due 2050.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong, "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes Due 2030 and the Notes Due 2050 where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest on the Notes Due 2030 and the Notes Due 2050 will be subject to Hong Kong profits tax where such interest is received by or accrued to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong by way of interest derived from Hong Kong which interest is in respect of the funds of the trade, profession or business.

In relation to income that may arise from the Notes Due 2030 and the Notes Due 2050, Hong Kong is not party to any comprehensive double taxation agreement with Singapore or the United States.

Stamp Duty

No stamp duty is payable on the issue of the the Notes Due 2030 and the Notes Due 2050. Stamp duty may be payable on any transfer of the Notes Due 2030 and the Notes Due 2050 if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable provided either:

- (a) the Notes Due 2030 and the Notes Due 2050 are denominated in a currency other than the currency of Hong Kong and are not redeemable in any circumstances in the currency of Hong Kong; or
- (b) the Notes Due 2030 and the Notes Due 2050 constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)).

The foregoing summary is of a general nature only and is based on Hong Kong law as of the date of this Offering Circular and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The foregoing summary does not purport to be a comprehensive description of all of the Hong Kong tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes Due 2030 and the Notes Due 2050 and does not purport to deal with the Hong Kong tax consequences applicable to all categories of investors, some of which may be subject to special rules. Prospective purchasers of the Notes Due 2030 and the Notes Due 2050 should consult with their own professional tax advisors as to the particular consequences of holding the Notes Due 2030 and the Notes Due 2050 which may affect them.

PLAN OF DISTRIBUTION

The Issuer intends to offer the notes through the initial purchasers named below (the “Initial Purchasers”). Subject to the terms and conditions contained in a purchase agreement dated May 5, 2020 (the “Purchase Agreement”) among the Issuer, the Guarantor and the Initial Purchasers, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers, severally and not jointly, has agreed to purchase from the Issuer, the principal amount of the notes listed opposite its name below.

Initial Purchaser	Principal Amounts of Note Due 2030	Principal Amounts of Note Due 2050
Australia and New Zealand Banking Group Limited	US\$107,143,000	US\$107,143,000
Merrill Lynch (Asia Pacific) Limited	US\$107,143,000	US\$107,143,000
CIBC World Markets Corp.	US\$107,143,000	US\$107,143,000
Citigroup Global Markets Inc.	US\$107,143,000	US\$107,143,000
Crédit Agricole Corporate and Investment Bank	US\$107,143,000	US\$107,143,000
The Hongkong and Shanghai Banking Corporation Limited	US\$107,143,000	US\$107,143,000
Oversea-Chinese Banking Corporation Limited	US\$107,142,000	US\$107,142,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the notes is subject to conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer’s certificates and legal opinions. The Initial Purchasers have advised the Issuer and the Guarantor that they propose initially to offer the notes at the respective prices listed on the cover page of this offering memorandum. After the initial offering, the price to investors, concessions and discounts may be changed.

Each of the Issuer and the Guarantor has agreed with the Initial Purchasers in the Purchase Agreement that during the period from the date thereof to the date 10 days after the Time of Delivery, it will not offer, sell, contract to sell or otherwise dispose of, except for notes to be sold under the Purchase Agreement, any securities of the Issuer (other than the notes) that are denominated in a currency in which the notes are denominated and are substantially similar to the notes issued by it or the Guarantor of the Guarantor, without the prior written consent of the Initial Purchasers.

The Issuer and the Guarantor have agreed in the Purchase Agreement to indemnify the Initial Purchasers against certain losses that the Initial Purchasers incur in respect of certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

Delivery of the notes is expected to be against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the notes (“T+3”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, purchasers who wish to trade notes on the date of pricing will be required, by virtue of the fact that the notes initially will settle in T+3, to specify alternative settlement arrangements to prevent a failed settlement.

The Notes Are Not Being Registered

Each of the Initial Purchasers proposes to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. Each of the Initial Purchasers has represented and warranted, and agrees, that it has not offered or sold and will not offer or sell the notes except:

- through its respective U.S. selling agents to persons in the United States it reasonably believes to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act in transactions meeting the requirements of Rule 144A under the Securities Act; or
- pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in reliance on Regulation S.

Each of the Initial Purchasers has represented and warranted, and agrees, that, except as permitted by the preceding paragraph, it will not offer or sell the notes (i) as part of its distribution at any time, and (ii) otherwise until 40 days after the later of the date upon which the offering of the notes commences and the Time of Delivery, within the United States or to, or for the account or benefit of, U.S. persons, and, at or prior to confirmation of a sale of notes (other than a sale of the notes pursuant to Rule 144A under the Securities Act), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases notes from it or through it prior to the expiration of such 40-day period a confirmation or notice setting forth the restrictions on offers and sales of notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, each Initial Purchaser has represented and warranted, and agrees, that:

- it has not offered or sold and will not offer or sell the notes by any form of general solicitation or general advertising, including but not limited to the methods described in Rule 502(c) under the Securities Act; and
- neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the notes, and it and they have complied and will comply with the offering restriction requirements of Regulation S.

UK Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that:

- it has complied with and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and the Financial Services Act 2012 with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom; and
- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

Cayman Islands Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that it has not made and will not make (on behalf of the Issuer) any invitation directly or indirectly to the public in the Cayman Islands to subscribe for any of the notes.

Hong Kong Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, (whether in Hong Kong or elsewhere) any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning ascribed to it in the SFO and any rules made under the SFO.

European Economic Area and United Kingdom Selling Restrictions

Each of the Initial Purchasers has represented and warranted, and agreed, that, this offering memorandum has been prepared on the basis that any offer of Notes in any member state of the European Economic Area (“EEA”) and the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

References in this section to the Prospectus Regulation includes, in relation to the United Kingdom, such Regulation as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 or has been implemented in the domestic law of the United Kingdom, as appropriate.

Switzerland Selling Restrictions

The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd. (“SIX”) or any other stock exchange or other regulated trading facility in Switzerland, and this offering memorandum has been prepared without regard to the disclosure standards for issuance of prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or disclosure standards for listing prospectuses under Article 27 et seqq. of the SIX listing rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Each Initial Purchaser has represented and warranted, and agreed, that it has not and will not (i) publicly offer, sell or advertise the notes directly or indirectly, in, into or from Switzerland; or (ii) publicly distribute or otherwise make publicly available in Switzerland this offering memorandum nor any other offering or marketing material relating to the notes or the offering thereof. Neither this offering memorandum nor any other offering or marketing material relating to the offering of the notes, the Issuer, the Guarantor or the notes have been filed with or approved by any Swiss regulatory authority. In particular, this offering memorandum has not been filed with, and the offer of the notes will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of the notes has not been authorized under the Swiss Federal Act on Collective Investment Scheme (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the notes.

Japan Selling Restrictions

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each Initial Purchaser has represented and warranted, and agreed, that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore Selling Restrictions

Each of the Initial Purchasers has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each of the Initial Purchasers has represented and warranted, and agreed, that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase, nor will it offer or sell the notes or cause the notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been registered as a prospectus with the MAS. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Canada Selling Restrictions

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution, and that are "accredited investors", as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), this offering memorandum is exempt from the requirement that the Issuer and the Initial Purchasers in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would be otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Upon receipt of this offering memorandum each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu' il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation *d'achat* ou tout avis) soient rédigés en anglais seulement.

General

No action has been taken by the Issuer, the Guarantor or any of the Initial Purchasers that would, or is intended to, permit a public offer of the notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Initial Purchasers has undertaken that it will not, directly or indirectly, offer or sell any notes or distribute or publish any offering circular, memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of notes by it will be made on the same terms.

Price Stabilization and Short Positions

In connection with this offering, any of the Initial Purchasers, as Stabilizing Manager, or anyone acting on its behalf may, to the extent permitted by the relevant laws, rules and regulations of the appropriate jurisdiction, engage in transactions that stabilize the market prices of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the prices of the notes. If the Stabilizing Manager or anyone acting on its behalf creates a short position in the notes in connection with the offering, (i.e., if it sells more notes than are listed on the cover page of this offering memorandum), it may reduce that short position by purchasing notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of these purchases.

Neither of the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, neither of the Issuer, the Guarantor nor any of the Initial Purchasers makes any representation that any Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Listing

Application will be made to the SGX-ST for the listing and quotation of the notes on the SGX-ST. No assurance can be given as to the liquidity of, or trading market for, the notes. No assurance is made that the application to the SGX-ST will be approved. The offering and the settlement of the notes is not conditional on obtaining listing on such exchange.

Other Relationships

Certain of the Initial Purchasers or its affiliates have engaged and may engage in investment banking and other commercial dealings in the ordinary course of business with the Guarantor and certain of its affiliates. They have received and may receive fees and commissions for these services.

TRANSFER RESTRICTIONS

Due to the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the notes.

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. it (A)(i) is a qualified institutional buyer, (ii) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (iii) is acquiring such notes for its own account or the account of a qualified institutional buyer or (B) is outside the United States and is not a U.S. person (as defined in Regulation S);
2. it acknowledges that the notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;
3. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes or any beneficial interests in any notes other than notes represented by a Regulation S global certificate, such notes may be resold, pledged or transferred only (A) by an initial investor (i) to the Issuer or to the Guarantor or any subsidiary thereof, (ii) to a person whom the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) (resales described in subclauses (i) through (iv) of this clause (A), "Safe Harbor Resales"), or (B) by a subsequent investor, in a Safe Harbor Resale or pursuant to any other available exemption from the registration requirements under the Securities Act (provided that, as a condition to the registration of transfer of any notes otherwise than in a Safe Harbor Resale, the Issuer, the Guarantor or the Fiscal Agent may require delivery of any documents or other evidence (including but not limited to an opinion of counsel) that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption), or (C) pursuant to an effective registration statement under the Securities Act, and in each of such cases, in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;
4. it agrees to, and each subsequent holder is required to, notify any purchaser of the notes from it of the resale restrictions referred to in clause 3 above, if then applicable;
5. it understands and agrees that (A) notes initially offered in the United States to qualified institutional buyers will be represented by Rule 144A global certificates and (B) that notes offered outside the United States in reliance on Regulation S will be represented by Regulation S global certificates;
6. it understands that the notes, other than notes represented by the Regulation S certificates, will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF CK HUTCHISON INTERNATIONAL (20) LIMITED (THE "ISSUER") AND CK HUTCHISON HOLDINGS LIMITED (THE "GUARANTOR") THAT THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) BY AN INITIAL INVESTOR (AS DEFINED BELOW) (1) TO THE ISSUER OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN

ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) (RESALES DESCRIBED IN SUBCLAUSES (1) THROUGH (4) OF THIS CLAUSE (A), "SAFE HARBOR REALES"), OR (B) BY A SUBSEQUENT INVESTOR, IN A SAFE HARBOR RESALE OR PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY SECURITIES OTHERWISE THAN IN A SAFE HARBOR RESALE, THE ISSUER, THE GUARANTOR OR THE TRANSFER AGENT MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE (INCLUDING BUT NOT LIMITED TO AN OPINION OF COUNSEL) THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION), OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

FOR ALL PURPOSES OF THIS SECURITY, THE TERM "INITIAL INVESTOR" MEANS ANY PERSON WHO, IN CONNECTION WITH THE INITIAL DISTRIBUTION OF THIS SECURITY, ACQUIRES SUCH SECURITY FROM THE ISSUER OR THE INITIAL PURCHASERS (AS SUCH TERM IS DEFINED IN THE FISCAL AGENCY AGREEMENT) PARTICIPATING IN SUCH DISTRIBUTION OR ANY AFFILIATE OF ANY OF THE FOREGOING.";

7. it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any notes represented by Regulation S certificates or any beneficial interest in any notes represented by Regulation S certificates, such notes may be resold, pledged or transferred only in accordance with the requirements of the legends set forth in paragraph 8 below;
8. it understands that the notes represented by Regulation S certificates will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE TIME OF DELIVERY, AS DEFINED IN THE PURCHASE AGREEMENT DATED MAY 5, 2020 (THE "DISTRIBUTION COMPLIANCE PERIOD"), EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (B) WITHIN THE UNITED STATES TO A PERSON THAT THE TRANSFEROR, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, PROVIDED, HOWEVER, THAT IN CONNECTION WITH ANY TRANSFER UNDER (B) ABOVE, THE TRANSFER AGENT SHALL HAVE RECEIVED A WRITTEN CERTIFICATION (IN THE FORM(S) PROVIDED IN THE FISCAL AGENCY AGREEMENT) (1) FROM THE TRANSFEREE TO THE EFFECT THAT SUCH TRANSFEREE (X) IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT (OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OVER WHICH ACCOUNT IT EXERCISES SOLE INVESTMENT DISCRETION) AND (Y) AGREES TO COMPLY WITH THE RESTRICTIONS ON TRANSFER SET FORTH UNDER "TRANSFER RESTRICTIONS" IN THE OFFERING MEMORANDUM DATED MAY 5, 2020 AND (2) FROM THE TRANSFEROR TO THE EFFECT THAT THE TRANSFER WAS MADE IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE CERTIFICATIONS CONTEMPLATED BY CLAUSE (1) (X) AND CLAUSE (2) OF THE PRECEDING PARAGRAPH SHALL NO LONGER BE REQUIRED, BUT THE TRANSFEREE WILL STILL BE REQUIRED TO CERTIFY AS PROVIDED BY CLAUSE (1) (Y) OF SUCH PARAGRAPH. UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, THE SECURITIES REPRESENTED BY THE REGULATION S CERTIFICATES SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION, THE OFFER OR SALE OF THE SECURITIES REPRESENTED BY THE REGULATION S CERTIFICATES BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES.”;

9. it acknowledges that, prior to any proposed transfer of notes in certificated form or of beneficial interests in notes represented by a global certificate (in each case other than pursuant to an effective registration statement), the holder of notes or the holder of beneficial interests in notes represented by a global certificate, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Fiscal Agency Agreement; and
10. it acknowledges that the Issuer, the Guarantor and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representation and agreements and agrees that, if any of such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of notes is no longer accurate, it shall promptly notify the Issuer and the Guarantor, and if it is acquiring any notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledges, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the relevant Fiscal Agency Agreement to effect exchanges of transfer of interests in notes represented by a global certificate and of notes in certificated form, see “Description of the Notes and the Guarantee — Notes; Delivery and Form”.

AVAILABLE INFORMATION

For so long as the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Guarantor will, during any period in which the Guarantor is neither subject to the reporting requirements under Section 13 or 15(d) of the U.S. Securities Exchange Act, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder of the notes purchased pursuant to Rule 144A under the Securities Act or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

RATINGS

The notes are expected to be rated "A-" by Fitch Ratings Ltd., "A2" by Moody's Investors Service Limited and "A" by S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. The credit ratings accorded to the notes are not a recommendation to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant or that other credit agencies will issue credit ratings. Ratings are subject to revision or withdrawal at any time by the rating agencies.

LEGAL MATTERS

The Issuer and the Guarantor are being represented as to U.S. federal and New York State law matters by Shearman & Sterling. Certain legal matters under Cayman Islands law will be passed upon for the Issuer and the Guarantor by Maples and Calder (Hong Kong) LLP. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Allen & Overy with respect to matters of U.S. federal and New York State law.

INDEPENDENT AUDITOR

The consolidated financial statements of CKHH as of December 31, 2019 and for the year then ended (with comparative financial information as of December 31, 2018) included in this offering memorandum have been audited by PwC, Certified Public Accountants, Hong Kong, as stated in their audit report dated March 19, 2020.

The consolidated financial statements of CKHH as of December 31, 2018 and for the year then ended (with comparative financial information as of December 31, 2017) included in this offering memorandum have been audited by PwC, Certified Public Accountants, Hong Kong, as stated in their audit report dated March 21, 2019.

The consolidated financial statements of CKHH as of December 31, 2017 and for the year then ended (with comparative financial information as of December 31, 2016) included in this offering memorandum have been audited by PwC, Certified Public Accountants, Hong Kong, as stated in their audit report dated March 16, 2018.

GENERAL INFORMATION

- The CUSIP Numbers and the Common Codes for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates and the International Security Identification Numbers (“ISIN”) for the notes represented by Rule 144A global certificates and the notes represented by Regulation S global certificates are as follow:

	Note Due 2030	Note Due 2050
Common Code for Rule 144A Global Certificates	216865758	216865863
Common Code for Regulation S Global Certificates	216865774	216865871
CUSIP Number for Rule 144A Global Certificates	12564H AA3	12564H AB1
CUSIP Number for Regulation S Global Certificates	G2181L AA1	G2181L AB9
ISIN for Rule 144A Global Certificates	US12564HAA32	US12564HAB15
ISIN for Regulation S Global Certificates	USG2181LAA10	USG2181LAB92

- Application will be made to SGX-ST for the listing and quotation of the notes on the SGX-ST but an application may instead be made to another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, for permission to deal in and the listing of the notes. However, no assurance is made that the application to the SGX-ST or such other stock exchange will be approved. The settlement of the notes is not conditional on obtaining listing. In connection with such application, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain the listing as promptly as practicable after the Time of Delivery (if not already obtained). The Issuer may elect to apply for a de-listing of the notes from any stock exchange or markets of such stock exchange on which they are traded because the maintenance of such listing is or would be, in the opinion of the Issuer, unduly burdensome, including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS in which event the Issuer will use endeavors considered in its sole opinion to be reasonable to it to seek a replacement listing of such notes on another section of any stock exchange on which they are traded or another stock exchange which is: (a) a member of the World Federation of Exchanges; or (b) located in a state that is a member of the Organization for Economic Co-operation and Development, provided that obtaining or maintaining a listing on such section or such stock exchange would not be, in the opinion of the Issuer, unduly burdensome including, without limitation, any requirement on the Issuer or the Guarantor to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than HKFRS. In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use endeavors considered in its sole opinion to be reasonable to it to obtain a replacement listing elsewhere.

The notes will be traded in a minimum board lot size of US\$200,000 so long as any of the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as any of the notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a global note representing notes of a particular series is exchanged for notes in their definitive form. In addition, in the event that a global note representing notes of a particular series is exchanged for notes in their definitive form, an announcement of such exchange shall be made by the Issuer or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the notes in their definitive form, including details of the paying agent in Singapore.

- The Issuer and the Guarantor have obtained all necessary consents, approvals and authorizations as may be required in connection with the issue and performance of the notes, except as disclosed in this offering memorandum. The issue of the notes was approved by resolutions of the Issuer passed on May 4, 2020, and the giving of the Guarantee of the notes by the Guarantor was authorized by resolutions of the Guarantor passed on May 4, 2020.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position or prospects of CKHH since December 31, 2019 and there has been no material adverse change in the financial position or prospects of the Issuer since its date of incorporation.
5. Other than as referred to elsewhere in this offering memorandum, neither the Issuer nor the Guarantor nor any of the Guarantor's subsidiaries is involved in any litigation or arbitration proceedings that if determined adversely to the Guarantor or any of its subsidiaries would, in the aggregate, have a material adverse effect on the consolidated financial position of the Guarantor and the Guarantor's subsidiaries (including the Issuer) taken as a whole, nor is the Issuer, the Guarantor or any of the Guarantor's subsidiaries aware that any such proceedings are pending or threatened.
6. A copy of the Memorandum and Articles of Association of the Issuer and the Guarantor and copies of the Fiscal Agency Agreement will be available for inspection during usual business hours on any weekday (except public holidays) at the offices of the Fiscal Agent.
7. The Guarantor does not publish full non-consolidated annual financial statements. The Guarantor does publish a non-consolidated annual statement of financial position and certain notes thereto which are included in the financial statements in this offering memorandum.
8. The Issuer has not audited or published, and does not propose to audit or publish, any of its accounts since it is not required to do so under Cayman Islands law. The Issuer is, however, required to keep such accounts and records as are necessary to give a true and fair view of the Issuer's affairs and to explain its transactions.
9. Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Guarantor is required to publish an annual report containing the audited consolidated financial statements of the Guarantor not later than four months after the date upon which the financial period ended. The Guarantor is also required to publish a semi-annual interim report, which should be reviewed by the Guarantor's independent auditor or audit committee, containing the unaudited consolidated financial statements of the Guarantor for the first six months of each financial year not later than three months after the end of that six-month period. The Guarantor does not publish audited interim consolidated nor non-consolidated financial statements.

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Independent Auditor's Report

To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 134 to 262, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter

How our audit addressed the Key Audit Matter

Goodwill and brand names with an indefinite useful life

Refer to notes 13, 14 and 42 to the consolidated financial statements

The Group has a significant amount of goodwill and brand names with an indefinite useful life arising from various acquisitions. As at 31 December 2019, goodwill amounted to approximately HK\$309 billion and brand names with an indefinite useful life amounted to approximately HK\$68 billion.

Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts, taking into consideration the future cash flows of the respective business units and the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of the impairment assessments conducted, the Group determined that there is no impairment of goodwill and brand names with an indefinite useful life. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amounts of the respective business units including goodwill, brand names with an indefinite useful life and other operating assets.

The significant assumptions are disclosed in notes 13, 14 and 42 to the consolidated financial statements.

The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included:

- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions used in the estimation of recoverable amounts based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and
- Performing sensitivity analyses on the key assumptions to consider reasonable plausible changes on the recoverable amounts, where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive.

We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters *(continued)*

Key Audit Matter

Investments in associated companies and joint ventures

Refer to notes 15, 16 and 42 to the consolidated financial statements

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2019, investments in associated companies and joint ventures amounted to approximately HK\$288 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts of the Group's investments in the associated companies and the joint ventures, taking into consideration the share of the associated companies' and the joint ventures' future cash flows and the assumptions, including the growth rates used to prepare the associated companies' and joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Husky Energy Inc. ("Husky Energy"), a listed associated company of the Group, has recorded an impairment loss for the year ended 31 December 2019. The Group therefore recognised an impairment loss after tax of approximately HK\$4.2 billion relating to Husky Energy for the year ended 31 December 2019 as the Group's carrying value of Husky Energy exceeded its estimated recoverable amount. Refer to note 3(b)(xv) to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, except for Husky Energy, there is no impairment of the Group's investments in other associated companies and joint ventures. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and
- Performing sensitivity analyses on the key assumptions as stated above.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSS issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

Consolidated Income Statement

for the year ended 31 December 2019

2019# US\$ million		Note	2019 HK\$ million	2018* HK\$ million
38,336	Revenue	2, 3	299,021	277,129
(13,584)	Cost of inventories sold		(105,959)	(109,564)
(4,867)	Staff costs		(37,958)	(36,478)
(2,276)	Expensed customer acquisition and retention costs		(17,755)	(16,124)
(4,888)	Depreciation and amortisation	3	(38,129)	(19,739)
(5,134)	Other operating expenses		(40,046)	(49,337)
	Share of profits less losses of:			
195	Associated companies		1,524	2,888
949	Joint ventures		7,404	10,220
8,731			68,102	58,995
(1,834)	Interest expenses and other finance costs	5	(14,305)	(9,797)
6,897	Profit before tax		53,797	49,198
(627)	Current tax	6	(4,891)	(3,912)
(145)	Deferred tax credit (charge)	6	(1,129)	1,294
6,125	Profit after tax		47,777	46,580
(1,019)	Profit attributable to non-controlling interests and holders of perpetual capital securities		(7,947)	(7,580)
5,106	Profit attributable to ordinary shareholders		39,830	39,000
US\$ 1.32	Earnings per share for profit attributable to ordinary shareholders	7	HK\$ 10.33	HK\$ 10.11

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 8.

See note 46.

* See note 41.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

2019# US\$ million	Note	2019 HK\$ million	2018* HK\$ million
6,125		47,777	46,580
	Profit after tax		
	Other comprehensive income (losses)		
	Items that will not be reclassified to profit or loss:		
(115)	Remeasurement of defined benefit obligations recognised directly in reserves	(899)	615
(41)	Equity securities at FVOCI	(323)	(1,652)
38	Valuation losses recognised directly in reserves	300	224
72	Share of other comprehensive income of associated companies	564	546
22	Share of other comprehensive income of joint ventures	170	(93)
	Tax relating to items that will not be reclassified to profit or loss		
	31 (b)		
(24)		(188)	(360)
	Items that have been reclassified or may be subsequently reclassified to profit or loss:		
	Debt securities at FVOCI		
13	Valuation gains (losses) recognised directly in reserves	104	(20)
4	Valuation losses previously in reserves recognised in income statement	29	–
	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)		
(104)	Gains (losses) recognised directly in reserves	(808)	363
(70)	Gains (losses) on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	(547)	3,735
(104)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(813)	(9,305)
581	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,535	(2,093)
6	Share of other comprehensive income (losses) of associated companies	40	(2,835)
(81)	Share of other comprehensive income (losses) of joint ventures	(632)	(5,307)
13	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	103	(69)
	31 (b)		
258		2,011	(15,531)
234	Other comprehensive income (losses), net of tax	1,823	(15,891)
6,359	Total comprehensive income	49,600	30,689
(999)	Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(7,794)	(5,546)
5,360	Total comprehensive income attributable to ordinary shareholders	41,806	25,143

See note 46.

* See note 41.

Consolidated Statement of Financial Position

at 31 December 2019

2019 [#] US\$ million		Note	2019 HK\$ million	Restated 2018* HK\$ million
	Non-current assets			
15,273	Fixed assets	9	119,131	110,605
10,732	Right-of-use assets	10	83,708	–
–	Leasehold land	11	–	7,702
8,127	Telecommunications licences	12	63,387	64,221
11,317	Brand names and other rights	13	88,275	88,761
39,614	Goodwill	14	308,986	323,160
18,558	Associated companies	15	144,751	136,287
18,404	Interests in joint ventures	16	143,555	121,397
2,609	Deferred tax assets	17	20,353	20,260
990	Liquid funds and other listed investments	18	7,722	9,292
1,830	Other non-current assets	19	14,276	10,717
127,454			994,144	892,402
	Current assets			
17,580	Cash and cash equivalents	21	137,127	135,411
3,058	Inventories		23,847	23,410
7,142	Trade receivables and other current assets	22	55,709	63,826
27,780			216,683	222,647
19	Assets classified as held for sale	23	149	117,195
27,799			216,832	339,842
	Current liabilities			
5,128	Bank and other debts	24	39,995	25,986
239	Current tax liabilities		1,869	2,071
2,318	Lease liabilities	10	18,079	–
12,738	Trade payables and other current liabilities	25	99,358	116,272
20,423			159,301	144,329
–	Liabilities directly associated with assets classified as held for sale	23	–	77,600
20,423			159,301	221,929
7,376	Net current assets		57,531	117,913
134,830	Total assets less current liabilities		1,051,675	1,010,315
	Non-current liabilities			
39,047	Bank and other debts	24	304,565	325,570
94	Interest bearing loans from non-controlling shareholders	27	728	752
9,693	Lease liabilities	10	75,609	–
2,156	Deferred tax liabilities	17	16,819	19,261
400	Pension obligations	28	3,123	2,443
6,906	Other non-current liabilities	29	53,868	71,466
58,296			454,712	419,492
76,534	Net assets		596,963	590,823

2019 [#] US\$ million		Note	2019 HK\$ million	Restated 2018* HK\$ million
	Capital and reserves			
494	Share capital	30 (a)	3,856	3,856
31,330	Share premium	30 (a)	244,377	244,377
27,699	Reserves	31	216,052	197,918
59,523	Total ordinary shareholders' funds		464,285	446,151
1,591	Perpetual capital securities	30 (b)	12,410	12,326
15,420	Non-controlling interests		120,268	132,346
76,534	Total equity		596,963	590,823

See note 46.

* See notes 1 and 41.

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

Total equity # US\$ million		Attributable to					Total equity HK\$ million
		Ordinary shareholders			Perpetual capital securities HK\$ million	Non-controlling interests HK\$ million	
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million	Total ordinary shareholders' funds HK\$ million			
75,746	At 31 December 2018, as previously reported, and 1 January 2019	248,233	197,918	446,151	12,326	132,346	590,823
(2,012)	Effect on adoption of HKFRS 16 (see note 41)	–	(11,812)	(11,812)	–	(3,887)	(15,699)
73,734	At 1 January 2019, as adjusted	248,233	186,106	434,339	12,326	128,459	575,124
6,125	Profit for the year	–	39,830	39,830	482	7,465	47,777
(41)	Other comprehensive income (losses)						
	Equity securities at FVOCI						
	Valuation losses recognised directly in reserves	–	(228)	(228)	–	(95)	(323)
13	Debt securities at FVOCI						
	Valuation gains recognised directly in reserves	–	104	104	–	–	104
4	Valuation losses previously in reserves recognised in income statement	–	29	29	–	–	29
(115)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(625)	(625)	–	(274)	(899)
(104)	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
	Losses recognised directly in reserves	–	(692)	(692)	–	(116)	(808)
(70)	Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	–	(414)	(414)	–	(133)	(547)
(104)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(582)	(582)	–	(231)	(813)
581	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	3,850	3,850	–	685	4,535
44	Share of other comprehensive income (losses) of associated companies	–	380	380	–	(40)	340
(9)	Share of other comprehensive income (losses) of joint ventures	–	(64)	(64)	–	(4)	(68)
35	Tax relating to components of other comprehensive income (losses)	–	218	218	–	55	273
234	Other comprehensive income (losses), net of tax	–	1,976	1,976	–	(153)	1,823
6,359	Total comprehensive income	–	41,806	41,806	482	7,312	49,600
(11)	Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	(73)	(73)	–	(10)	(83)
(1,137)	Dividends paid relating to 2018	–	(8,870)	(8,870)	–	–	(8,870)
(430)	Dividends paid relating to 2019	–	(3,355)	(3,355)	–	–	(3,355)
(868)	Dividends paid to non-controlling interests	–	–	–	–	(6,769)	(6,769)
(51)	Distribution paid on perpetual capital securities	–	–	–	(398)	–	(398)
–	Equity contribution from non-controlling interests	–	–	–	–	1	1
(1)	Equity redemption to non-controlling interests	–	–	–	–	(10)	(10)
8	Share option schemes and long term incentive plans of subsidiary companies	–	36	36	–	27	63
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
(61)	Relating to purchase of non-controlling interests	–	(200)	(200)	–	(277)	(477)
(1,009)	Relating to partial disposal / disposal of subsidiary companies	–	596	596	–	(8,465)	(7,869)
(3,559)		–	(11,860)	(11,860)	(398)	(15,503)	(27,761)
76,534	At 31 December 2019	248,233	216,052	464,285	12,410	120,268	596,963

Total equity # US\$ million		Attributable to					
		Ordinary shareholders			Perpetual capital securities *	Non-controlling interests *	Total equity *
		Share capital and share premium *(a) HK\$ million	Reserves *(b) HK\$ million	Total ordinary shareholders' funds * HK\$ million			
75,941	At 1 January 2018	248,363	182,123	430,486	29,481	132,374	592,341
5,972	Profit for the year	–	39,000	39,000	551	7,029	46,580
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
(212)	Valuation losses recognised directly in reserves	–	(1,490)	(1,490)	–	(162)	(1,652)
	Debt securities at FVOCI						
(3)	Valuation losses recognised directly in reserves	–	(20)	(20)	–	–	(20)
	Remeasurement of defined benefit obligations recognised directly in reserves						
79		–	455	455	–	160	615
	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
46	Gains recognised directly in reserves	–	322	322	–	41	363
	Gains on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves						
479		–	2,892	2,892	–	843	3,735
	Losses on translating overseas subsidiaries' net assets recognised directly in reserves						
(1,193)		–	(7,733)	(7,733)	–	(1,572)	(9,305)
	Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement						
(268)		–	(1,810)	(1,810)	–	(283)	(2,093)
	Share of other comprehensive income (losses) of associated companies						
(335)		–	(2,419)	(2,419)	–	(192)	(2,611)
	Share of other comprehensive income (losses) of joint ventures						
(610)		–	(3,918)	(3,918)	–	(843)	(4,761)
	Tax relating to components of other comprehensive income (losses)						
(21)		–	(136)	(136)	–	(26)	(162)
(2,038)	Other comprehensive income (losses), net of tax	–	(13,857)	(13,857)	–	(2,034)	(15,891)
3,934	Total comprehensive income	–	25,143	25,143	551	4,995	30,689
	Hedging reserve gains transferred to the carrying value of non-financial item during the year						
(2)		–	(14)	(14)	–	(2)	(16)
3	Impact of hyperinflation	–	21	21	–	5	26
(1,024)	Dividends paid relating to 2017	–	(7,985)	(7,985)	–	–	(7,985)
(430)	Dividends paid relating to 2018	–	(3,356)	(3,356)	–	–	(3,356)
(682)	Dividends paid to non-controlling interests	–	–	–	–	(5,317)	(5,317)
(129)	Distribution paid on perpetual capital securities	–	–	–	(1,006)	–	(1,006)
4	Equity contribution from non-controlling interests	–	–	–	–	35	35
(2,492)	Redemption of perpetual capital securities (see note 30(b))	–	1,740	1,740	(21,175)	–	(19,435)
574	Issuance of perpetual capital securities (see note 30(b))	–	–	–	4,475	–	4,475
	Transaction costs in relation to issuance of perpetual capital securities						
(4)		–	(33)	(33)	–	–	(33)
(17)	Buy-back and cancellation of issued shares (see note 30(a)(i))	(130)	(1)	(131)	–	–	(131)
	Share option schemes and long term incentive plans of subsidiary companies						
6		–	27	27	–	17	44
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
6	Relating to acquisition of subsidiary companies	–	–	–	–	44	44
(7)	Relating to purchase of non-controlling interests	–	(28)	(28)	–	(28)	(56)
64	Relating to partial disposal of subsidiary companies	–	275	275	–	223	498
(4,129)		(130)	(9,348)	(9,478)	(17,706)	(5,023)	(32,207)
75,746	At 31 December 2018	248,233	197,918	446,151	12,326	132,346	590,823

See note 46.

* See note 41.

(a) See note 30(a) for further details on share capital and share premium.

(b) See note 31 for further details on reserves.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

2019 # US\$ million	Note	2019 HK\$ million	2018 * HK\$ million
Operating activities			
12,217			
(1,874)			
(747)			
9,596		95,291	72,590
(715)		(14,621)	(10,661)
		(5,823)	(4,584)
9,596		74,847	57,345
(715)		(5,577)	(1,611)
8,881		69,270	55,734
Investing activities			
(4,127)			
(165)			
(361)			
(4)			
(2)			
82			
(113)			
19			
(195)			
(312)			
306			
17			
(4,855)		(32,190)	(27,540)
64		(1,286)	(8,527)
(7)		(2,817)	(1,479)
		(30)	(14,323)
		(17)	(414)
		641	2,222
		(885)	(2,446)
		150	92
		(1,522)	1,121
		(2,429)	–
		2,388	149
		130	8
(4,855)		(37,867)	(51,137)
64		503	387
(7)		(55)	(8,329)
(4,798)		(37,419)	(59,079)
4,083		31,851	(3,345)
Financing activities			
27,119			
(27,110)			
(2,048)			
–			
–			
(1)			
(61)			
282			
–			
–			
–			
(1,567)			
(886)			
(51)			
27,119		211,526	55,313
(27,110)		(211,455)	(54,961)
(2,048)		(15,969)	–
–		(2)	(185)
–		–	14,308
(1)		(10)	25
(61)		(478)	(56)
282		2,201	–
–		–	4,442
–		–	(19,435)
–		–	(131)
(1,567)		(12,225)	(11,341)
(886)		(6,910)	(5,102)
(51)		(398)	(1,006)
(4,323)		(33,720)	(18,129)
(240)		(1,869)	(21,474)
17,820		138,996	160,470
17,580		137,127	138,996

2019 # US\$ million		Note	2019 HK\$ million	2018 * HK\$ million
	Analysis of cash, liquid funds and other listed investments			
17,580	Cash and cash equivalents, as above		137,127	138,996
–	Less: cash and cash equivalents included in assets classified as held for sale	23	–	(3,585)
17,580	Cash and cash equivalents	21	137,127	135,411
990	Liquid funds and other listed investments	18	7,722	9,292
18,570	Total cash, liquid funds and other listed investments		144,849	144,703
44,550	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	24	347,497	352,668
94	Interest bearing loans from non-controlling shareholders	27	728	752
26,074	Net debt		203,376	208,717
(94)	Interest bearing loans from non-controlling shareholders		(728)	(752)
25,980	Net debt (excluding interest bearing loans from non-controlling shareholders)		202,648	207,965

See note 46.

* See note 41.

Notes to the Financial Statements

1 Basis of preparation and presentation

The consolidated financial statements of CK Hutchison Holdings Limited (the “Company” or “CK Hutchison”) and its subsidiaries (the “Group”) for the year ended 31 December 2019 have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 and Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting the new lease accounting standard Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”). Other than changes in accounting policies resulting from application of HKFRS 16, the accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the Company's consolidated financial statements for the year ended 31 December 2018. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 40.

In adopting HKFRS 16, the Group has elected to adopt HKFRS 16 retrospectively and taken transitional provisions in the new standard not to restate comparative information for prior periods. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening statement of financial position on 1 January 2019. The adoption of HKFRS 16 has resulted in a HK\$15,699 million decrease in the opening balance of total equity on 1 January 2019. The effect of adoption of HKFRS 16 is summarised in note 41.

Note 2(b), 3(a) and 23(c) discuss reclassifications of certain 2018 comparative information. These reclassifications have no impact on the total equity as at 31 December 2019 and 31 December 2018 or profit for the year ended 31 December 2019 and 31 December 2018.

These financial statements have been prepared on a historical cost basis, except that defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) are measured at fair values, and non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. In these financial statements, non-current assets classified as held for sale and assets of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. Major classes of assets and liabilities classified as held for sale are disclosed separately in note 23.

2 Revenue

(a) An analysis of revenue of the Company and subsidiary companies is as follows:

	2019 HK\$ million	2018 HK\$ million
Sale of goods	163,500	165,781
Revenue from services	129,072	105,288
Interest	5,916	5,948
Dividend income	533	112
	299,021	277,129

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15:

(i) By segments *

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2019 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Ports and Related Services	–	26,512	26,512	484	26,996
Retail	132,312	181	132,493	–	132,493
Infrastructure	3,706	10,425	14,131	6,351	20,482
Husky Energy	–	–	–	–	–
CKH Group Telecom					
3 Group Europe	14,137	73,368	87,505	–	87,505
Hutchison Telecommunications Hong Kong Holdings	1,969	3,613	5,582	–	5,582
Corporate and Others	–	39	39	253	292
	16,106	77,020	93,126	253	93,379
Hutchison Asia Telecommunications	–	8,984	8,984	–	8,984
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2018 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Ports and Related Services	–	26,425	26,425	162	26,587
Retail	133,371	204	133,575	–	133,575
Infrastructure	3,834	10,600	14,434	6,192	20,626
Husky Energy	–	–	–	–	–
CKH Group Telecom					
3 Group Europe	12,534	50,321	62,855	–	62,855
Hutchison Telecommunications Hong Kong Holdings	4,250	3,662	7,912	–	7,912
Corporate and Others	–	18	18	264	282
	16,784	54,001	70,785	264	71,049
Hutchison Asia Telecommunications	–	8,220	8,220	–	8,220
Finance & Investments and Others	13,404	746	14,150	2,922	17,072
	167,393	100,196	267,589	9,540	277,129

* Previously reported figures in respect of "Finance & Investments and Others" for 2018 have been reclassified to conform with the presentation of segmental information adopted in the current year (see note 3(a)). These amendments and reclassifications have no impact on the revenue and profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15 (continued):

(ii) By geographical locations *

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2019 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Hong Kong	30,836	3,499	34,335	698	35,033
Mainland China	30,036	424	30,460	10	30,470
Europe	64,251	93,672	157,923	5,323	163,246
Canada	—	400	400	229	629
Asia, Australia and Others	27,001	25,127	52,128	828	52,956
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2018 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Hong Kong	35,404	3,537	38,941	248	39,189
Mainland China	31,669	570	32,239	5	32,244
Europe	63,108	71,156	134,264	5,118	139,382
Canada	—	392	392	231	623
Asia, Australia and Others	23,808	23,795	47,603	1,016	48,619
Finance & Investments and Others	13,404	746	14,150	2,922	17,072
	167,393	100,196	267,589	9,540	277,129

* Previously reported figures in respect of "Finance & Investments and Others" for 2018 have been reclassified to conform with the presentation of segmental information adopted in the current year (see note 3(a)). These amendments and reclassifications have no impact on the revenue and profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

2 Revenue (continued)

(c) Contract balances related to contracts with customers within the scope of HKFRS 15

Under HKFRS 15, a contract asset or a contract liability is generated when either party to the contract performs, depending on the relationship between the entity's performance and the customer's payment. When an entity satisfies a performance obligation by transferring a promised goods or service, the entity has earned a right to consideration from the customer and, therefore, has a contract asset. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability. Generally, contract assets may represent conditional or unconditional rights to consideration. The right would be conditional, for example, when an entity is required first to satisfy another performance obligation in the contract before it is entitled to payment from the customer. If an entity has an unconditional right to receive consideration from the customer, the contract asset is classified as and accounted for as a receivable and presented separately from other contract assets. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers within the scope of HKFRS 15.

	2019 HK\$ million	2018 HK\$ million
Trade receivables (see note 22)	16,863	19,255
Contract assets (see notes 19 and 22)	7,385	6,943
Contract liabilities (see notes 25 and 29)	(6,188)	(5,883)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2019, HK\$1,587 million (2018 - HK\$1,569 million) was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. In 2019, HK\$1,042 million (2018 - HK\$853 million) was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK\$5,106 million (2018 - HK\$3,224 million) was recognised as revenue in 2019 that was included in the contract liability balance at the beginning of the year.

(d) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration variable, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. In light of these basis of preparation, the following does not reflect the expectation of the Group's future performance. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

	2019 HK\$ million	2018 HK\$ million
Within one year	17,293	17,591
More than one year	7,534	7,732
	24,827	25,323

3 Operating segment information

(a) Description of segments and principal activities

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on the following five operating divisions.

Ports and Related Services:

This division operates container terminals in six of the 10 busiest container ports in the world. This division had 290 operational berths as at 31 December 2019. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers. ASW operated 12 retail brands with 15,794 stores in 25 markets worldwide as at 31 December 2019.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the Group's direct interests in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in these six co-owned infrastructure assets. In December 2019, the Group completed supplementary agreements with the counter-parties to the economic arrangements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these five co-owned investments. Results of these six infrastructure investments for the period following the divestiture are included in the segment results on a net of divestiture basis.

Husky Energy:

This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), which is listed on the Stock Exchange and Hutchison Asia Telecommunications. In the second half of 2018, the Group acquired the remaining 50% interest in the 3 Group Europe telecommunications businesses in Italy operated by Wind Tre S.p.A. ("Wind Tre") and became the sole shareholder of Wind Tre. Results of Wind Tre for the period following the acquisition are included in the segment results (under 3 Group Europe) on a 100% basis.

In July 2019, the Group has formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings ("CKH Group Telecom"), which consolidates the Group's telecommunication businesses of 3 Group Europe and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. For segment information presentation purposes, CKH Group Telecom is presented as an operating division for the current and comparative years in this operating segment note, with separate sub-totals for 3 Group Europe, HTHKH and CKH Group Telecom's Corporate and Others (which covers CKH Group Telecom's corporate head office operations and the returns earned on its holdings of cash and liquid investments). Comparative information for 2018 have been amended accordingly to conform with this change in classification adopted in the current year. These amendments and reclassifications have no impact on the profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

3 Operating segment information (continued)

(a) Description of segments and principal activities (continued)

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia ("VHA"), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated companies Hutchison China MediTech Limited ("Chi-Med") (see note 3(b)(xvi)), TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items.

(b) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$ 61 million (2018 - HK\$54 million), Hutchison Telecommunications Hong Kong Holdings of HK\$ 14 million (2018 - HK\$11 million) and Hutchison Asia Telecommunications of HK\$3 million (2018 - HK\$2 million). The Group uses two measures of segment results, EBITDA (see note 3(b)(xiii)) and EBIT (see note 3(b)(xiv)).

In the current year, the Group has adopted the HKFRS 16 accounting standard (which relates to accounting for leases) for its statutory reporting, but its management reporting has remained on the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). The Group believes that the HKAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), provide useful information to allow comparable growth rates to be calculated and a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performances. Accordingly, segmental information is presented on a HKAS 17 basis ("Pre-HKFRS 16 basis") as this is the basis of the information used for resource allocation, performance assessment and internal decision-making. As additional information, reconciliation from Pre-HKFRS 16 metrics to Post-HKFRS 16 is included in the following segmental information analysis. The HKAS 17 lease accounting policy is disclosed in note 40(f).

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	26,996	8,379	35,375	8%	26,587	8,588	35,175	8%
Retail	132,493	36,732	169,225	38%	133,575	35,416	168,991	37%
Infrastructure	12,837	38,354	51,191	12%	19,522	45,202	64,724	14%
Husky Energy	–	47,618	47,618	11%	–	54,251	54,251	12%
CKH Group Telecom								
3 Group Europe	87,505	11	87,516	20%	62,855	15,556	78,411	17%
Hutchison Telecommunications Hong Kong Holdings	5,582	–	5,582	1%	7,912	–	7,912	2%
Corporate and Others	292	127	419	–	282	128	410	–
	93,379	138	93,517	21%	71,049	15,684	86,733	19%
Hutchison Asia Telecommunications	8,984	–	8,984	2%	8,220	–	8,220	2%
Finance & Investments and Others	16,687	17,259	33,946	8%	17,072	18,064	35,136	8%
	291,376	148,480	439,856	100%	276,025	177,205	453,230	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	1,098	1,098		–	1,098	1,098	
Divestiture of infrastructure investments	7,645	4,481	12,126		1,104	860	1,964	
	299,021	154,059	453,080		277,129	179,163	456,292	
HKFRS 16 impact	–	–	–					
	299,021	154,059	453,080					

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) ^(xiii)							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	9,806	3,599	13,405	12%	9,683	3,709	13,392	12%
Retail	13,676	3,215	16,891	15%	12,874	3,290	16,164	14%
Infrastructure	7,437	21,051	28,488	25%	11,234	24,188	35,422	31%
Husky Energy ^(xiv)	–	3,139	3,139	3%	–	12,106	12,106	11%
CKH Group Telecom								
3 Group Europe	33,510	1	33,511	30%	22,787	5,974	28,761	26%
Hutchison Telecommunications Hong Kong Holdings	1,320	69	1,389	1%	1,298	73	1,371	1%
Corporate and Others	458	(17)	441	1%	225	–	225	–
	35,288	53	35,341	32%	24,310	6,047	30,357	27%
Hutchison Asia Telecommunications	2,167	–	2,167	2%	1,028	–	1,028	1%
Finance & Investments and Others	8,768	3,869	12,637	11%	5,913	(802)	5,111	4%
EBITDA	77,142	34,926	112,068	100%	65,042	48,538	113,580	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	756	756		–	752	752	
EBITDA	77,142 [^]	35,682 [^]	112,824 [^]		65,042	49,290	114,332	
Depreciation and amortisation	(23,097)	(18,136)	(41,233)		(19,351)	(21,615)	(40,966)	
Interest expenses and other finance costs	(9,269)	(6,388)	(15,657)		(9,562)	(8,463)	(18,025)	
Current tax	(4,612)	(3,202)	(7,814)		(3,982)	(3,813)	(7,795)	
Deferred tax credit (charge)	(1,122)	1,235	113		1,369	(1,652)	(283)	
Non-controlling interests	(7,865)	(480)	(8,345)		(7,563)	(700)	(8,263)	
	31,177	8,711	39,888		25,953	13,047	39,000	
HKFRS 16 impact								
EBITDA	20,644 [^]	3,337 [^]	23,981 [^]					
Depreciation and amortisation	(16,873)	(2,872)	(19,745)					
Interest expenses and other finance costs	(3,623)	(837)	(4,460)					
Current tax	(20)	–	(20)					
Deferred tax	65	37	102					
Non-controlling interests	84	–	84					
	31,454	8,376	39,830					
^ Reconciliation to Post-HKFRS 16 basis EBITDA:								
Pre-HKFRS 16 basis EBITDA per above	77,142	35,682	112,824					
HKFRS 16 impact per above	20,644	3,337	23,981					
Post-HKFRS 16 basis EBITDA (see note 32(a)(i))	97,786	39,019	136,805					

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iii) An analysis of EBIT by segments

	EBIT (LBIT) ^{(b)(i)}							
	Company and Subsidiaries		Associates and JV		2019 Total		2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	6,827	2,234	9,061	13%	6,470	2,256	8,726	12%
Retail	11,164	2,507	13,671	19%	10,506	2,572	13,078	18%
Infrastructure	5,320	13,900	19,220	27%	7,825	16,213	24,038	33%
Husky Energy ^{(b)(ii)}	–	(3,004)	(3,004)	-4%	–	5,742	5,742	8%
CKH Group Telecom								
3 Group Europe								
EBITDA before the following non-cash items:	33,510	1	33,511		22,787	5,974	28,761	
Depreciation	(9,139)	–	(9,139)		(5,064)	(950)	(6,014)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(4,260)	–	(4,260)		(3,626)	(1,458)	(5,084)	
EBIT - 3 Group Europe	20,111	1	20,112	28%	14,097	3,566	17,663	24%
Hutchison Telecommunications Hong Kong Holdings	559	22	581	1%	530	23	553	1%
Corporate and Others	455	(17)	438	1%	193	–	193	–
	21,125	6	21,131	30%	14,820	3,589	18,409	25%
Hutchison Asia Telecommunications	1,055	–	1,055	1%	321	–	321	–
Finance & Investments and Others	8,554	1,420	9,974	14%	5,749	(3,178)	2,571	4%
EBIT	54,045	17,063	71,108	100%	45,691	27,194	72,885	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	483	483		–	481	481	
EBIT	54,045 [^]	17,546 [^]	71,591 [^]		45,691	27,675	73,366	
Interest expenses and other finance costs	(9,269)	(6,388)	(15,657)		(9,562)	(8,463)	(18,025)	
Current tax	(4,612)	(3,202)	(7,814)		(3,982)	(3,813)	(7,795)	
Deferred tax credit (charge)	(1,122)	1,235	113		1,369	(1,652)	(283)	
Non-controlling interests	(7,865)	(480)	(8,345)		(7,563)	(700)	(8,263)	
	31,177	8,711	39,888		25,953	13,047	39,000	
HKFRS 16 impact								
EBIT	3,771 [^]	465 [^]	4,236 [^]					
Interest expenses and other finance costs	(3,623)	(837)	(4,460)					
Current tax	(20)	–	(20)					
Deferred tax	65	37	102					
Non-controlling interests	84	–	84					
	31,454	8,376	39,830					
[^] Reconciliation to Post-HKFRS 16 basis EBIT:								
Pre-HKFRS 16 basis EBIT per above	54,045	17,546	71,591					
HKFRS 16 impact per above	3,771	465	4,236					
Post-HKFRS 16 basis EBIT	57,816	18,011	75,827					

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iv) An analysis of depreciation and amortisation expenses by segments

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JV	2019 Total	Company and Subsidiaries	Associates and JV	2018 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	2,979	1,365	4,344	3,213	1,453	4,666
Retail	2,512	708	3,220	2,368	718	3,086
Infrastructure	2,117	7,151	9,268	3,409	7,975	11,384
Husky Energy	–	6,143	6,143	–	6,364	6,364
CKH Group Telecom						
3 Group Europe	13,399	–	13,399	8,690	2,408	11,098
Hutchison Telecommunications Hong Kong Holdings	761	47	808	768	50	818
Corporate and Others	3	–	3	32	–	32
	14,163	47	14,210	9,490	2,458	11,948
Hutchison Asia Telecommunications	1,112	–	1,112	707	–	707
Finance & Investments and Others	214	2,449	2,663	164	2,376	2,540
	23,097	17,863	40,960	19,351	21,344	40,695
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	–	273	273	–	271	271
	23,097	18,136	41,233	19,351	21,615	40,966
Divesture of infrastructure investments	(1,841)	–	(1,841)	388	99	487
	21,256	18,136	39,392	19,739	21,714	41,453
HKFRS 16 impact	16,873	2,872	19,745			
	38,129	21,008	59,137			

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(v) An analysis of capital expenditure by segments

	Capital expenditure ^(xxx)								
	Fixed assets [@]	Telecom- munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total	Fixed assets and leasehold land	Telecom- munications licences	Brand names and other rights	2018 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,037	–	–	–	3,037	3,909	–	1	3,910
Retail	3,072	–	–	–	3,072	3,454	–	–	3,454
Infrastructure	363	–	75	6,744	7,182	5,924	–	136	6,060
Husky Energy	–	–	–	–	–	–	–	–	–
CKH Group Telecom									
3 Group Europe	15,397	1,026	2,735	–	19,158	10,990	6,384	1,341	18,715
Hutchison Telecommunications Hong Kong Holdings	503	203	–	–	706	513	–	–	513
Corporate and Others	4	–	3	–	7	–	–	1	1
	15,904	1,229	2,738	–	19,871	11,503	6,384	1,342	19,229
Hutchison Asia Telecommunications	2,845	57	–	–	2,902	2,513	2,143	–	4,656
Finance & Investments and Others	318	–	4	–	322	237	–	–	237
	25,539	1,286	2,817	6,744	36,386	27,540	8,527	1,479	37,546
HKFRS 16 impact	(93)	–	–	–	(93)				
	25,446	1,286	2,817	6,744	36,293				

@ excluding capital expenditure incurred during the year for assets classified as held for sale during the year.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vi) An analysis of total assets by segments

	Total assets									
	Company and Subsidiaries					Company and Subsidiaries				
	Segment assets ⁽ⁱ⁾⁽ⁱⁱ⁾	Deferred tax assets	Assets classified as held for sale ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets ⁽ⁱ⁾⁽ⁱⁱ⁾	Deferred tax assets	Assets classified as held for sale ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Investments in associated companies and interests in joint ventures	2018 Total assets
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	74,648	189	–	20,250	95,087	74,366	243	–	20,728	95,337
Retail	200,111	908	–	14,338	215,357	199,151	1,059	–	13,771	213,981
Infrastructure	60,929	4	–	169,167	230,100	54,963	12	114,843	145,913	315,731
Husky Energy	–	–	–	61,706	61,706	–	–	–	64,297	64,297
CKH Group Telecom										
3 Group Europe	304,498	17,342	149	9	321,998	309,333	18,659	2,352	10	330,354
Hutchison Telecommunications Hong Kong Holdings	15,345	168	–	335	15,848	19,469	258	–	396	20,123
Corporate and Others	15,516	–	–	28	15,544	13,446	–	–	–	13,446
	335,359	17,510	149	372	353,390	342,248	18,917	2,352	406	363,923
Hutchison Asia Telecommunications	15,782	–	–	–	15,782	11,333	–	–	–	11,333
Finance & Investments and Others	141,436	29	–	23,550	165,015	155,044	29	–	12,569	167,642
	828,265	18,640	149	289,383	1,136,437	837,105	20,260	117,195	257,684	1,232,244
HKFRS 16 impact	73,903	1,713	–	(1,077)	74,539					
	902,168	20,353	149	288,306	1,210,976					

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vii) An analysis of total liabilities by segments

	Total liabilities								
					Total liabilities				
	Segment liabilities ^(a) HK\$ million	Current & non-current borrowings ^(b) and other non-current liabilities HK\$ million	Current & deferred tax liabilities HK\$ million	2019 Total liabilities HK\$ million	Segment liabilities ^(a) HK\$ million	Current & non-current borrowings ^(b) and other non-current liabilities HK\$ million	Liabilities directly associated with assets classified as held for sale HK\$ million	Current & deferred tax liabilities HK\$ million	2018 Total liabilities HK\$ million
Ports and Related Services	11,982	17,384	4,032	33,398	13,433	16,127	–	4,472	34,032
Retail	25,799	12,905	9,819	48,523	26,366	13,407	–	9,962	49,735
Infrastructure	5,875	32,298	604	38,777	4,910	30,535	77,600	590	113,635
Husky Energy	–	–	–	–	–	–	–	–	–
CKH Group Telecom									
3 Group Europe	38,325	22,745	230	61,300	55,660	110,297	–	94	166,051
Hutchison Telecommunications Hong Kong Holdings	1,554	482	24	2,060	1,804	343	–	16	2,163
Corporate and Others	597	81,976	31	82,604	274	–	–	231	505
	40,476	105,203	285	145,964	57,738	110,640	–	341	168,719
Hutchison Asia Telecommunications	11,241	14,304	2	25,547	5,976	18,897	–	1	24,874
Finance & Investments and Others	8,987	217,291	5,000	231,278	10,292	234,168	–	5,966	250,426
	104,360	399,385	19,742	523,487	118,715	423,774	77,600	21,332	641,421
HKFRS 16 impact	91,809	(229)	(1,054)	90,526					
	196,169	399,156	18,688	614,013					

3 Operating segment information *(continued)*

(b) Segment results, assets and liabilities *(continued)*

(viii) An analysis of revenue by geographical locations

	Revenue ^(xx)							
	2019				2018			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
Hong Kong	35,033	4,498	39,531	9%	39,189	4,752	43,941	10%
Mainland China	30,470	8,059	38,529	9%	32,244	7,517	39,761	9%
Europe	155,782	56,566	212,348	48%	138,307	76,821	215,128	47%
Canada ^(xxx)	448	47,280	47,728	11%	596	53,651	54,247	12%
Asia, Australia and Others	52,956	14,818	67,774	15%	48,617	16,400	65,017	14%
Finance & Investments and Others	16,687	17,259	33,946	8%	17,072	18,064	35,136	8%
	256,343	143,982	400,325	91%	236,836	172,453	409,289	90%
	291,376	148,480	439,856 **	100%	276,025	177,205	453,230 **	100%
HKFRS 16 impact	-	-	-					
	291,376	148,480	439,856 **					

** see note 3(b)(i) for reconciliation of segment revenue to revenue presented in the income statement.

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) ^(xiii)							
	2019				2018			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
Hong Kong	1,811	1,861	3,672	3%	1,698	1,983	3,681	3%
Mainland China	5,988	4,526	10,514	10%	6,184	4,924	11,108	10%
Europe	47,409	14,358	61,767	55%	40,563	22,468	63,031	55%
Canada ^(xxx)	347	1,555	1,902	2%	410	10,364	10,774	10%
Asia, Australia and Others	12,819	8,757	21,576	19%	10,274	9,601	19,875	18%
Finance & Investments and Others	8,768	3,869	12,637	11%	5,913	(802)	5,111	4%
	77,142	34,926	112,068 #	100%	65,042	48,538	113,580 #	100%
HKFRS 16 impact	20,644	3,337	23,981					
	97,786	38,263	136,049 #					

see note 3(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the income statement.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) ^(xv)							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	706	861	1,567	2%	561	929	1,490	2%
Mainland China	4,947	3,068	8,015	11%	5,208	3,397	8,605	12%
Europe	30,370	10,306	40,676	57%	26,897	15,458	42,355	58%
Canada ^(xvi)	324	(4,206)	(3,882)	-5%	390	4,508	4,898	6%
Asia, Australia and Others	9,144	5,614	14,758	21%	6,886	6,080	12,966	18%
Finance & Investments and Others	8,554	1,420	9,974	14%	5,749	(3,178)	2,571	4%
	54,045	17,063	71,108 ^{@@}	100%	45,691	27,194	72,885 ^{@@}	100%
HKFRS 16 Impact	3,771	465	4,236					
	57,816	17,528	75,344 ^{@@}					

@@ see note 3(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the income statement.

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure ^(xvii)								
	Fixed assets [@]	Telecom- munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total	Fixed assets and leasehold land	Telecom- munications licences	Brand names and other rights	2018 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,295	203	–	–	1,498	1,316	–	–	1,316
Mainland China	958	–	–	–	958	1,147	–	–	1,147
Europe	17,072	1,026	2,738	6,711	27,547	18,626	6,384	1,341	26,351
Canada	–	–	–	33	33	14	–	37	51
Asia, Australia and Others	5,896	57	75	–	6,028	6,200	2,143	100	8,443
Finance & Investments and Others	318	–	4	–	322	237	–	1	238
	25,539	1,286	2,817	6,744	36,386	27,540	8,527	1,479	37,546
HKFRS 16 impact	(93)	–	–	–	(93)				
	25,446	1,286	2,817	6,744	36,293				

@ excluding capital expenditure incurred during the year for assets classified as held for sale during the year.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xii) An analysis of total assets by geographical locations

	Total assets									
	Company and Subsidiaries					Investments in associated companies and interests in joint ventures				
	Deferred tax assets		Assets classified as held for sale ^(xiii)	2019 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures		2018 Total assets	
	Segment assets ^(xiii)	HK\$ million			HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Hong Kong	51,207	211	–	10,417	61,835	55,494	306	–	14,233	70,033
Mainland China	43,132	466	–	23,077	66,675	47,989	681	–	23,735	72,405
Europe	463,304	17,575	149	115,288	596,316	466,226	18,914	114,559	87,437	687,136
Canada ^(xiii)	3,430	4	–	62,883	66,317	3,638	6	2,558	63,027	69,229
Asia, Australia and Others	125,756	355	–	54,168	180,279	108,714	324	78	56,683	165,799
Finance & Investments and Others	141,436	29	–	23,550	165,015	155,044	29	–	12,569	167,642
	828,265	18,640	149	289,383	1,136,437	837,105	20,260	117,195	257,684	1,232,244
HKFRS 16 impact	73,903	1,713	–	(1,077)	74,539					
	902,168	20,353	149	288,306	1,210,976					

(xiii) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net of divesture basis after the divesture. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.

(xiv) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net of divesture basis after the divesture. EBIT (LBIT) is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under HKFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.

3 Operating segment information *(continued)*

(b) Segment results, assets and liabilities *(continued)*

- (xv) The Group's 40.19% owned listed associated company, Husky Energy recognised non-cash asset impairments and other charges aggregating C\$2.3 billion (after tax), primarily related to its upstream assets in North America, including the Sunrise Energy Project and the Atlantic and Western Canada segments, and were largely due to lower long-term commodity price assumptions and a reduction in future capital spending. The reduction in future capital spending has the effect of reducing reserves, which in turn reduces asset values. Other charges included exploration-related write-downs and asset de-recognition at the Lima Refinery associated with redundant equipment following the completion of the crude oil flexibility project. The Group's share of these charges, after consolidation adjustments, is HK\$ 5,983 million at the EBITDA and EBIT levels, and is reported under "Husky Energy" in the segment results. The Group's share of these charges, after tax and consolidation adjustments, is HK\$4,223 million and is included in "Share of profits less losses of associated companies" in the consolidated income statement.
- (xvi) During 2019, the Group recognised a one-off disposal gain arising from the de-consolidation of former subsidiary Chi-Med. The disposal gain is HK\$6,885 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in this segment information note, and is included in the "Other operating expenses" in the consolidated income statement. Included in this amount is a HK\$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in Chi-Med to its fair value at the date of de-consolidation.
- (xvii) In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. The Group recognised one-off loss of HK\$2,962 million attributable to ordinary shareholders for the year ended 31 December 2018. The amount of the loss was HK\$3,626 million at the EBITDA and EBIT levels, and was reported under "Finance & Investments and Others" in the segment results and was included in "Other operating expenses" in the income statement for the year ended 31 December 2018.
- (xviii) In September 2018, the Group completed the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. The Group recognised one-off re-measurement and other gains of HK\$8,600 million for the year ended 31 December 2018. The amount of the gains were HK\$8,600 million at the EBITDA and EBIT levels, and were reported under "Finance & Investments and Others" in the segment results and were included in "Other operating expenses" in the income statement for the year ended 31 December 2018.
- (xix) The Group's 30.07% owned listed associated company, HPH Trust reported a one-off impairment of goodwill and investment in a joint venture of HK\$12,289 million for the year ended 31 December 2018. The Group's share of this loss (after consolidation adjustments) amounted to HK\$4,781 million. The amount of the loss was HK\$4,781 million at the EBITDA and EBIT levels, and was reported under "Finance & Investments and Others" in the segment results and was included in "Share of profits less losses of associated companies" in the income statement for the year ended 31 December 2018.
- (xx) The geographical location of customers is based on the location at which the services were provided or goods delivered. Hong Kong is the location of principal place of business of the Company.

3 Operating segment information *(continued)*

(b) Segment results, assets and liabilities *(continued)*

(xi) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, right-of-use assets, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale. Segment liabilities comprise trade payables and other current liabilities, lease liabilities and pension obligations and exclude liabilities directly associated with assets classified as held for sale. The geographical location of the specified non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) is based on the physical location of the asset, in the case of property, plant and equipment and other operating assets, the location of the operation in which they are allocated, in the case of assets classified as held for sale, intangible assets and goodwill, and the location of operations, in the case of associated companies and interests in joint ventures. Geographical analysis of the Group's non-current assets (based on Post-HKFRS 16 basis) other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts is as follows:

	2019 HK\$ million	2018 HK\$ million
Hong Kong	75,997	73,511
Mainland China	78,356	85,882
Europe	563,367	463,580
Canada ^(xxiv)	66,207	66,500
Asia, Australia and Others	174,976	163,042
	882,906	779,004
	958,903	852,515

(xii) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

(xiii) See note 23.

(xiv) Include contribution from the United States for Husky Energy.

(xv) For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

4 Directors' emoluments

	2019 HK\$ million	2018 HK\$ million
Directors' emoluments	581	561

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses and are included in staff costs and other operating expenses in the income statement.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2018 - nil).

In 2019, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind of HK\$4.86 million; provident fund contribution of HK\$0.32 million and discretionary bonus of HK\$29.19 million. In 2018, the five individuals whose emoluments were the highest for the year were five directors of the Company.

Further details of the directors' emoluments are set out in table below:

(a) Directors' emolument expenses recognised in the Group's income statement:

Name of directors	2019					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI ⁽⁸⁾						
<i>Paid by the Company</i>	0.28	4.89	78.87	–	–	84.04
<i>Paid by CKI</i>	0.08	–	33.24	–	–	33.32
	0.36	4.89	112.11	–	–	117.36
FOK Kin Ning, Canning ⁽¹⁾	0.22	11.56	215.09	1.04	–	227.91
Frank John SIXT ⁽¹⁾	0.22	8.65	67.58	0.75	–	77.20
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	11.21	–	–	13.05
<i>Paid by CKI</i>	0.08	1.80	12.07	–	–	13.95
	0.30	3.42	23.28	–	–	27.00
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.43	–	–	13.07
<i>Paid by CKI</i>	0.08	4.20	12.07	–	–	16.35
	0.30	6.62	22.50	–	–	29.42
LAI Kai Ming, Dominic ⁽¹⁾	0.22	5.92	67.00	0.48	–	73.62
Edith SHIH ⁽¹⁾	0.22	4.44	20.36	0.32	–	25.34
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan ⁽⁵⁾	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	–	–	–	–	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	–	–	–	–	0.22
George Collin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley ^{(6) (7)}	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ^{(6) (7)}	0.35	–	–	–	–	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	–	–	–	–	0.28
Total	5.26	45.50	527.92	2.59	–	581.27

4 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement (continued):

Name of directors	2018					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ⁽²⁾⁽³⁾	–	–	–	–	–	–
Victor T K LI ⁽⁴⁾⁽⁸⁾						
<i>Paid by the Company</i>	0.26	4.89	73.87	–	–	79.02
<i>Paid by CKI</i>	0.08	–	33.24	–	–	33.32
	0.34	4.89	107.11	–	–	112.34
FOK Kin Ning, Canning ⁽¹⁾	0.22	11.53	213.50	1.04	–	226.29
Frank John SIXT ⁽¹⁾	0.22	8.54	62.55	0.75	–	72.06
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	10.68	–	–	12.52
<i>Paid by CKI</i>	0.08	1.80	11.70	–	–	13.58
	0.30	3.42	22.38	–	–	26.10
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.17	–	–	12.81
<i>Paid by CKI</i>	0.08	4.20	11.70	–	–	15.98
	0.30	6.62	21.87	–	–	28.79
LAI Kai Ming, Dominic ⁽¹⁾	0.22	5.85	62.00	0.84	–	68.91
Edith SHIH ⁽¹⁾	0.22	4.33	18.51	0.32	–	23.38
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan ⁽⁵⁾	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	–	–	–	–	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	–	–	–	–	0.22
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley ⁽⁶⁾⁽⁷⁾	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ⁽⁶⁾⁽⁷⁾⁽⁸⁾	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ⁽⁶⁾⁽⁷⁾	0.35	–	–	–	–	0.35
WONG Chung Hin ⁽⁶⁾⁽⁷⁾⁽⁸⁾	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ⁽⁶⁾⁽⁸⁾	0.28	–	–	–	–	0.28
Total	5.24	45.18	507.92	2.95	–	561.29

- (1) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (2) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK\$1,781. The amount of director's fee shown above is a result of rounding.
- (3) Retired on 10 May 2018.
- (4) Appointed as Member of the Remuneration Committee on 10 May 2018.
- (5) Non-executive director.
- (6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2018 - HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Member of the Remuneration Committee.

5 Interest expenses and other finance costs

	2019 HK\$ million	2018 HK\$ million
Bank loans and overdrafts	2,257	1,971
Other loans	5	172
Notes and bonds	8,282	8,403
Interest bearing loans from non-controlling shareholders	241	262
Other finance costs	413	230
	11,198	11,038
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	315	235
Other non-cash interest adjustments ^(a)	(631)	(1,099)
	10,882	10,174
Less: interest capitalised ^(b)	(219)	(377)
Interest on lease liabilities	3,642	–
	14,305	9,797

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK\$1,037 million (2018 - HK\$1,522 million) net with HK\$406 million (2018 - HK\$423 million) notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 4.3% to 5.9% (2018 - 2.7% to 6.2%) per annum.

6 Tax

	2019 HK\$ million	2018 HK\$ million
Current tax charge		
Hong Kong	308	76
Outside Hong Kong	4,583	3,836
	4,891	3,912
Deferred tax charge (credit)		
Hong Kong	72	53
Outside Hong Kong	1,057	(1,347)
	1,129	(1,294)
	6,020	2,618

Hong Kong profits tax has been provided for at the rate of 16.5% (2018 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

6 Tax (continued)

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2019 HK\$ million	2018 HK\$ million
Tax calculated at the domestic rates applicable in the country concerned	8,760	6,305
Tax effect of:		
Tax losses not recognised	1,638	1,724
Income not subject to tax	(1,311)	(2,172)
Expenses not deductible for tax purposes	1,363	1,349
Recognition of previously unrecognised tax losses	(214)	(141)
Utilisation of previously unrecognised tax losses	(894)	(1,256)
Under (over) provision in prior years	19	(98)
Other temporary differences	(3,522)	(2,818)
Effect of change in tax rate	181	(275)
Total tax for the year	6,020	2,618

7 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$39,830 million (2018 - HK\$39,000 million) and 3,856,240,500 shares in issue in 2019 (2018 - weighted average number of shares, 3,857,216,697 shares outstanding).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2019 and 31 December 2018. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2019 and 2018 did not have a dilutive effect on earnings per share.

8 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2019 HK\$ million	2018 HK\$ million
Distribution paid on perpetual capital securities	398	1,006

(b) Dividends

	2019 HK\$ million	2018 HK\$ million
Interim dividend, paid of HK\$0.87 per share (2018 - HK\$0.87 per share)	3,355	3,356
Final dividend, proposed of HK\$2.30 per share (2018 - HK\$2.30 per share)	8,870	8,870
	12,225	12,226

In 2019, the calculation of the interim dividend and final dividend is based on 3,856,240,500 shares (2018 - 3,857,678,500 shares) and 3,856,240,500 shares (2018 - 3,856,240,500 shares) in issue respectively.

9 Fixed assets

	Land and buildings HK\$ million	Telecom- munications network assets HK\$ million	Other assets ^(a) HK\$ million	Total HK\$ million
Cost				
At 1 January 2018	27,249	32,953	128,150	188,352
Additions	1,983	3,691	21,866	27,540
Relating to subsidiaries acquired (see note 32(c))	16	14,905	3,248	18,169
Disposals	(10)	(551)	(1,462)	(2,023)
Relating to subsidiaries disposed (see note 32(d))	(281)	–	(125)	(406)
Transfer between categories	120	3,201	(3,086)	235
Exchange translation differences	(1,009)	(2,830)	(4,963)	(8,802)
Transfer to assets classified as held for sale (see note 23)	(1,787)	(148)	(79,906)	(81,841)
At 31 December 2018, as previously reported and 1 January 2019	26,281	51,221	63,722	141,224
Effect on adoption of HKFRS 16 (see note 41)	(389)	(209)	(188)	(786)
At 1 January 2019, as adjusted	25,892	51,012	63,534	140,438
Additions	1,494	4,293	19,659	25,446
Relating to subsidiaries acquired (see note 32(c))	38	–	3	41
Disposals	(54)	(425)	(781)	(1,260)
Relating to subsidiaries disposed (see note 32(d))	(11)	–	(369)	(380)
Transfer between categories	21	10,798	(10,514)	305
Exchange translation differences	127	15	(455)	(313)
Transfer to assets classified as held for sale (see note 23)	–	(55)	–	(55)
At 31 December 2019	27,507	65,638	71,077	164,222
Accumulated depreciation and impairment				
At 1 January 2018	2,403	7,893	19,267	29,563
Charge for the year	1,069	3,796	9,649	14,514
Disposals	(7)	(384)	(1,511)	(1,902)
Relating to subsidiaries disposed (see note 32(d))	(24)	–	(43)	(67)
Transfer between categories	18	181	36	235
Exchange translation differences	8	(517)	(831)	(1,340)
Transfer to assets classified as held for sale (see note 23)	(128)	–	(10,256)	(10,384)
At 31 December 2018, as previously reported and 1 January 2019	3,339	10,969	16,311	30,619
Effect of adoption of HKFRS 16 (see note 41)	–	(132)	(94)	(226)
At 1 January 2019, as adjusted	3,339	10,837	16,217	30,393
Charge for the year	1,023	7,958	6,487	15,468
Disposals	(40)	(398)	(585)	(1,023)
Relating to subsidiaries disposed (see note 32(d))	(4)	–	(106)	(110)
Transfer between categories	–	306	(1)	305
Exchange translation differences	39	64	(45)	58
At 31 December 2019	4,357	18,767	21,967	45,091
Net book value				
At 31 December 2019	23,150	46,871	49,110	119,131
At 31 December 2018	22,942	40,252	47,411	110,605
At 1 January 2018	24,846	25,060	108,883	158,789

9 Fixed assets (continued)

- (a) Cost and net book value of other assets include HK\$25,562 million (2018 - HK\$24,249 million) and HK\$18,665 million (2018 - HK\$18,765 million) respectively relate to the business of Ports and Related Services, HK\$24,264 million (2018 - HK\$20,852 million) and HK\$19,144 million (2018 - HK\$17,671 million) respectively relate to the business of Telecommunications and HK\$2,229 million (2018 - HK\$2,025 million) and HK\$1,503 million (2018 - HK\$1,433 million) respectively relate to the business of Infrastructure.
- (b) The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is as follows:

	2019 HK\$ million	2018 HK\$ million
Within 1 year	99	111
Between 1 and 2 years	23	42
Between 2 and 3 years	6	14
Between 3 and 4 years	3	6
Between 4 and 5 years	1	2
After 5 years	3	5
	135	180

10 Leases

- (a) Group as a lessee - amounts recognised in the consolidated statement of financial position

	31 December 2019 HK\$ million	1 January 2019 HK\$ million
Right-of-use assets		
Container terminals	16,749	17,430
Retail stores	26,489	28,033
Telecommunications network	28,495	25,108
Leasehold land	7,209	7,702
Other assets	4,766	4,884
	83,708	83,157
Lease liabilities		
Current	18,079	15,713
Non-current	75,609	76,417
	93,688	92,130

On leases that commenced during the year, the Group has recognised HK\$17,918 million of right-of-use assets, and HK\$17,851 million of lease liabilities.

10 Leases (continued)

(b) Group as a lessee - amounts recognised in the consolidated income statement

	2019 HK\$ million
Depreciation charge of right-of-use assets	
Container terminals	1,119
Retail stores	7,917
Telecommunications network	6,597
Leasehold land	374
Other assets	1,277
	17,284
Interest on lease liabilities (included in "Interest expenses and other finance costs")	3,642
Expenses relating to short-term leases (included in "other operating expenses")	1,077
Expense relating to leases of low-value assets that are not short term leases (included in "other operating expenses")	1,375
Expense relating to variable lease payments not included in lease liabilities (included in "other operating expenses")	3,107
	9,201
Total charges recognised in profit or loss for leases	26,485

(c) Group as a lessee - amounts recognised in the consolidated statement of cash flows

	2019 HK\$ million
Within operating cash flows	9,189
Within financing cash flows (see note 32(e))	15,969
Total cash outflows for leases	25,158

(d) Group as lessee - other lease disclosure

Variable lease payments

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 1% increase in sales across all stores / operations in the companies with leases containing variable lease payment terms that are linked to sales would increase total lease payments (see note (c)) by approximately 0.1% or HK\$27 million.

10 Leases (continued)

(d) Group as lessee - other lease disclosure (continued)

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2019, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK\$11,471 million (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Residual value guarantees

As at 31 December 2019, residual value guarantee of HK\$9 million is expected to be payable and had been included in calculating the lease liabilities.

Leases not yet commenced to which the lessee is committed

The Group is committed at 31 December 2019 to leases that are not yet commenced, the lease payments payable under which amounted to HK\$873 million. This amount has not been included in calculating the lease liabilities as at 31 December 2019.

Restriction or covenants imposed by leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as lessor

	2019 HK\$ million
Income from subleasing right-of-use assets (included in "other operating expenses")	261

The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases from subleasing right-of-use assets is as follows:

	2019 HK\$ million
Within 1 year	169
Between 1 and 2 years	119
Between 2 and 3 years	82
Between 3 and 4 years	63
Between 4 and 5 years	35
After 5 years	189
	657

In addition, the Group has recognised income of HK\$152 million (2018 - HK\$140 million) from leasing of fixed assets for the year ended 31 December 2019.

11 Leasehold land

	2019 HK\$ million	2018 HK\$ million
Net book value		
At 1 January	7,702	8,305
Effect on adoption of HKFRS 16 (see note 41)	(7,702)	–
At 1 January, as adjusted	–	8,305
Amortisation for the year	–	(424)
Relating to subsidiaries disposed (see note 32(d))	–	(68)
Exchange translation differences	–	(111)
At 31 December	–	7,702

Leasehold land are grouped as part of right-of-use assets with effect from 1 January 2019.

12 Telecommunications licences

	2019 HK\$ million	2018 HK\$ million
Net book value		
At 1 January	64,221	27,271
Additions	1,286	8,527
Relating to subsidiaries acquired (see note 32(c))	–	32,802
Amortisation for the year	(1,311)	(1,222)
Disposal	(28)	–
Exchange translation differences	(781)	(1,813)
Transfer to assets classified as held for sale (see note 23)	–	(1,344)
At 31 December	63,387	64,221
Cost	68,022	67,571
Accumulated amortisation and impairment	(4,635)	(3,350)
	63,387	64,221

The carrying amount of telecommunications licences primarily arises from the acquisition of Hutchison Whampoa Limited's ("HWL") businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018.

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life and their carrying amount at 31 December 2019 are £1,720 million and €3,947 million (2018 - £1,723 million and €3,947 million) respectively.

13 Brand names and other rights

	Brand names HK\$ million	Other rights HK\$ million	Total HK\$ million
Net book value			
At 1 January 2018	62,785	13,200	75,985
Additions	–	1,479	1,479
Relating to subsidiaries acquired (see note 32(c))	7,652	15,327	22,979
Amortisation for the year	(12)	(2,379)	(2,391)
Exchange translation differences	(1,118)	(730)	(1,848)
Transfer to assets classified as held for sale (see note 23)	(270)	(7,173)	(7,443)
At 31 December 2018 and 1 January 2019	69,037	19,724	88,761
Additions	–	2,817	2,817
Amortisation for the year	(12)	(2,483)	(2,495)
Disposal	–	(4)	(4)
Relating to subsidiaries disposed (see note 32(d))	(2)	–	(2)
Exchange translation differences	(560)	(242)	(802)
At 31 December 2019	68,463	19,812	88,275
Cost	68,514	26,485	94,999
Accumulated amortisation	(51)	(6,673)	(6,724)
	68,463	19,812	88,275

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018. At 31 December 2019,

- brand names relate to Retail of approximately HK\$50 billion (2018 - HK\$50 billion) and Telecommunications of approximately HK\$18 billion (2018 - HK\$19 billion) are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK\$394 million (2018 - HK\$547 million), operating and service content rights of HK\$9,139 million (2018 - HK\$7,954 million), resource consents and customer lists of HK\$10,279 million (2018 - HK\$11,223 million) are amortised over their finite useful lives.

14 Goodwill

	2019 HK\$ million	2018 HK\$ million
Cost		
At 1 January	323,160	255,334
Relating to subsidiaries acquired (see note 32(c))	–	97,602
Relating to subsidiaries disposed (see note 32(d))	(10,438)	–
Exchange translation differences	(3,736)	(4,090)
Transfer to assets classified as held for sale (see note 23)	–	(25,686)
At 31 December	308,986	323,160

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018. As at 31 December 2019, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (2018 - HK\$114 billion), telecommunications of approximately HK\$123 billion (2018 - HK\$127 billion) and CKI of approximately HK\$39 billion (2018 - HK\$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 12, 13 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 1.1% to 9.7% (2018 - 3.3% to 9.3%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1.0% to 2.7% (2018 - 1.0% to 3.1%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2019 and 2018 indicated no impairment charge was necessary.

15 Associated companies

	2019 HK\$ million	2018 HK\$ million
Unlisted shares	9,112	8,812
Listed shares, Hong Kong	61,070	64,408
Listed shares, outside Hong Kong	91,772	78,444
Share of undistributed post acquisition reserves	(20,893)	(19,151)
	141,061	132,513
Amounts due from (net with amounts due to) associated companies ^(a)	3,690	3,774
	144,751	136,287

The market value of the above listed investments at 31 December 2019 was HK\$97,118 million (2018 - HK\$91,849 million), inclusive of HK\$25,005 million (2018 - HK\$33,001 million) and HK\$43,747 million (2018 - HK\$44,054 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 35.

(a) Amounts due from (net with amounts due to) associated companies

	2019 HK\$ million	2018 HK\$ million
Amounts due from associated companies ⁽ⁱ⁾		
Interest free	719	639
Interest bearing at fixed rates ⁽ⁱⁱ⁾	2,795	2,946
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	905	906
	4,419	4,491
Amount due to an associated company ^(iv)		
Interest free	729	717
Amounts due from (net with amounts due to) associated companies	3,690	3,774

- (i) At 31 December 2019 and 2018, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$936 million which are repayable within one to two years (2018 - HK\$884 million which are repayable within one to three years).
- (ii) At 31 December 2019, HK\$2,795 million (2018 - HK\$2,946 million) bear interests at fixed rates ranging from approximately 4.7% to 11.2% (2018 - 10.9% to 11.2%) per annum.
- (iii) At 31 December 2019, HK\$905 million (2018 - HK\$906 million) bear interests at floating rates ranging from approximately 1.7% to 3.8% (2018 - 1.8% to 3.3%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.
- (iv) At 31 December 2019 and 2018, the amount due to an associated company is unsecured and has no fixed terms of repayment.

15 Associated companies (continued)

(b) Material associated companies

Set out below are additional information in respect of the Group's material associated companies:

	2019		2018	
	Husky Energy HK\$ million	Power Assets HK\$ million	Husky Energy HK\$ million	Power Assets HK\$ million
Dividends received from associated companies	1,164	2,149	667	7,139
Gross amount of the following items of the associated companies ⁽ⁱ⁾ :				
Total revenue	118,473	1,348	135,440	1,555
EBITDA	8,658	18,270	30,118	19,418
EBIT (LBIT)	(7,399)	12,995	14,285	14,108
Other comprehensive income (losses)	1,145	804	(3,617)	(1,113)
Total comprehensive income (losses)	(3,586)	7,935	4,963	6,523
Current assets	29,332	5,015	34,517	5,475
Non-current assets	231,865	126,243	229,816	123,664
Current liabilities	27,538	4,324	29,015	4,072
Non-current liabilities	76,074	3,755	71,294	3,808
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	152,696	123,179	159,254	121,259
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	36.0%	40.2%	38.0%
Group's share of net assets	61,369	44,295	64,004	46,091
Amount due from associated company	300	–	293	–
Carrying amount	61,669	44,295	64,297	46,091

	2019				2018			
	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million
Group's share of the following items of the associated companies ⁽ⁱ⁾ :								
Profits less losses after tax	(1,902)	2,564	862	1,524	3,448	2,902	(3,462)	2,888
Other comprehensive income (losses)	460	289	(409)	340	(1,454)	(424)	(733)	(2,611)
Total comprehensive income (losses)	(1,442)	2,853	453	1,864	1,994	2,478	(4,195)	277

(i) After translation into Hong Kong dollars and consolidation adjustments.

Particulars regarding the principal associated companies are set forth on pages 259 to 262.

16 Interests in joint ventures

	2019 HK\$ million	2018 HK\$ million
Unlisted shares	101,422	87,296
Share of undistributed post acquisition reserves	197	(823)
	101,619	86,473
Amounts due from (net with amounts due to) joint ventures ^(a)	41,936	34,924
	143,555	121,397

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 35.

(a) Amounts due from (net with amounts due to) joint ventures

	2019 HK\$ million	2018 HK\$ million
Amounts due from joint ventures ⁽ⁱ⁾		
Interest free	2,101	2,070
Interest bearing at fixed rates ⁽ⁱⁱ⁾	21,345	17,222
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	18,896	16,036
	42,342	35,328
Amounts due to joint ventures ^(iv)		
Interest free	353	361
Interest bearing at floating rates ^(v)	53	43
Amounts due from (net with amounts due to) joint ventures	41,936	34,924

- (i) At 31 December 2019 and 2018, the amounts due from joint ventures are unsecured and have no fixed terms of repayment except for HK\$448 million which are repayable within one to two years (2018 - HK\$979 million which are repayable within one to two years).
- (ii) At 31 December 2019, HK\$21,345 million (2018 - HK\$17,222 million) bear interests at fixed rates ranging from approximately 4.4% to 11.0% (2018 - 4.9% to 11.0%) per annum.
- (iii) At 31 December 2019, HK\$18,896 million (2018 - HK\$16,036 million) bear interests at floating rates ranging from approximately 2.0% to 14.1% (2018 - 3.7% to 7.4%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime Rate and London Interbank Offered Rate, as applicable.
- (iv) At 31 December 2019 and 2018, the amounts due to joint ventures are unsecured and have no fixed terms of repayment except for HK\$53 million which are repayable within one year (2018 - HK\$43 million which are repayable within one year).
- (v) At 31 December 2019, HK\$53 million (2018 - HK\$43 million) bear interests at floating rates ranging from approximately 1.2% to 1.4% (2018 - 1.5% to 2.5%) per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

16 Interests in joint ventures (continued)

(b) Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2019 HK\$ million	2018 HK\$ million
Profits less losses after tax ⁽ⁱ⁾	7,404	10,220
Other comprehensive income (losses)	(68)	(4,761)
Total comprehensive income	7,336	5,459
Capital commitments	1,879	2,692

(i) During the second half of 2012, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK\$552 million (2018 - HK\$61 million). This item is presented within the consolidated income statement line item titled other operating expenses.

Particulars regarding the principal joint ventures are set forth on pages 259 to 262.

17 Deferred tax

	2019 HK\$ million	2018 HK\$ million
Deferred tax assets	20,353	20,260
Deferred tax liabilities	16,819	19,261
Net deferred tax assets	3,534	999

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2019 HK\$ million	2018 HK\$ million
At 1 January	999	(5,388)
Effect on adoption of HKFRS 16 (see note 41)	2,620	–
Effect on adoption of HKFRS 9 and HKFRS 15	–	(304)
Relating to subsidiaries acquired (see note 32(c))	–	2
Relating to subsidiaries disposed (see note 32(d))	24	7
Transfer to current tax	2	29
Net credit (charge) to other comprehensive income	136	(162)
Net credit (charge) to the income statement		
Tax losses	(1,153)	669
Accelerated depreciation allowances	217	(240)
Fair value adjustments arising from acquisitions	(211)	(39)
Withholding tax on undistributed profits	41	(61)
Other temporary differences	116	965
Exchange translation differences	743	(318)
Transfer to assets classified as held for sale (see note 23)	–	(416)
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	–	6,255
At 31 December	3,534	999

17 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

	2019 HK\$ million	2018 HK\$ million
Tax losses	16,778	18,459
Accelerated depreciation allowances	(4,018)	(4,127)
Fair value adjustments arising from acquisitions	(10,030)	(10,501)
Revaluation of investment properties and other investments	30	126
Withholding tax on undistributed profits	(400)	(497)
Other temporary differences	1,174	(2,461)
	3,534	999

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2019, the Group has recognised accumulated deferred tax assets amounting to HK\$20,353 million (2018 - HK\$20,260 million) of which HK\$17,535 million (2018 - HK\$18,659 million) relates to 3 Group Europe.

Note 42(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unutilised tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$27,876 million at 31 December 2019 (2018 - HK\$28,880 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$115,009 million (2018 - HK\$99,135 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$101,435 million (2018 - HK\$76,257 million) can be carried forward indefinitely and the balances expire in the following years:

	2019 HK\$ million	2018 HK\$ million
In the first year	5,015	3,896
In the second year	1,753	5,606
In the third year	2,586	2,096
In the fourth year	1,144	2,667
After the fourth year	3,076	8,613
	13,574	22,878

18 Liquid funds and other listed investments

	2019 HK\$ million	2018 HK\$ million
Financial assets at amortised cost		
Managed funds - cash and cash equivalents, outside Hong Kong	42	66
Financial assets at FVOCI ⁽ⁱ⁾		
Listed equity securities, Hong Kong ⁽ⁱⁱ⁾	2,293	2,909
Listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	213	208
Managed funds - listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	202	154
Managed funds - listed debt securities, outside Hong Kong	4,933	4,770
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	-	1,089
	7,641	9,130
Financial assets at fair value through profit or loss - listed equity securities	39	96
	7,722	9,292

- (i) The fair values are based on quoted market prices.
- (ii) These equity securities are strategic investments and not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise these investments in this category so the Group considers this category to be the most appropriate classification.
- (iii) Included in listed / traded debt securities outside Hong Kong as at 31 December 2018 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million which are matured in 2019.
- (a) At 31 December, liquid funds and other listed investments totalling HK\$7,722 million (2018 - HK\$9,292 million) are denominated in the following currencies:

	2019			2018		
	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	-	30%	-	-	32%	-
US dollars	50%	66%	100%	26%	55%	100%
Other currencies	50%	4%	-	74%	13%	-
	100%	100%	100%	100%	100%	100%

18 Liquid funds and other listed investments (continued)

(b) At 31 December, listed / traded debt securities totalling HK\$4,933 million (2018 - HK\$5,859 million) presented above are analysed as follows:

	2019	2018
	Financial assets at FVOCI Percentage	Financial assets at FVOCI Percentage
Credit ratings		
Aaa / AAA	25%	20%
Aa1 / AA+	74%	60%
Other investment grades	–	4%
Unrated	1%	16%
	100%	100%
Sectorial		
US Treasury notes	70%	56%
Government and government guaranteed notes	20%	17%
Husky Energy notes	–	4%
Financial institutions notes	1%	–
Others	9%	23%
	100%	100%
Weighted average maturity	2.3 years	2.2 years
Weighted average effective yield	1.79%	1.58%

19 Other non-current assets

	2019	2018
	HK\$ million	HK\$ million
Investment properties (see note 20)	398	382
Customer acquisition and retention costs ^(a)	2,985	1,576
Contract assets (see note 22(b))	3,482	2,726
Unlisted investments		
Financial assets at amortised costs - debt securities ^(b)	174	170
Financial assets at FVOCI - equity securities ^(c)	1,825	1,953
Financial assets at fair value through profit or loss - equity securities	3,042	641
Financial assets at fair value through profit or loss - debt securities	304	318
Pension assets (see note 28)	101	–
Derivative financial instruments		
Fair value hedges - Interest rate swaps	46	19
Cash flow hedges		
Cross currency interest rate swaps	523	317
Net investment hedges		
Forward foreign exchange contracts	498	2,021
Cross currency swaps	609	427
Other derivative financial instruments	44	167
Others (mainly lease receivables)	245	–
	14,276	10,717

19 Other non-current assets (continued)

- (a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the year was HK\$1,571 million (2018 – HK\$1,188 million) and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.
- (b) The carrying value of the debt securities approximate their fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.
- (c) Equity securities where there is a history of dividends are carried at fair values based on the discounted present value of expected future dividends. The value of the remaining equity securities are not significant to the Group.

20 Investment properties

Investment properties are included in “Other non-current assets” (see note 19) in the statement of financial position.

	2019 HK\$ million	2018 HK\$ million
Valuation		
At 1 January	382	360
Increase in fair value of investment properties	16	22
At 31 December	398	382

Investment properties have been fair valued as at 31 December 2019 and 31 December 2018 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2019 and 2018, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2019 and 2018, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

21 Cash and cash equivalents

	2019 HK\$ million	2018 HK\$ million
Cash at bank and in hand	30,606	32,253
Short term bank deposits	106,521	103,158
	137,127	135,411

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

22 Trade receivables and other current assets

	2019 HK\$ million	2018 HK\$ million
Trade receivables ^(a)	18,673	20,391
Less: loss allowance provision	(1,810)	(1,136)
	16,863	19,255
Other current assets		
Derivative financial instruments		
Fair value hedges - Interest rate swaps	2	-
Net investment hedges		
Forward foreign exchange contracts	1,375	567
Cross currency swaps	77	-
Contract assets ^(b)	3,903	4,217
Prepayments	18,353	21,105
Other receivables	15,136	18,682
	55,709	63,826

- (a) Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, after netting of provision for estimated impairment losses. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 6% of the Group's revenue for the year ended 31 December 2019 (2018 - less than 4%).

At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2019 HK\$ million	2018 HK\$ million
Less than 31 days	9,948	11,830
Within 31 to 60 days	2,183	2,308
Within 61 to 90 days	753	994
Over 90 days	5,789	5,259
	18,673	20,391

22 Trade receivables and other current assets (continued)

Movements on the loss allowance provision for trade receivables are as follows:

	2019 HK\$ million	2018 HK\$ million
At 1 January	1,136	2,586
Additions	1,587	1,569
Utilisations	(902)	(2,003)
Write back	(10)	(9)
Exchange translation differences	(1)	(178)
Transfer to assets classified as held for sale	–	(829)
At 31 December	1,810	1,136

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision analysed by aging band are set out below.

	2019			2018		
	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	9,335	311	3%	10,206	115	1%
Past due less than 31 days	2,274	98	4%	2,993	72	2%
Past due within 31 to 60 days	725	73	10%	1,158	87	8%
Past due within 61 to 90 days	414	58	14%	604	100	17%
Past due over 90 days	5,925	1,270	21%	5,430	762	14%
	18,673	1,810		20,391	1,136	

- (b) As at 31 December 2019, contract assets of HK\$3,903 million (2018 - HK\$4,217 million) and HK\$3,482 million (2018 - HK\$2,726 million) are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 19) respectively. These amounts are net of provision for estimated impairment losses of HK\$1,052 million (2018 - HK\$493 million).

23 Assets and liabilities classified as held for sale

	2019 HK\$ million	2018 HK\$ million
Assets classified as held for sale		
Disposal group held for sale ^(d)	–	114,843
Non-current assets held for sale ^(e)	149	2,352
	149	117,195
Liabilities directly associated with assets classified as held for sale ^(d)	–	77,600

- (a) In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities for a cash consideration under the economic benefits agreements entered with CK Asset Holdings Limited, CKI and Power Assets. The cash consideration received is recorded as a financial liability under other non-current liabilities (see notes 29(b)).

On 20 December 2018, the board of directors of the Company approved a plan to streamline the Group's holdings of these interests. The plan was expected to be completed within a year from the reporting date and to result in de-recognition of the relevant assets and liabilities of these entities from the Group's statement of financial position. Consequently, these interests were reclassified for accounting purposes as disposal group and the associated assets and liabilities were presented as held for sale in the Group's financial statements for the year ended 31 December 2018.

- (b) During the current year, the Group completed supplementary agreements with the counter-parties to the economic agreements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these co-owned investments. Upon completion of all supplementary agreements on 30 December 2019, the relevant assets and liabilities of these entities, together with the relevant amount of the financial liabilities recognised in respect of the cash consideration received under the economic benefits agreements, are de-recognised from the Group's statement of financial position. The de-recognition does not result in gain or loss in the Group's income statement for the year ended 31 December 2019. For the purpose of the Group's statement of cash flows, the de-recognition gave rise to a net cash outflow of HK\$2,429 million, representing cash and cash equivalents de-recognised. Other than this cash flow, the de-recognition is a non-cash item for the purpose of the Group's statement of cash flows. During the current year, while classified as held for sales, these entities contributed HK\$4,768 million to the Group's net operating cash flows, incurred HK\$9,331 million outflow in respect of investing activities (inclusive of the aforementioned HK\$2,429 million outflow), and contributed HK\$978 million in respect of financing activities.
- (c) The Group is no longer actively pursuing the plan to streamline the holdings of its direct interest in the co-owned infrastructure investment in Australian Gas Networks. At 31 December 2019, this direct interest ceased to be classified as held for sale and has been reclassified from "Assets classified as held for sale" to "Interests in joint ventures" in the Group's statement of financial position. The reclassification has no impact on the profit for the current and comparative years and the total equity as at 31 December 2019 and 2018. As required by the applicable accounting standard, the reclassification has been applied retrospectively and the Group's financial statements for the year ended 31 December 2018 has been amended accordingly.

23 Assets and liabilities classified as held for sale (continued)

(d) The major classes of assets and liabilities classified as held for sale at the reporting date are as follows:

	2019 HK\$ million	2018 HK\$ million
Assets		
Fixed assets	–	71,309
Brand names and other rights	–	7,443
Goodwill	–	25,686
Interests in joint ventures	–	3,879
Deferred tax assets	–	416
Other non-current assets	–	304
Cash and cash equivalents	–	3,585
Inventories	–	56
Trade receivables and other current assets	–	2,165
Assets classified as held for sale	–	114,843
Liabilities		
Bank and other debts	–	57,707
Current tax liabilities	–	134
Trade payables and other current liabilities	–	4,453
Interest bearing loans from non-controlling shareholders	–	2,071
Deferred tax liabilities	–	6,255
Pension obligations	–	1,113
Other non-current liabilities	–	5,867
Liabilities directly associated with assets classified as held for sale	–	77,600
Net assets directly associated with disposal group	–	37,243
Non-controlling interests	–	3,021
Net assets and non-controlling interests directly associated with disposal group	–	34,222

23 Assets and liabilities classified as held for sale (continued)

- (e) In 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites and frequencies to an external third party. The transfer was expected to be completed within a year from the reporting date and the associated assets were consequently reclassified for accounting purposes and presented as held for sale in the Company's consolidated financial statements for the year ended 31 December 2018. There was no gain or loss recognised on reclassification in the income statement for the year ended 31 December 2018.

During 2019, Wind Tre finalised the transfer of the telecommunications frequencies to the external third party. The current year balance in the table below represents the carrying amount at 31 December 2019 of the remaining sites to be transferred to the external third party in 2020.

The major classes of assets classified as held for sale at the reporting date are as follows:

	2019 HK\$ million	2018 HK\$ million
Fixed assets	149	477
Telecommunications licences	–	1,875
	149	2,352

Non-current asset held for sale is presented within total assets of "3 Group Europe" segment in note 3(b)(vi) and "Europe" in note 3(b)(xii).

- (f) The cumulative income or expense recognised in other comprehensive income relating to non-current assets (or disposal group) classified as held for sale as at 31 December 2019 were nil (31 December 2018 – losses of HK\$5,949 million).

24 Bank and other debts

	2019			2018		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Principal amounts						
Bank loans	32,565	96,392	128,957	5,943	111,235	117,178
Other loans	4	255	259	38	410	448
Notes and bonds	9,100	204,642	213,742	19,710	209,582	229,292
	41,669	301,289	342,958	25,691	321,227	346,918
Unamortised fair value adjustments arising from acquisitions	–	4,539	4,539	553	5,197	5,750
Subtotal before the following items	41,669	305,828	347,497	26,244	326,424	352,668
Unamortised loan facilities fees and premiums or discounts related to debts	(1,675)	(1,230)	(2,905)	(1)	(656)	(657)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	1	(33)	(32)	(257)	(198)	(455)
	39,995	304,565	344,560	25,986	325,570	351,556

24 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows:

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans	32,565	96,392	128,957	5,943	111,235	117,178
Other loans	4	255	259	38	410	448
Notes and bonds						
HK\$500 million notes, 4.3% due 2020	500	–	500	–	500	500
HK\$500 million notes, 4.35% due 2020	500	–	500	–	500	500
HK\$300 million notes, 3.9% due 2020	300	–	300	–	300	300
HK\$400 million notes, 3.45% due 2021	–	400	400	–	400	400
HK\$300 million notes, 3.35% due 2021	–	300	300	–	300	300
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$1,000 million notes, 5.75% due 2019	–	–	–	7,800	–	7,800
US\$1,500 million notes, 7.625% due 2019	–	–	–	11,700	–	11,700
US\$1,000 million notes, 2.25% due 2020	7,800	–	7,800	–	7,800	7,800
US\$750 million notes, 1.875% due 2021	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 4.625% due 2022	–	11,700	11,700	–	11,700	11,700
US\$1,000 million notes, 2.875% due 2022	–	7,800	7,800	–	7,800	7,800
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$750 million notes, 2.75% due 2023	–	5,850	5,850	–	5,850	5,850
US\$750 million notes, 3.25% due 2024	–	5,850	5,850	–	–	–
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 2.75% due 2026	–	3,900	3,900	–	3,900	3,900
US\$1,843 million notes, 5% due 2026	–	–	–	–	14,375	14,375
US\$309 million notes - Series C, 7.5% due 2027	–	2,410	2,410	–	2,410	2,410
US\$500 million notes, 3.25% due 2027	–	3,900	3,900	–	3,900	3,900
US\$800 million notes, 3.5% due 2027	–	6,240	6,240	–	6,240	6,240
US\$500 million notes, 2.75% due 2029	–	3,900	3,900	–	–	–
US\$750 million notes, 3.625% due 2029	–	5,850	5,850	–	–	–
US\$1,039 million notes, 7.45% due 2033	–	8,107	8,107	–	8,107	8,107
US\$25 million notes - Series D, 6.988% due 2037	–	196	196	–	196	196
US\$750 million notes, 3.375% due 2049	–	5,850	5,850	–	–	–
EUR1,500 million notes, 1.375% due 2021	–	13,005	13,005	–	13,425	13,425
EUR750 million notes, 3.625% due 2022	–	6,502	6,502	–	6,712	6,712
EUR1,350 million notes, 1.25% due 2023	–	11,705	11,705	–	12,083	12,083
EUR1,500 million notes, 0.375% due 2023	–	13,005	13,005	–	–	–
EUR1,537 million notes, 2.625% due 2023	–	–	–	–	13,756	13,756
EUR600 million bonds, 1% due 2024	–	5,202	5,202	–	5,370	5,370
EUR1,000 million notes, 0.875% due 2024	–	8,670	8,670	–	8,950	8,950
EUR2,026 million notes, EURIBOR ^A + 2.75% due 2024	–	–	–	–	18,133	18,133
EUR750 million notes, 1.25% due 2025	–	6,503	6,503	–	6,712	6,712
EUR1,576 million notes, 3.125% due 2025	–	–	–	–	14,105	14,105
EUR1,000 million notes, 0.75% due 2026	–	8,670	8,670	–	–	–
EUR650 million notes, 2% due 2028	–	5,635	5,635	–	5,818	5,818
EUR1,000 million notes, 1.125% due 2028	–	8,670	8,670	–	–	–

24 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows (continued):

	2019			2018		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
EUR500 million notes, 2% due 2030	–	4,335	4,335	–	4,475	4,475
EUR750 million notes, 1.5% due 2031	–	6,502	6,502	–	–	–
GBP303 million notes, 5.625% due 2026	–	3,078	3,078	–	3,005	3,005
GBP500 million notes, 2% due 2027	–	5,080	5,080	–	–	–
GBP300 million notes, 2.625% due 2034	–	3,048	3,048	–	–	–
JPY3,000 million notes, 1.75% due 2019	–	–	–	210	–	210
JPY15,000 million notes, 2.6% due 2027	–	1,069	1,069	–	1,050	1,050
	9,100	204,642	213,742	19,710	209,582	229,292
	41,669	301,289	342,958	25,691	321,227	346,918

^ EURIBOR represents the Euro Interbank Offered Rate

Further analysis of the principal amount of bank and other debts are set out below:

(a) By year of repayment

	2019			2018		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Bank loans						
Within a year	32,565	–	32,565	5,943	–	5,943
After 1 year, but within 2 years	–	24,864	24,864	–	35,020	35,020
After 2 years, but within 5 years	–	71,528	71,528	–	76,215	76,215
	32,565	96,392	128,957	5,943	111,235	117,178
Other loans						
Within a year	4	–	4	38	–	38
After 1 year, but within 2 years	–	4	4	–	37	37
After 2 years, but within 5 years	–	178	178	–	273	273
After 5 years	–	73	73	–	100	100
	4	255	259	38	410	448
Notes and bonds						
Within a year	9,100	–	9,100	19,710	–	19,710
After 1 year, but within 2 years	–	19,555	19,555	–	9,100	9,100
After 2 years, but within 5 years	–	91,884	91,884	–	81,777	81,777
After 5 years	–	93,203	93,203	–	118,705	118,705
	9,100	204,642	213,742	19,710	209,582	229,292
	41,669	301,289	342,958	25,691	321,227	346,918

24 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(b) By secured and unsecured borrowings

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Secured borrowings	1	1,275	1,276	1,258	87,343	88,601
Unsecured borrowings	41,668	300,014	341,682	24,433	233,884	258,317
	41,669	301,289	342,958	25,691	321,227	346,918

(c) By borrowings at fixed and floating interest rate

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	9,112	204,897	214,009	19,748	191,859	211,607
Borrowings at floating rate	32,557	96,392	128,949	5,943	129,368	135,311
	41,669	301,289	342,958	25,691	321,227	346,918

(d) By borrowings at fixed and floating interest rate (adjusted for the effect of hedging transactions)

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	24,972	205,995	230,967	20,540	232,580	253,120
Borrowings at floating rate	16,697	95,294	111,991	5,151	88,647	93,798
	41,669	301,289	342,958	25,691	321,227	346,918

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures.

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2019, the notional amount of the outstanding interest rate swap agreements amounted to HK\$6,760 million (2018 - HK\$9,100 million) (See note 43(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2019, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$6,558 million and HK\$17,160 million respectively (2018 - HK\$33,453 million and HK\$17,160 million respectively) (See note 43(i)(ii)).

24 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(e) By currency

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	9%	32%	41%	6%	38%	44%
Euro	–	42%	42%	–	42%	42%
HK dollars	1%	3%	4%	–	3%	3%
British Pounds	2%	3%	5%	–	3%	3%
Other currencies	1%	7%	8%	1%	7%	8%
	13%	87%	100%	7%	93%	100%

(f) By currency (adjusted for the effect of hedging transactions)

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	4%	27%	31%	6%	27%	33%
Euro	5%	47%	52%	–	53%	53%
HK dollars	1%	3%	4%	–	3%	3%
British Pounds	2%	3%	5%	–	3%	3%
Other currencies	1%	7%	8%	1%	7%	8%
	13%	87%	100%	7%	93%	100%

As at 31 December 2019, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$36,660 million (2018 – HK\$38,610 million) (see note 43(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

25 Trade payables and other current liabilities

	2019 HK\$ million	2018 HK\$ million
Trade payables ^(a)	27,539	29,233
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	–	8
Cross currency interest rate swaps	318	–
Forward foreign exchange contracts	–	2
Other contracts	51	–
Net investment hedges – Forward foreign exchange contracts	345	6
Other derivative financial instruments	364	–
Interest free loans from non-controlling shareholders	380	385
Contract liabilities	6,188	5,880
Provisions (see note 26)	2,637	4,514
Other payables and accruals	61,536	76,244
	99,358	116,272

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2019 HK\$ million	2018 HK\$ million
Less than 31 days	19,932	19,764
Within 31 to 60 days	3,444	4,095
Within 61 to 90 days	1,742	2,392
Over 90 days	2,421	2,982
	27,539	29,233

(b) The Group's five largest suppliers accounted for less than 21% of the Group's cost of purchases for the year ended 31 December 2019 (2018 - less than 16%).

26 Provisions

	Provision for commitments, onerous contracts and other guarantees HK\$ million	Closure obligation HK\$ million	Assets retirement obligation HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2018	27,320	183	692	831	29,026
Additions	–	15	237	161	413
Interest accretion	–	6	17	–	23
Utilisations	(8,371)	(86)	(58)	(31)	(8,546)
Write back	–	(29)	–	(86)	(115)
Relating to subsidiaries acquired	12,774	–	926	601	14,301
Exchange translation differences	(535)	(10)	(40)	(14)	(599)
At 31 December 2018 and 1 January 2019	31,188	79	1,774	1,462	34,503
Additions	–	206	472	493	1,171
Interest accretion	–	1	23	–	24
Utilisations	(2,645)	(17)	(296)	(673)	(3,631)
Write back	–	(27)	–	(93)	(120)
Exchange translation differences	(485)	(16)	12	(31)	(520)
At 31 December 2019	28,058	226	1,985	1,158	31,427

Provisions are analysed as:

	2019 HK\$ million	2018 HK\$ million
Current portion (see note 25)	2,637	4,514
Non-current portion (see note 29)	28,790	29,989
	31,427	34,503

The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value. The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

27 Interest bearing loans from non-controlling shareholders

	2019 HK\$ million	2018 HK\$ million
Interest bearing loans from non-controlling shareholders	728	752

At 31 December 2019, these loans bear interest at rates at EURIBOR+2.0% (2018 - 2.3%) per annum. The carrying amounts of the borrowings approximate their fair values.

28 Pension plans

	2019 HK\$ million	2018 HK\$ million
Defined benefit assets (see note 19)	101	–
Defined benefit liabilities	3,123	2,443
Net defined benefit liabilities	3,022	2,443

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2019	2018
Discount rates	0.58% - 2.0%	0.4% - 3.0%
Future salary increases	1.4% - 4.0%	1.0% - 4.0%
Interest credited on two principal plans in Hong Kong	5.0% - 6.0%	5.0% - 6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2019 HK\$ million	2018 HK\$ million
Present value of defined benefit obligations	21,431	18,337
Fair value of plan assets	18,412	15,897
	3,019	2,440
Restrictions on assets recognised	3	3
Net defined benefit liabilities	3,022	2,443

28 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2019	18,337	(15,897)	3	2,443
Net charge (credit) to the income statement				
Current service cost	509	25	–	534
Interest cost (income)	454	(401)	–	53
	963	(376)	–	587
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	71	–	–	71
Actuarial loss arising from change in financial assumptions	2,751	–	–	2,751
Actuarial gain arising from experience adjustment	(37)	–	–	(37)
Return on plan assets excluding interest income	–	(2,027)	–	(2,027)
Exchange translation differences	44	(39)	–	5
	2,829	(2,066)	–	763
Contributions paid by the employer	–	(779)	–	(779)
Contributions paid by the employee	106	(106)	–	–
Benefits paid	(694)	694	–	–
Relating to subsidiaries disposed (see note 32(d))	(25)	24	–	(1)
Transfer from (to) other liabilities	(85)	94	–	9
At 31 December 2019	21,431	(18,412)	3	3,022

28 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2018	31,528	(27,761)	3	3,770
Net charge (credit) to the income statement				
Current service cost	710	51	–	761
Past service cost and gains and losses on settlements	67	–	–	67
Interest cost (income)	704	(616)	–	88
	1,481	(565)	–	916
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(113)	–	–	(113)
Actuarial gain arising from change in financial assumptions	(1,514)	–	–	(1,514)
Actuarial loss arising from experience adjustment	24	–	–	24
Return on plan assets excluding interest income	–	1,002	–	1,002
Exchange translation differences	(1,350)	1,208	–	(142)
	(2,953)	2,210	–	(743)
Contributions paid by the employer	–	(993)	–	(993)
Contributions paid by the employee	111	(111)	–	–
Benefits paid	(1,371)	1,371	–	–
Relating to subsidiaries acquired (see note 32(c))	594	–	–	594
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	(11,070)	9,957	–	(1,113)
Transfer from (to) other liabilities	17	(5)	–	12
At 31 December 2018	18,337	(15,897)	3	2,443

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

28 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2019, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$20 million (2018 - HK\$19 million) were used to reduce the current year's level of contributions and HK\$2 million forfeited contribution was available at 31 December 2019 (2018 - HK\$2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2018 reported a funding level of 89% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million in 2019 and agreed to make additional contributions of GBP8.5 million in 2020 and further aggregate additional contributions of GBP33.7 million until 31 January 2024 to eliminate the shortfall by 31 January 2024. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rate of 5.3% per annum; post-retirement discount rate of 2.3% per annum; pensionable earnings increases of 2.65% per annum; Retail Price Index ("RPI") inflation of 3.4% per annum; Consumer Price Index ("CPI") inflation of 2.4% per annum; and pension increases of 1.9% to 3.3% per annum. The valuation was prepared by Rhidian Williams FIA, a Fellow of the Institute and Faculty of Actuaries, of Quantum Advisory.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2018 reported a funding level of 79% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP20.5 million (included GBP2.0 million additional voluntary contribution) in 2019 (2018 - GBP16 million (included GBP5.5 million additional voluntary contribution)). A schedule of contributions was agreed with GBP18.5 million to pay in 2019 and 2020, and GBP2.7 million in 2021 to eliminate the shortfall by February 2021. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.08% to 4.44% per annum and pension increases of 1.28% to 3.68% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

28 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2019 Percentage	2018 Percentage
Equity instruments		
Consumer markets and manufacturing	7%	7%
Energy and utilities	2%	3%
Financial institutions and insurance	6%	5%
Telecommunications and information technology	6%	5%
Units trust and equity instrument funds	6%	6%
Others	8%	7%
	35%	33%
Debt instruments		
Government and government guaranteed notes	13%	17%
Financial institutions notes	5%	1%
Others	6%	7%
	24%	25%
Qualifying insurance policies	36%	22%
Properties	3%	6%
Other assets	2%	14%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2019 Percentage	2018 Percentage
Aaa / AAA	9%	4%
Aa1 / AA+	15%	3%
Aa2 / AA	37%	73%
Aa3 / AA-	2%	1%
A1 / A+	5%	1%
A2 / A	5%	6%
Other investment grades	24%	11%
No investment grades	3%	1%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK\$18,412 million (2018 - HK\$15,897 million) includes investments in the Company's shares with a fair value of HK\$26 million (2018 - HK\$28 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

28 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2019 is 18 years (2018 - 18 years).

The Group expects to make contributions of HK\$848 million (2018 - HK\$1,071 million) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), 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 actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.9% or increase by 3.1% respectively (2018 - decrease by 3.6% or increase by 3.8% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.6% or decrease by 0.5% respectively (2018 - increase by 0.3% or decrease by 0.3% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,407 million (2018 - HK\$1,363 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$15 million (2018 - HK\$16 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2019 (2018 - nil) to reduce future years' contributions.

29 Other non-current liabilities

	2019 HK\$ million	2018 HK\$ million
Contract liabilities	–	3
Derivative financial instruments		
Fair value hedges - Interest rate swaps	–	116
Cash flow hedges		
Interest rate swaps	328	373
Cross currency interest rate swaps	–	928
Net investment hedges		
Forward foreign exchange contracts	24	–
Cross currency swaps	26	45
Other derivative financial instruments	171	481
Obligations for telecommunications licences and other rights	10,001	9,613
Other non-current liabilities ^(a)	12,362	15,610
Liabilities relating to the economic benefits agreements ^(b)	2,166	14,308
Provisions (see note 26)	28,790	29,989
	53,868	71,466

(a) Includes equipment purchase payables of HK6,149 million (2018 - HK\$10,906 million).

(b) In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group. In December 2019, upon completion of supplementary agreements entered with counter-parties to the economic benefits agreements, the Group is no longer required to return the consideration received from the economic benefits agreements in respect of its direct interest in five infrastructure investments co-owned with CKI including interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities.

30 Share capital, share premium, perpetual capital securities and capital management

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	8,000,000,000	8,000	–	8,000
Issued and fully paid:				
Ordinary shares				
At 1 January 2018	3,857,678,500	3,858	244,505	248,363
Buy-back and cancellation of issued shares ⁽ⁱ⁾	(1,438,000)	(2)	(128)	(130)
At 31 December 2018, 1 January and 31 December 2019	3,856,240,500	3,856	244,377	248,233

- (i) The Company acquired a total of 1,438,000 of its own shares through purchases on the Stock Exchange on 4, 5 and 6 September 2018. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK\$131 million and has been deducted from share capital and share premium of HK\$130 million and retained profit of HK\$1 million.

(b) Perpetual capital securities

	2019 HK\$ million	2018 HK\$ million
US\$1,000 million issued in 2017	7,842	7,842
EUR500 million issued in 2018	4,568	4,484
	12,410	12,326

In May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$1,000 million (approximately HK\$7,800 million) and EUR500 million (approximately HK\$4,475 million) respectively for cash.

During the year ended 31 December 2018, the Group had redeemed (i) US\$425.3 million (approximately HK\$3,296 million) of the remaining outstanding US\$500 million (approximately HK\$3,875 million) nominal amount of perpetual capital securities that were originally issued in January 2013 and (ii) EUR1,750 million (approximately HK\$17,879 million) nominal amount of perpetual capital securities that were originally issued in May 2013.

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

30 Share capital, share premium, perpetual capital securities and capital management (continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2019, total equity amounted to HK\$596,963 million (2018 - HK\$590,823 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$202,648 million (2018 - HK\$207,965 million). The Group's net debt to net total capital ratio decreased to 25.3% from 26.0% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios ⁽ⁱ⁾ at 31 December:

	2019	2018
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	25.3%	26.0%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	27.8%	27.8%
B1 – including interest-bearing loans from non-controlling shareholders as debt	25.4%	26.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	27.9%	27.9%

- (i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

31 Reserves

	2019				
	Retained profit	Attributable to ordinary shareholders			Total
		Exchange reserve	Hedging reserve	Others ^(a)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2018, as previously reported, and 1 January 2019	576,381	(31,979)	(2,138)	(344,346)	197,918
Effect on adoption of HKFRS 16 (see note 41)	(11,812)	–	–	–	(11,812)
At 1 January 2019, as adjusted	564,569	(31,979)	(2,138)	(344,346)	186,106
Profit for the year	39,830	–	–	–	39,830
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(228)	(228)
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	104	104
Valuation losses previously in reserves recognised in income statement	–	–	–	29	29
Remeasurement of defined benefit obligations recognised directly in reserves	(625)	–	–	–	(625)
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Losses recognised directly in reserves	–	–	(692)	–	(692)
Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	–	(414)	–	–	(414)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(582)	–	–	(582)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	2,787	1,108	(45)	3,850
Gains previously in other reserves related to subsidiaries, associated companies and joint ventures disposed during the year transferred directly to retained profit	297	–	–	(297)	–
Share of other comprehensive income of associated companies	230	21	87	42	380
Share of other comprehensive income (losses) of joint ventures	433	(599)	107	(5)	(64)
Tax relating to components of other comprehensive income (losses)	130	–	88	–	218
Other comprehensive income (losses), net of tax	465	1,213	698	(400)	1,976
Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	–	(73)	–	(73)
Dividends paid relating to 2018	(8,870)	–	–	–	(8,870)
Dividends paid relating to 2019	(3,355)	–	–	–	(3,355)
Share option schemes and long term incentive plans of subsidiary companies	4	–	–	32	36
Transfer of gain on disposal of equity securities at FVOCI to retained profit	49	–	–	(49)	–
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(200)	(200)
Relating to partial disposal of subsidiary companies	–	6	–	590	596
Gains previously in other reserves related to partial disposal of subsidiary companies during the year transferred directly to retained profit	7	–	–	(7)	–
At 31 December 2019	592,705	(30,760)	(1,513)	(344,380)	216,052

Notes to the Financial Statements

31 Reserves (continued)

	2018				Total HK\$ million
	Retained profit HK\$ million	Attributable to ordinary shareholders			
		Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2018	547,877	(20,642)	(2,094)	(343,018)	182,123
Profit for the year	39,000	–	–	–	39,000
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(1,490)	(1,490)
Debt securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(20)	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	455	–	–	–	455
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Gains recognised directly in reserves	–	–	322	–	322
Gains on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	–	2,892	–	–	2,892
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(7,733)	–	–	(7,733)
Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	–	(1,885)	75	–	(1,810)
Share of other comprehensive income (losses) of associated companies	285	(2,417)	(175)	(112)	(2,419)
Share of other comprehensive income (losses) of joint ventures	381	(4,145)	(186)	32	(3,918)
Tax relating to components of other comprehensive income (losses)	(70)	–	(66)	–	(136)
Other comprehensive income (losses), net of tax	1,051	(13,288)	(30)	(1,590)	(13,857)
Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	–	(14)	–	(14)
Impact of hyperinflation	(173)	208	–	(14)	21
Dividends paid relating to 2017	(7,985)	–	–	–	(7,985)
Dividends paid relating to 2018	(3,356)	–	–	–	(3,356)
Redemption of perpetual capital securities	–	1,740	–	–	1,740
Transaction costs in relation to issuance of perpetual capital securities	(33)	–	–	–	(33)
Buy-back and cancellation of issued shares (see note 30(a)(i))	(1)	–	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	4	–	–	23	27
Transfer of loss on disposal of equity securities at FVOCI to retained profit	(16)	–	–	16	–
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(28)	(28)
Relating to partial disposal of subsidiary companies	4	3	–	268	275
Gains previously in other reserves related to deemed disposed of associated companies during the year transferred directly to retained profit	3	–	–	(3)	–
At 31 December 2018	576,381	(31,979)	(2,138)	(344,346)	197,918

31 Reserves (continued)

- (a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2019, revaluation reserve deficit amounted to HK\$3,111 million (1 January 2019 - HK\$2,985 million and 1 January 2018 - HK\$1,452 million), and other capital reserves deficit amounted to HK\$341,269 million (1 January 2019 - HK\$341,361 million and 1 January 2018 - HK\$341,566 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.
- (b) Set out below are the before and after related tax effects of other comprehensive income (losses) for the years:

	2019		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(323)	–	(323)
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	104	–	104
Valuation losses previously in reserves recognised in income statement	29	–	29
Remeasurement of defined benefit obligations recognised directly in reserves	(899)	170	(729)
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(808)	103	(705)
Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	(547)	–	(547)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(813)	–	(813)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,535	–	4,535
Share of other comprehensive income of associated companies	340	–	340
Share of other comprehensive income (losses) of joint ventures	(68)	–	(68)
	1,550	273	1,823
	2018		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(1,652)	–	(1,652)
Debt securities at FVOCI			
Valuation losses recognised directly in reserves	(20)	–	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	615	(93)	522
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains recognised directly in reserves	363	(69)	294
Gains on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	3,735
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(9,305)	–	(9,305)
Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	(2,093)	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,611)	–	(2,611)
Share of other comprehensive income (losses) of joint ventures	(4,761)	–	(4,761)
	(15,729)	(162)	(15,891)

32 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2019 HK\$ million	2018 HK\$ million
Profit after tax	47,777	46,580
Less: share of profits less losses of		
Associated companies	(1,524)	(2,888)
Joint ventures	(7,404)	(10,220)
	38,849	33,472
Adjustments for:		
Current tax charge	4,891	3,912
Deferred tax charge (credit)	1,129	(1,294)
Interest expenses and other finance costs	14,305	9,797
Depreciation and amortisation	38,129	19,739
Others	552	61
EBITDA of Company and subsidiaries ⁽ⁱ⁾	97,855	65,687
Loss on disposal of fixed assets	170	22
Dividends received from associated companies and joint ventures	9,097	14,519
Profit on disposal of subsidiaries, associated companies and joint ventures	(7,293)	(2,641)
Other items		
Customer acquisition and retention costs capitalised in the year	(3,045)	(1,680)
Others	(1,493)	(3,317)
	95,291	72,590

32 Notes to consolidated statement of cash flows (continued)

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital (continued)

(i) Reconciliation of EBITDA:

	2019 HK\$ million	2018 HK\$ million
EBITDA of Company and subsidiaries	97,855	65,687
Divesture of infrastructure investments	(69)	(645)
	97,786	65,042
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	1,524	2,888
Joint ventures	7,404	10,220
Adjustments for:		
Depreciation and amortisation	21,008	21,615
Interest expenses and other finance costs	7,225	8,463
Current tax charge	3,202	3,813
Deferred tax charge (credit)	(1,272)	1,652
Non-controlling interests	480	700
Others	(552)	(61)
	39,019	49,290
EBITDA (see notes 3(b)(ii) and 3(b)(xiii))	136,805	114,332

(b) Changes in working capital

	2019 HK\$ million	2018 HK\$ million
Increase in inventories	(1,252)	(2,433)
Increase in trade receivables and other current assets	(202)	(2,166)
Increase (decrease) in trade payables and other current liabilities	(4,810)	5,224
Other non-cash items	687	(2,236)
	(5,577)	(1,611)

32 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

During the comparative year ended 31 December 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	2019 HK\$ million	2018 HK\$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	41	21,782
Deferred consideration	–	11
Non-cash consideration	16	498
Fair value of investments held by the Company prior to acquisition	–	39,620
	57	61,911
Fair value		
Fixed assets	41	18,169
Telecommunications licences	–	32,802
Brand names and other rights	–	22,979
Deferred tax assets	–	2
Other non-current assets	–	20
Cash and cash equivalents	11	7,459
Trade receivables and other current assets	9	15,141
Contract assets	–	1,863
Inventories	5	711
Assets held for sale	–	2,007
Trade payables and other current liabilities and current tax liabilities	(9)	(30,665)
Contract liabilities	–	(1,776)
Bank and other debts	–	(93,856)
Pension obligations	–	(594)
Other non-current liabilities	–	(9,909)
Net identifiable assets (liabilities) acquired	57	(35,647)
Non-controlling interests	–	(44)
	57	(35,691)
Goodwill	–	97,602
Total consideration	57	61,911
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	41	21,782
Cash and cash equivalents acquired	(11)	(7,459)
Total net cash outflow	30	14,323

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

For the year ended 31 December 2019, acquisition related costs were immaterial while for the comparative year ended 31 December 2018, acquisition related costs of HK\$145 million had been charged to income statement and included in the line item titled other operating expenses.

For the year ended 31 December 2019, the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the year since the respective date of acquisition were not material.

For the comparative year ended 31 December 2018, the subsidiaries acquired during the year contributed HK\$14,566 million to the Group's revenue and HK\$3,773 million to the Group's profit before tax since the respective date of acquisition.

32 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2019 HK\$ million	2018 HK\$ million
Consideration received or receivable		
Cash and cash equivalents	223	1,628
Investments retained subsequent to disposal	13,565	–
Total disposal consideration	13,788	1,628
Carrying amount of net assets disposed	(6,254)	(644)
Cumulative exchange losses in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	(16)	(70)
Gain on disposal*	7,518	914
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	223	1,628
Less: Cash and cash equivalents disposed	(1,745)	(507)
Total net cash consideration	(1,522)	1,121
Analysis of assets and liabilities over which control was lost		
Fixed assets	270	339
Right-of-use assets	743	–
Leasehold land	–	68
Goodwill	10,438	–
Brand names and other rights	2	–
Interests in joint ventures	1,129	–
Deferred tax assets	9	–
Trade receivables and other current assets	584	28
Inventories	331	11
Trade payables and other current liabilities and current tax liabilities	(1,542)	(19)
Loans from non-controlling shareholders	(5)	–
Lease liabilities	(930)	–
Deferred tax liabilities	(33)	(7)
Pension obligations	(1)	–
Non-controlling interests	(6,486)	(283)
Net assets (excluding cash and cash equivalents) disposed	4,509	137
Cash and cash equivalents disposed	1,745	507
Net assets disposed	6,254	644

* The gains on disposal for the year ended 31 December 2019 and 2018 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

Disposal of subsidiary companies mainly comprise the disposal of former subsidiary, Chi-Med (see note 3(b)(xvi)).

The effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2019 and 2018.

32 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

The following table sets out an analysis of the cash flows and non-cash flows changes in liabilities arising from financing activities:

	Bank and other debts HK\$ million	Lease liabilities HK\$ million	Interest bearing loans from non- controlling shareholders HK\$ million	Interest free loans from non- controlling shareholders HK\$ million	Liabilities relating to the economic benefits agreements HK\$ million	Total HK\$ million
At 1 January 2018	331,988	–	3,143	389	–	335,520
Financing cash flows						
New borrowings	55,313	–	–	–	–	55,313
Repayment of borrowings	(54,961)	–	–	–	–	(54,961)
Net loans to non-controlling shareholders	–	–	(181)	(4)	–	(185)
Consideration received from the economic benefits agreements (see note 29(b))	–	–	–	–	14,308	14,308
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	235	–	–	–	–	235
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(115)	–	–	–	–	(115)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,522)	–	–	–	–	(1,522)
Relating to subsidiaries acquired (see note 32(c))	93,856	–	–	–	–	93,856
Derecognition of notes and bonds *	(5,633)	–	–	–	–	(5,633)
Exchange translation differences	(9,898)	–	(139)	–	–	(10,037)
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	(57,707)	–	(2,071)	–	–	(59,778)
At 31 December 2018, as previously reported, and 1 January 2019	351,556	–	752	385	14,308	367,001
Effect on adoption of HKFRS 16 (see note 41)	(174)	92,130	–	–	–	91,956
At 1 January 2019, as adjusted	351,382	92,130	752	385	14,308	458,957
Financing cash flows						
New borrowings	207,349	–	–	–	–	207,349
Repayment of borrowings	(208,714)	–	–	–	–	(208,714)
Capital element of lease liabilities paid (see note 10(c))	–	(15,969)	–	–	–	(15,969)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	303	–	–	–	–	303
Losses arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	169	–	–	–	–	169
Amortisation of bank and other debts' fair value adjustments arising from acquisitions	(953)	–	–	–	–	(953)
Increase in lease liabilities from entering into new leases (see note 10(a))	–	17,851	–	–	–	17,851
Interest on lease liabilities (see note 5)	–	3,642	–	–	–	3,642
Interest element of lease liabilities paid (included in "net cash from operating activities")	–	(3,891)	–	–	–	(3,891)
Remeasurement / write off of lease liabilities	–	939	–	–	–	939
Relating to subsidiaries disposed (see note 32(d))	–	(930)	–	(5)	–	(935)
Derecognition	–	–	–	–	(12,142)	(12,142)
Exchange translation differences	(4,976)	(84)	(24)	–	–	(5,084)
At 31 December 2019	344,560	93,688	728	380	2,166	441,522

* via transfer from liquid funds and other listed investments

33 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

34 Pledge of assets

At 31 December 2019, assets of the Group totalling HK\$1,260 million (2018 - HK\$111,017 million) were pledged as security for bank and other debts. The decrease is mainly attributable to repayment of secured loans during the year.

35 Contingent liabilities and guarantees

At 31 December 2019, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$6,960 million (2018 - HK\$4,138 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2019 HK\$ million	2018 HK\$ million
To associated companies	3,050	2,777
To joint ventures	3,008	728

At 31 December 2019, the Group had provided performance and other guarantees of HK\$2,817 million (2018 - HK\$2,885 million).

36 Commitments

The Group's outstanding commitments contracted for at 31 December 2019, where material, not provided for in the financial statements at 31 December 2019 are as follows:

Capital commitments

- (a) Ports and Related Services - HK\$150 million (2018 - HK\$214 million)
- (b) 3 Group Europe - HK\$8,955 million (2018 - HK\$6,441 million)
- (c) Telecommunications, Hong Kong and Asia - HK\$4,251 million (2018 - HK\$2,092 million)
- (d) Other fixed assets - HK\$399 million (2018 - HK\$276 million)

As at 31 December 2018, the operating lease commitments were as follows:

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

- (a) In the first year - HK\$13,517 million
- (b) In the second to fifth years inclusive - HK\$23,516 million
- (c) After the fifth year - HK\$45,133 million

Operating lease commitments – future aggregate minimum lease payments for other assets

- (a) In the first year - HK\$1,850 million
- (b) In the second to fifth years inclusive - HK\$3,870 million
- (c) After the fifth year - HK\$698 million

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases. See note 10 for further information.

37 Related parties transactions

Saves as disclosed elsewhere in these financial statements, transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 15 and 16. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

38 Legal proceedings

As at 31 December 2019, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

39 Profit before tax

Profit before tax is shown after charging (crediting) the following items:

	2019 HK\$ million	2018 HK\$ million
Cost of goods sold		
included in "cost of inventories sold"	105,959	109,564
included in "expensed customer acquisition and retention costs"	11,579	11,909
Following items are included in "other operating expenses"		
Cost of providing services ^(a)	26,034	20,247
Office and general administrative expenses	8,523	7,375
Legal and professional fees	1,559	1,843
Divestiture loss	–	3,626
Re-measurement and other gains	–	(8,600)
Gain on disposal of subsidiary companies	(7,518)	(914)
Operating lease expenses ^(b)		
Properties	–	18,896
Hire of plant and machinery	–	2,105
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	246	201
- other auditors	23	22
Non-audit work ^(c)		
- PricewaterhouseCoopers	26	41
- other auditors	66	48

(a) Include telecommunication network related costs of HK\$14,873 million (2018 - HK\$11,957 million), repair and maintenance of HK\$5,199 million (2018 - HK\$2,289 million) and others of HK\$5,962 million (2018 - HK\$6,001 million).

(b) The Group has adopted HKFRS 16 "Leases" with effect from 1 January 2019. Please see note 10 for details of amounts recognised in the income statement relating to the right-of-use assets and lease liabilities recognised under HKFRS 16, of which HK\$5,559 million are included under "other operating expenses" for the current year. Prior to 1 January 2019, the Group accounted for leases under HKAS 17 and the operating lease expenses were included under "other operating expenses".

(c) Non-audit work include tax compliance and other tax services, and financial due diligence services.

40 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes elsewhere in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2019 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Joint arrangement

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. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 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.

40 Significant accounting policies (continued)

(d) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 1/3 – 20%
Container terminal equipment	3 – 20%
Telecommunications equipment	2.5 – 20%
Rolling stock and other railway assets	2.5 – 5%
Water and sewerage infrastructure assets	0.5 – 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount.

40 Significant accounting policies *(continued)*

(f) Leases

(i) Policy applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and certain IT-equipment.

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

40 Significant accounting policies (continued)

(f) Leases (continued)

(i) Policy applied from 1 January 2019 (continued)

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(ii) Policy applied prior to 1 January 2019

Until the 2018 financial year, leases were classified as either operating leases or finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(g) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(h) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land prior to 1 January 2019 and are grouped as part of right-of-use assets with effect from 1 January 2019. Leasehold land are expensed in the income statement on a straight-line basis over the period of the lease.

(i) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have indefinite useful lives to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(j) Customer acquisition and retention costs

Customer acquisition and retention costs ("CACs") comprise the net costs to acquire and retain customers, which are mainly mobile telecommunication 3G and LTE customers. CACs are expensed and recognised in the income statement in the period in which they are incurred, except (i) the costs are incremental of obtaining a contract and they are expected to be recovered; and (ii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

40 Significant accounting policies (continued)

(k) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(l) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to fifteen years over the expected useful life of the customer relationship.

(m) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(n) Liquid funds and other listed investments and other unlisted investments and other financial assets

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire.

(i) Measurement

Debt instrument financial assets subsequent to initial recognition are measured as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

40 Significant accounting policies (continued)

(n) Liquid funds and other listed investments and other unlisted investments and other financial assets (continued)

(i) Measurement (continued)

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(ii) Impairment

Under the expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model under HKFRS 9 applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

(o) 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. Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 43(i). Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

40 Significant accounting policies (continued)

(o) Derivative financial instruments and hedging activities (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset. For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the derivative financial instruments is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(p) Trade and other receivables, and contract assets

Trade receivables are recognised when the Group's right to consideration is unconditional that only the passage of time is required before the payment is due.

Contract assets primarily relate to the Group's rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

40 Significant accounting policies *(continued)*

(p) Trade and other receivables, and contract assets *(continued)*

Trade and other receivables and contract assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measured the loss allowance for its trade and other receivables and contract assets at an amount equal to the lifetime expected credit losses. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(q) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

(r) 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.

(s) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Trade and other payables, and contract liabilities

Trade and other payables and contract liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

(u) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

(v) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(w) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

40 Significant accounting policies *(continued)*

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

40 Significant accounting policies (continued)

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ending after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions during the reporting period and non-monetary balances at the end of the reporting period of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 283 in December 2019 (2018 - 183) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

40 Significant accounting policies (continued)

(ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Ports and Related Services

Revenue from the provision of ports and related services is recognised over time when the services are rendered and the Group's performance provides the benefits received and consumed simultaneously by the customer.

Retail

Revenue from the sale of retail goods is recognised at point of sale less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually settled in cash or by credit card and debit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

40 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Infrastructure

Operating lease income from the rental of rolling stock assets is recognised on a straight-line basis over the lease term.

Contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, and other contributions to capital investment, most significantly mains and sewer diversions, the contributions are recognised in full in the income statement upon completion of the investment, which are typically the point at which the associated asset is brought into use.

Revenue from the provision of waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations is recognised when a performance obligation is satisfied, which is recognised at a point of time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Energy

Revenue is recognised when the performance obligations are satisfied and revenue can be reliably measured. Performance obligations associated with the sale of crude oil, crude oil equivalents, and refined products are satisfied at the point in time when the products are delivered to and title passes to the customer. Performance obligations associated with processing services, transportation, blending and storage, and marketing services are satisfied at the point in time when the services are provided.

Telecommunications services

Revenue represents amounts earned for services rendered and for the sale of mobile and related devices. The Group recognises revenue for mobile devices when it transfers the control over the device to the customer which is usually the time the customer signs up to a contract. The Group recognises revenue for mobile telecommunication services as the services are rendered. Monthly recurring charges and additional airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each period is accrued, and unearned monthly access charges relating to periods after each accounting period are deferred. Products and services may be sold separately or in a bundled transaction. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

40 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Telecommunications services (continued)

For bundled transactions under contract comprising the provision of telecommunications services and sale of a device (e.g. handsets), the elements are accounted for separately if they are distinct. A product or service is distinct if they are separately identifiable from other items in the bundled package and if the customer can benefit from it. The revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided.

Other service income is recognised when the service is rendered. Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income. Total revenue arising from telecommunications services comprises of service revenue, sale of device revenue and other service income.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(ad) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Hong Kong dollars unless otherwise stated.

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2020, but not yet effective and have not been early adopted by the Group:

HKAS 1 and HKAS 8 (Amendments) ⁽ⁱ⁾	Definition of Material
HKFRS 3 (Amendments) ⁽ⁱ⁾	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) ⁽ⁱ⁾	Interest Rate Benchmark Reform
HKFRS 10 and HKAS 28 (Amendments) ⁽ⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(i) Effective for the Group for annual periods beginning on or after 1 January 2020.

(ii) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group there are no new standards or amendments to standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

41 Changes in significant accounting policies

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting HKFRS 16. The effect on adoption of this standard is summarised below. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019.

(a) HKFRS 16

The new leases standard HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces HKAS 17 "Leases".

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new lease standard requires lessees to account for all leases in a similar way to finance leases under the principles of precedent lease accounting standard HKAS 17. At the commencement date of the lease the lessee recognises and measures a lease liability at the present value of the minimum future lease payments and recognises a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability and depreciation charge on the right-of-use asset.

Under the new lease standard, total interest and depreciation over the entire term of a lease equals total rental expense under HKAS 17, but total lease expense on an individual lease basis is front loaded as interest is higher in the beginning of the term where rental expense under the HKAS 17 basis is recognised on a straight-line basis.

HKFRS 16 has no impact on:

- cash.
- the Group's underlying business economics.
- how the Group operates the businesses.

HKFRS 16 has a significant impact on the Group's financial statements. Impacts include:

- statement of financial position is "grossed up", as substantially all leases are brought on balance sheet, including lease renewals where management is "reasonably certain".
- increase in EBITDA and EBIT (no longer operating lease expense, now interest and depreciation).
- negative net earnings and EPS impact earlier in the lease term on an individual lease basis.
- nil cumulative net earnings and EPS impact over the term of the lease.
- change in classification of amounts on the statement of cash flows and statement of financial position.

In applying HKFRS 16 for the first time, the Group has applied the following recognition exemptions and practical expedients permitted by the standard:

- grandfather the definition of a lease for existing contracts at the date of initial application.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous.
- the use of recognition exemption to leases with a remaining lease term of less than 12 months at 1 January 2019.
- the use of recognition exemption to leases for which the underlying asset is of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining lease term at the date of initial application.

41 Changes in significant accounting policies (continued)

(b) How the Group's leasing activities are accounted for

Until the 2018 financial year, leases were classified as either operating leases or finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and certain IT-equipment.

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

41 Changes in significant accounting policies (continued)

(c) Reconciliation from lease commitments to lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019:

	HK\$ million
Operating lease commitments disclosed at 31 December 2018	88,584
Discounted using the Group's weighted average incremental borrowing rate of 3.7%	59,457
Add: finance lease liabilities recognised as at 31 December 2018	174
Less: leases end within 12 months from the date of initial application	(361)
Less: low-value leases recognised on a straight-line basis as expense	(94)
Less: non lease components	(1,492)
Add: adjustments as a result of a different treatment of contractual and expected lease periods including extension options	33,825
Add: adjustments relating to changes in the index or rate affecting variable payments	428
Others (mainly prepaid and accrued lease expenses)	193
Lease liability recognised at 1 January 2019	92,130
Of which are:	
Current lease liabilities	15,713
Non-current lease liabilities	76,417
	92,130

(d) Effect on adoption of HKFRS 16

The Group has initially applied HKFRS 16 with effect from 1 January 2019. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of precedent lease accounting standard HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities on 1 January 2019 was 3.7%. For leases previously classified as finance leases under HKAS 17, the Group transferred the carrying amounts (immediately before transition) of the underlying assets and obligations, previously grouped for financial statements presentation purposes under Fixed assets and Other debts, to Right-of-use assets and Lease liability at 1 January 2019. In addition, leasehold land previously presented as a separate item on the statement of financial position is grouped as part of right-of-use assets with effect from 1 January 2019.

The Group has applied the modified retrospective approach to adopt HKFRS 16. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening equity at 1 January 2019, and with no restatement of the comparative period. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019. The adoption has resulted in a HK\$15,699 million decrease in the opening balance of total equity on 1 January 2019. The impact is mainly attributable to the recognition of Right-of-use assets and Lease liabilities of lease contracts, as explained further below.

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(i) Opening consolidated statement of financial position on 1 January 2019

As explained above, HKFRS 16 was adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies for leases are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 January 2019.

	31 December 2018 Restated* HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	1 January 2019 As adjusted HK\$ million
Non-current assets			
Fixed assets	110,605	(560)	110,045
Right-of-use assets	–	83,157	83,157
Leasehold land	7,702	(7,702)	–
Telecommunications licences	64,221	–	64,221
Brand names and other rights	88,761	–	88,761
Goodwill	323,160	–	323,160
Associated companies	136,287	(36)	136,251
Interests in joint ventures	121,397	(709)	120,688
Deferred tax assets	20,260	1,632	21,892
Liquid funds and other listed investments	9,292	–	9,292
Other non-current assets	10,717	315	11,032
	892,402	76,097	968,499
Current assets			
Cash and cash equivalents	135,411	–	135,411
Inventories	23,410	–	23,410
Trade receivables and other current assets	63,826	(2,829)	60,997
	222,647	(2,829)	219,818
Assets classified as held for sale	117,195	342	117,537
	339,842	(2,487)	337,355
Current liabilities			
Bank and other debts	25,986	(34)	25,952
Current tax liabilities	2,071	–	2,071
Lease liabilities	–	15,713	15,713
Trade payables and other current liabilities	116,272	(2,027)	114,245
	144,329	13,652	157,981
Liabilities directly associated with assets classified as held for sale	77,600	368	77,968
	221,929	14,020	235,949
Net current assets	117,913	(16,507)	101,406
Total assets less current liabilities	1,010,315	59,590	1,069,905
Non-current liabilities			
Bank and other debts	325,570	(140)	325,430
Interest bearing loans from non-controlling shareholders	752	–	752
Lease liabilities	–	76,417	76,417
Deferred tax liabilities	19,261	(988)	18,273
Pension obligations	2,443	–	2,443
Other non-current liabilities	71,466	–	71,466
	419,492	75,289	494,781
Net assets	590,823	(15,699)	575,124
Capital and reserves			
Share capital	3,856	–	3,856
Share premium	244,377	–	244,377
Reserves	197,918	(11,812)	186,106
Total ordinary shareholders' funds	446,151	(11,812)	434,339
Perpetual capital securities	12,326	–	12,326
Non-controlling interests	132,346	(3,887)	128,459
Total equity	590,823	(15,699)	575,124

* See note 23(c).

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(ii) Consolidated income statement for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
Revenue	299,021	–	299,021
Cost of inventories sold	(105,983)	24	(105,959)
Staff costs	(37,958)	–	(37,958)
Expensed customer acquisition and retention costs	(18,247)	492	(17,755)
Depreciation and amortisation	(21,256)	(16,873)	(38,129)
Other operating expenses	(60,174)	20,128	(40,046)
Share of profits less losses of:			
Associated companies	1,579	(55)	1,524
Joint ventures	7,684	(280)	7,404
	64,666	3,436	68,102
Interest expenses and other finance costs	(10,682)	(3,623)	(14,305)
Profit before tax	53,984	(187)	53,797
Current tax	(4,871)	(20)	(4,891)
Deferred tax credit (charge)	(1,194)	65	(1,129)
Profit after tax	47,919	(142)	47,777
Profit attributable to non-controlling interests and holders of perpetual capital securities	(8,031)	84	(7,947)
Profit attributable to ordinary shareholders	39,888	(58)	39,830
Earnings per share for profit attributable to ordinary shareholders	HK\$ 10.34	(HK\$0.01)	HK\$10.33

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(iii) Consolidated statement of comprehensive income for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
Profit after tax	47,919	(142)	47,777
Other comprehensive income (losses)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations recognised directly in reserves	(899)	–	(899)
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(323)	–	(323)
Share of other comprehensive income of associated companies	300	–	300
Share of other comprehensive income of joint ventures	564	–	564
Tax relating to items that will not be reclassified to profit or loss	170	–	170
	(188)	–	(188)
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Debt securities at FVOCI			
Valuation gains (losses) recognised directly in reserves	104	–	104
Valuation losses previously in reserves recognised in income statement	29	–	29
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains (losses) recognised directly in reserves	(808)	–	(808)
Gains (losses) on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	(547)	–	(547)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(663)	(150)	(813)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,534	1	4,535
Share of other comprehensive income (losses) of associated companies	40	–	40
Share of other comprehensive income (losses) of joint ventures	(635)	3	(632)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	103	–	103
	2,157	(146)	2,011
Other comprehensive income (losses), net of tax	1,969	(146)	1,823
Total comprehensive income	49,888	(288)	49,600
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(7,941)	147	(7,794)
Total comprehensive income attributable to ordinary shareholders	41,947	(141)	41,806

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(iv) Consolidated statement of financial position on 31 December 2019

	As at 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
Non-current assets			
Fixed assets	119,835	(704)	119,131
Right-of-use assets	–	83,708	83,708
Leasehold land	7,209	(7,209)	–
Telecommunications licences	63,387	–	63,387
Brand names and other rights	88,275	–	88,275
Goodwill	308,986	–	308,986
Associated companies	144,842	(91)	144,751
Interests in joint ventures	144,541	(986)	143,555
Deferred tax assets	18,640	1,713	20,353
Liquid funds and other listed investments	7,722	–	7,722
Other non-current assets	14,031	245	14,276
	917,468	76,676	994,144
Current assets			
Cash and cash equivalents	137,127	–	137,127
Inventories	23,847	–	23,847
Trade receivables and other current assets	57,846	(2,137)	55,709
	218,820	(2,137)	216,683
Assets classified as held for sale	149	–	149
	218,969	(2,137)	216,832
Current liabilities			
Bank and other debts	40,054	(59)	39,995
Current tax liabilities	1,870	(1)	1,869
Lease liabilities	–	18,079	18,079
Trade payables and other current liabilities	101,237	(1,879)	99,358
	143,161	16,140	159,301
Net current assets	75,808	(18,277)	57,531
Total assets less current liabilities	993,276	58,399	1,051,675
Non-current liabilities			
Bank and other debts	304,735	(170)	304,565
Interest bearing loans from non-controlling shareholders	728	–	728
Lease liabilities	–	75,609	75,609
Deferred tax liabilities	17,872	(1,053)	16,819
Pension obligations	3,123	–	3,123
Other non-current liabilities	53,868	–	53,868
	380,326	74,386	454,712
Net assets	612,950	(15,987)	596,963
Capital and reserves			
Share capital	3,856	–	3,856
Share premium	244,377	–	244,377
Reserves	228,005	(11,953)	216,052
Total ordinary shareholders' funds	476,238	(11,953)	464,285
Perpetual capital securities	12,410	–	12,410
Non-controlling interests	124,302	(4,034)	120,268
Total equity	612,950	(15,987)	596,963

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(v) Consolidated statement of cash flows for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
	(A)		(B)
Operating activities			
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	74,740	20,551	95,291
Interest expenses and other finance costs paid (net of capitalisation)	(10,998)	(3,623)	(14,621)
Tax paid	(5,823)	–	(5,823)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	57,919	16,928	74,847
Changes in working capital	(4,583)	(994)	(5,577)
Net cash from operating activities	53,336	15,934	69,270
Investing activities			
Purchase of fixed assets	(32,283)	93	(32,190)
Additions to telecommunications licences	(1,286)	–	(1,286)
Additions to brand names and other rights	(2,817)	–	(2,817)
Purchase of subsidiary companies, net of cash acquired	(30)	–	(30)
Additions to other unlisted investments	(17)	–	(17)
Repayments of loans from associated companies and joint ventures	641	–	641
Purchase of and advances to associated companies and joint ventures	(885)	–	(885)
Proceeds from disposal of fixed assets	150	–	150
Proceeds from disposal of subsidiary companies, net of cash disposed	(1,522)	–	(1,522)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	(2,429)	–	(2,429)
Proceeds from partial disposal / disposal of associated companies and joint ventures	2,388	–	2,388
Proceeds from disposal of other unlisted investments	130	–	130
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(37,960)	93	(37,867)
Disposal of liquid funds and other listed investments	503	–	503
Additions to liquid funds and other listed investments	(55)	–	(55)
Cash flows used in investing activities	(37,512)	93	(37,419)
Net cash inflow before financing activities	15,824	16,027	31,851
Financing activities			
New borrowings	211,526	–	211,526
Repayment of borrowings	(211,397)	(58)	(211,455)
Payment of lease liabilities	–	(15,969)	(15,969)
Net loans to non-controlling shareholders	(2)	–	(2)
Issue of equity securities by subsidiary companies to non-controlling shareholders / capital redemption by non-controlling shareholders	(10)	–	(10)
Payment to acquire additional interests in subsidiary companies	(478)	–	(478)
Proceeds from partial disposal of subsidiary companies	2,201	–	2,201
Dividends paid to ordinary shareholders	(12,225)	–	(12,225)
Dividends paid to non-controlling interests	(6,910)	–	(6,910)
Distribution paid on perpetual capital securities	(398)	–	(398)
Cash flows used in financing activities	(17,693)	(16,027)	(33,720)
Decrease in cash and cash equivalents	(1,869)	–	(1,869)
Cash and cash equivalents at 1 January	138,996	–	138,996
Cash and cash equivalents at 31 December	137,127	–	137,127
Analysis of cash, liquid funds and other listed investments			
Cash and cash equivalents, as above	137,127	–	137,127
Less: cash and cash equivalents included in assets classified as held for sale	–	–	–
Cash and cash equivalents	137,127	–	137,127
Liquid funds and other listed investments	7,722	–	7,722
Total cash, liquid funds and other listed investments	144,849	–	144,849
Total principal amount of bank and other debts and unamortised fair value adjustment arising from acquisitions	347,726	(229)	347,497
Interest bearing loans from non-controlling shareholders	728	–	728
Net debt	203,605	(229)	203,376
Interest bearing loans from non-controlling shareholders	(728)	–	(728)
Net debt (excluding interest bearing loans from non-controlling shareholders)	202,877	(229)	202,648

41 Changes in significant accounting policies (continued)

(e) Standards issued but not yet effective and applied by the Group

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted these new standards or amendments to standards in preparing these financial statements. The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group there are no new standards or amendments to standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

42 Critical accounting estimates and judgements

Note 40 includes a summary of the significant accounting policies used in the preparation of the financial statements. 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 financial statements. 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.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

(a) Basis of consolidation

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements, the practical ability to exercise control.

(b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

42 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to determine the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(iii) Customer acquisition and retention costs

In accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

Judgement is required to determine the amount of the provision and the amortisation period. The actual amount to be received from the customer and customer period may differ from the expected amount and the contract periods, which could impact the amount of expense charged to the income statement.

(d) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

42 Critical accounting estimates and judgements (continued)

(e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

(f) Business combinations and goodwill

As disclosed in note 40(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(g) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that the Group has guaranteed, a provision is recognised. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

42 Critical accounting estimates and judgements (continued)

(h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(i) Leases

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK\$11,471 million (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

42 Critical accounting estimates and judgements (continued)

(j) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). Revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price, the consideration to which the Group expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the allocation may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the allocation of the elements as a result of changes in market conditions.

43 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivatives instruments to hedge the Group's earnings were entered during the year or remain outstanding at the end of the year. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

43 Financial risk management *(continued)*

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$144,849 million at 31 December 2019 (2018 – HK\$144,703 million), mainly reflecting cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, offset by dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings and capital expenditure and investment spending. Liquid assets were denominated as to 21% in HK dollars, 51% in US dollars, 5% in Renminbi, 9% in Euro, 5% in British Pounds and 9% in other currencies (2018 – 25% were denominated in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies).

Cash and cash equivalents represented 95% (2018 – 94%) of the liquid assets, US Treasury notes and listed / traded debt securities 3% (2018 – 4%) and listed equity securities 2% (2018 – 2%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 70% (2018 – 56%), government and government guaranteed notes of 20% (2018 – 17%), notes issued by the Group's associated company, Husky Energy of nil (2018 – 4%), notes issued by financial institutions of 1% (2018 – nil), and others of 9% (2018 – 23%). Of these US Treasury notes and listed / traded debt securities, 99% (2018 – 80%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.3 years (2018 – 2.2 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2019, approximately 38% (2018 – approximately 39%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 62% (2018 – approximately 61%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$6,760 million (2018 – approximately HK\$9,100 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$23,718 million (2018 – HK\$50,613 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 33% (2018 – approximately 27%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 67% (2018 – approximately 73%) were at fixed rates at 31 December 2019. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

43 Financial risk management (continued)

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2019, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK\$50,433 million (2018 – HK\$50,537 million).

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings.

As at 31 December 2019, the Group's total principal amount of bank and other debts are denominated as follows: 41% in US dollars, 42% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies (2018 – 44% in US dollars, 42% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$36,660 million (2018 – HK\$38,610 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 31% in US dollars, 52% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies (2018 – 33% in US dollars, 53% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies).

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 5% (2018 – approximately 6%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

43 Financial risk management *(continued)*

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on 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 end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial 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 financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities 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 rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair values (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

43 Financial risk management *(continued)*

(f) Market risks sensitivity analyses *(continued)*

(i) Interest rate sensitivity analysis *(continued)*

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 21)
- some of the listed debt securities and managed funds (see note 18) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 18) that bear interest at floating rate
- some of the bank and other debts (see note 24) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 27)

Under these assumptions, the impact of a hypothetical 100 basis points (2018 – 100 basis points) increase in market interest rate at 31 December 2019, with all other variables held constant:

- profit for the year would increase by HK\$723 million due to increase in interest income (2018 – HK\$398 million);
- total equity would increase by HK\$723 million due to increase in interest income (2018 – HK\$398 million); and
- total equity would increase by HK\$644 million due to change in fair value of derivative financial instruments (2018 – HK\$1,828 million).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward foreign exchange contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 21)
- some of the liquid funds and other listed investments (see note 18)
- some of the bank and other debts (see note 24)

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2019		2018	
	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million
Euro	145	(377)	11	(473)
British Pounds	144	(1,009)	47	(1,106)
Australian dollars	64	(385)	63	(386)
Renminbi	14	41	14	14
US dollars	2,290	2,290	1,523	1,523
Japanese Yen	(108)	(108)	(106)	(106)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair values. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- FVOCI (see note 18)
- financial assets at fair value through profit or loss (see note 18)

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's FVOCI and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK\$2 million (2018 – HK\$5 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$2 million (2018 – HK\$5 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$382 million (2018 – HK\$456 million) due to increase in gains on FVOCI which are recognised in other comprehensive income.

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amounts	Carrying amounts
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2019						
Trade payables	27,539	–	–	27,539	–	27,539
Other payables and accruals	61,536	–	–	61,536	–	61,536
Interest free loans from non-controlling shareholders	380	–	–	380	–	380
Lease liabilities	19,950	48,082	52,573	120,605	(26,917)	93,688
Bank loans	32,565	96,392	–	128,957	(739)	128,218
Other loans	4	182	73	259	–	259
Notes and bonds	9,100	111,439	93,203	213,742	2,341	216,083
Interest bearing loans from non-controlling shareholders	728	–	–	728	–	728
Obligations for telecommunications licences and other rights	1,644	7,724	1,978	11,346	(1,345)	10,001
	153,446	263,819	147,827	565,092	(26,660)	538,432

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$7,368 million in "within 1 year" maturity band, HK\$19,016 million in "after 1 year, but within 5 years" maturity band, and HK\$16,558 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2019				
Cash flow hedges				
Interest rate swaps				
Net outflow	(84)	(253)	(6)	(343)
Cross currency interest rate swaps				
Net outflow	(302)	–	–	(302)
Other contracts				
Net outflow	(43)	–	–	(43)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	15,871	630	–	16,501
Outflow	(16,056)	(564)	–	(16,620)
Cross currency swaps				
Inflow	–	–	5,355	5,355
Outflow	(44)	(174)	(5,024)	(5,242)
Other derivative financial instruments				
Net outflow	(139)	(55)	–	(194)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amounts	Carrying amounts
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2018						
Trade payables	29,233	–	–	29,233	–	29,233
Other payables and accruals	76,244	–	–	76,244	–	76,244
Interest free loans from non-controlling shareholders	385	–	–	385	–	385
Bank loans	5,943	111,235	–	117,178	(205)	116,973
Other loans	38	310	100	448	–	448
Notes and bonds	19,710	90,877	118,705	229,292	4,843	234,135
Interest bearing loans from non-controlling shareholders	752	–	–	752	–	752
Obligations for telecommunications licences and other rights	745	8,070	2,134	10,949	(1,336)	9,613
	133,050	210,492	120,939	464,481	3,302	467,783

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,729 million in "within 1 year" maturity band, HK\$27,399 million in "after 1 year, but within 5 years" maturity band, and HK\$13,001 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2018				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(45)	17	–	(28)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(166)	(438)	(25)	(629)
Cross currency interest rate swaps				
Net inflow (outflow)	622	(1,386)	–	(764)
Forward foreign exchange contracts				
Inflow	275	–	–	275
Outflow	(277)	–	–	(277)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	1,283	–	–	1,283
Outflow	(1,290)	–	–	(1,290)
Cross currency swaps				
Inflow	–	–	8,289	8,289
Outflow	(71)	(286)	(8,120)	(8,477)
Other derivative financial instruments				
Net outflow	(82)	(350)	–	(432)

43 Financial risk management (continued)

(h) In accordance with the disclosure requirement of HKFRS 7, the group's financial instruments resulted in the following income, expenses and gains and losses recognised in the income statement:

	2019 HK\$ million	2018 HK\$ million
Dividends from equity securities at FVOCI – related to investments held at the end of the reporting period	523	103
Interest from debt securities at FVOCI	99	157
Interest from assets held at amortised cost	2,762	2,475
Fair value losses on equity securities at FVPL	(7)	(2)
Fair value losses on debt securities at FVPL	(6)	(17)
Net impairment expense recognised on trade receivables	(1,577)	(1,560)
Gains (losses) arising on derivatives in a designated fair value hedge	169	(115)
Gains (losses) arising on adjustment for hedged items in a designated fair value hedge	(169)	115

(i) Hedge accounting

(i) Fair value hedges

		2019						
		Carrying amount of derivatives included in						
Hedging instruments	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency	Notional Amount	Other current assets	Other non- current assets	Other current liabilities	Other non- current liabilities
	Percentage	Percentage	million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.91%	HK\$1,300	1,300	2	–	–	–
2022	4.63%	5.28%	US\$700	5,460	–	46	–	–
				6,760	2	46	–	–

		2019		
		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		
Hedged items	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included	
	HK\$ million	HK\$ million		
USD Fixed rate debts	5,636	46	Bank and other debts	
HKD Fixed rate debts	1,302	2	Bank and other debts	

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(i) Fair value hedges (continued)

2018								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.78%	HK\$1,300	1,300	–	19	–	–
2022	4.63%	4.92%	US\$1,000	7,800	–	–	–	(116)
				9,100	–	19	–	(116)
2018								
Hedged items				Carrying amount of the hedged item HK\$ million	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item HK\$ million	Line item in the statement of financial position in which the hedged item is included		
USD Fixed rate debts				7,977	(116)	Bank and other debts		
HKD Fixed rate debts				1,319	19	Bank and other debts		

43 Financial risk management *(continued)*

(i) Hedge accounting *(continued)*

(ii) Cash flow hedges

2019								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2022	1.31%	2.39%	GBP 300	3,048	–	–	–	(95)
2022	1.86%	2.07%	NZD 150	771	–	–	–	(4)
2025	1.71%	3.56%	AUD 509	2,739	–	–	–	(229)
				6,558	–	–	–	(328)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2020	1.41%	0.05%	US\$ 2,200	17,160	–	–	(318)	–
– receive fixed and pay fixed maturing in								
2021 – 2023	2.54%	0.00%	US\$ 2,500	19,500	–	523	–	–
				36,660	–	523	(318)	–
2019								
Hedged items					Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in hedging reserve for continuing hedges HK\$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK\$ million	
Interest rate risk					147	339	–	
Cross currency interest rate risk					(1,133)	(100)	–	

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

2018

Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non- current assets HK\$ million	Other current liabilities HK\$ million	Other non- current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2019	3.72%	5.19%	NZD 150	792	–	–	(8)	–
2022	1.40%	3.26%	GBP 300	2,976	–	–	–	(80)
2022	2.00%	2.40%	EUR 3,000	26,850	–	–	–	(192)
2025	2.82%	3.57%	AUD 509	2,835	–	–	–	(101)
				33,453	–	–	(8)	(373)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2020	1.73%	0.05%	US\$ 2,200	17,160	–	–	–	(821)
– receive fixed and pay fixed maturing in								
2021 - 2022	4.15%	1.98%	US\$ 2,750	21,450	–	317	–	(107)
				38,610	–	317	–	(928)

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

		2019						
				Carrying amount of derivatives included in				
		Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Hedging instruments								
Forward foreign exchange contracts								
maturing in								
2020		5.96	CAD 177	1,049	–	–	(3)	–
2020		5.34	AUD 159	857	–	–	(22)	–
2020		5.09	NZD 280	1,439	–	–	(46)	–
2020-2022		10.97	GBP 2,337	23,748	1,344	498	(274)	–
2020-2022		9.53	EUR 135	1,170	31	–	–	(24)
				28,263	1,375	498	(345)	(24)
Cross currency swaps								
maturing in								
2020-2024		9.23	EUR 1,030	8,930	64	448	–	–
2020-2025		6.12	CAD 947	5,628	13	159	–	–
2027		5.86	AUD 1,415	7,612	–	2	–	(26)
				22,170	77	609	–	(26)
		2019						
				Change in value used for calculating hedge ineffectiveness	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied		
Hedged items				HK\$ million	HK\$ million	HK\$ million		
Foreign investments					547	(5,695)	(716)	

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

				2018			
				Carrying amount of derivatives included in			
Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Other current assets HK\$ million	Other non- current assets HK\$ million	Other current liabilities HK\$ million	Other non- current liabilities HK\$ million
Forward foreign exchange contracts							
maturing in							
2019	5.80	CAD 184	1,070	14	–	–	–
2019	5.55	AUD 159	887	5	–	–	–
2019	5.39	NZD 280	1,478	41	–	–	–
2019-2022	11.17	GBP 2,348	23,290	507	1,977	(6)	–
2020-2022	9.53	EUR 135	1,208	–	44	–	–
			27,933	567	2,021	(6)	–
Cross currency swaps							
maturing in							
2020-2024	9.23	EUR 1,030	9,219	–	112	–	–
2020-2025	6.12	CAD 947	5,505	–	315	–	–
2027	5.86	AUD 1,415	7,880	–	–	–	(45)
			22,604	–	427	–	(45)
				2018			
				Change in value used for calculating hedge ineffectiveness	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied	
Hedged items			HK\$ million	HK\$ million		HK\$ million	
Foreign investments			(3,735)	(5,602)		(2,841)	

43 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Note	Classification under HKFRS 9 *	2019		2018	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	18	Amortised cost	42	42	66	66
Listed equity securities, Hong Kong	18	FVOCI	2,293	2,293	2,909	2,909
Listed equity securities, outside Hong Kong	18	FVOCI	213	213	208	208
Listed equity securities (included in Managed funds)	18	FVOCI	202	202	154	154
Listed debt securities (included in Managed funds)	18	FVOCI	4,933	4,933	4,770	4,770
Listed / traded debt securities, outside Hong Kong	18	FVOCI	–	–	1,089	1,089
Financial assets at fair value through profit or loss	18	FVPL	39	39	96	96
Unlisted investments						
Unlisted debt securities	19	Amortised cost	174	174	170	170
Unlisted equity securities	19	FVOCI	1,825	1,825	1,953	1,953
Unlisted equity securities	19	FVPL	3,042	3,042	641	641
Unlisted debt securities	19	FVPL	304	304	318	318
Derivative financial instruments						
Fair value hedges – Interest rate swaps	19 & 22	Fair value – hedges	48	48	19	19
Cash flow hedges						
Cross currency interest rate swaps	19	Fair value – hedges	523	523	317	317
Net investment hedges						
Forward foreign exchange contracts	19 & 22	Fair value – hedges	1,873	1,873	2,588	2,588
Cross currency swaps	19 & 22	Fair value – hedges	686	686	427	427
Other derivative financial instruments	19	FVPL	44	44	167	167
Cash and cash equivalents	21	Amortised cost	137,127	137,127	135,411	135,411
Trade receivables	22	Amortised cost	16,863	16,863	19,255	19,255
Other receivables	22	Amortised cost	15,136	15,136	18,682	18,682
			185,367	185,367	189,240	189,240

43 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	Note	Classification under HKFRS 9 *	2019		2018	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	24	Amortised cost	344,560	350,125	351,556	343,527
Trade payables	25	Amortised cost	27,539	27,539	29,233	29,233
Derivative financial instruments						
Fair value hedges – Interest rate swaps	29	Fair value – hedges	–	–	116	116
Cash flow hedges						
Interest rate swaps	25 & 29	Fair value – hedges	328	328	381	381
Cross currency interest rate swaps	25 & 29	Fair value – hedges	318	318	928	928
Forward foreign exchange contracts	25	Fair value – hedges	–	–	2	2
Other contracts	25	Fair value – hedges	51	51	–	–
Net investment hedges						
Forward foreign exchange contracts	25 & 29	Fair value – hedges	369	369	6	6
Cross currency swaps	29	Fair value – hedges	26	26	45	45
Other derivative financial instruments	25 & 29	FVPL	535	535	481	481
Interest free loans from non-controlling shareholders	25	Amortised cost	380	380	385	385
Other payables and accruals	25	Amortised cost	61,536	61,536	76,244	76,244
Interest bearing loans from non-controlling shareholders	27	Amortised cost	728	728	752	752
Obligations for telecommunications licences and other rights	29	Amortised cost	10,001	10,001	9,613	9,613
Liabilities relating to the economic benefits agreements	29	Amortised cost	2,166	2,166	14,308	14,308
			448,537	454,102	484,050	476,021

* see note 40(n).

- (i) The fair value of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2019		2018	
	Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Representing:				
Financial assets measured at				
Amortised cost	169,342	169,342	173,584	173,584
FVOCI	9,466	9,466	11,083	11,083
FVPL	3,429	3,429	1,222	1,222
Fair value – hedges	3,130	3,130	3,351	3,351
	185,367	185,367	189,240	189,240
Financial liabilities measured at				
Amortised cost	446,910	452,475	482,091	474,062
FVPL	535	535	481	481
Fair value – hedges	1,092	1,092	1,478	1,478
	448,537	454,102	484,050	476,021

(k) Fair value measurements

(i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

43 Financial risk management (continued)

(k) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Note	2019				2018			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial assets									
Liquid funds and other listed investments									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	18	2,293	–	–	2,293	2,909	–	–	2,909
Listed equity securities, outside Hong Kong	18	213	–	–	213	208	–	–	208
Listed equity securities (included in Managed funds)	18	202	–	–	202	154	–	–	154
Listed debt securities (included in Managed funds)	18	4,933	–	–	4,933	4,770	–	–	4,770
Listed / traded debt securities, outside Hong Kong	18	–	–	–	–	201	888	–	1,089
Financial assets at fair value through profit or loss	18	39	–	–	39	96	–	–	96
Unlisted investments									
Unlisted equity securities - FVOCI	19	–	–	1,825	1,825	–	–	1,953	1,953
Unlisted equity securities - FVPL	19	–	2,387	655	3,042	–	46	595	641
Unlisted debt securities	19	–	137	167	304	–	143	175	318
Derivative financial instruments									
Fair value hedges - Interest rate swaps	19 & 22	–	48	–	48	–	19	–	19
Cash flow hedges									
Cross currency interest rate swaps	19	–	523	–	523	–	317	–	317
Net investment hedges									
Forward foreign exchange contracts	19 & 22	–	1,873	–	1,873	–	2,588	–	2,588
Cross currency swaps	19 & 22	–	686	–	686	–	427	–	427
Other derivative financial instruments	19	–	44	–	44	–	167	–	167
		7,680	5,698	2,647	16,025	8,338	4,595	2,723	15,656
Financial liabilities									
Derivative financial instruments									
Fair value hedges - Interest rate swaps	29	–	–	–	–	–	116	–	116
Cash flow hedges									
Interest rate swaps	25 & 29	–	328	–	328	–	381	–	381
Cross currency interest rate swaps	25 & 29	–	318	–	318	–	928	–	928
Forward foreign exchange contracts	25	–	–	–	–	–	2	–	2
Other contracts	25	–	51	–	51	–	–	–	–
Net investment hedges									
Forward foreign exchange contracts	25 & 29	–	369	–	369	–	6	–	6
Cross currency swaps	29	–	26	–	26	–	45	–	45
Other derivative financial instruments	25 & 29	–	535	–	535	–	481	–	481
		–	1,627	–	1,627	–	1,959	–	1,959

43 Financial risk management (continued)

(k) Fair value measurements (continued)

- (i) Financial assets and financial liabilities measured at fair value (continued)

Fair value hierarchy (continued)

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2019 and 2018, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2019 HK\$ million	2018 HK\$ million
At 1 January	2,723	2,649
Total gains (losses) recognised in		
Income statement	49	29
Other comprehensive income	(16)	(510)
Additions	17	598
Relating to subsidiaries acquired	–	20
Disposals	(130)	(22)
Exchange translation differences	4	(41)
At 31 December	2,647	2,723
Total gains recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	49	29

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

43 Financial risk management *(continued)*

(k) Fair value measurements *(continued)*

- (ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 43(j) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2019				
Bank and other debts	214,284	135,841	–	350,125
At 31 December 2018				
Bank and other debts	217,197	126,330	–	343,527

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(1) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2019						
Financial assets						
Trade receivables	264	(71)	193	(19)	–	174
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	1,793	–	1,793	(211)	–	1,582
Cross currency swaps	337	–	337	(26)	–	311
Other derivative financial instruments	26	–	26	(3)	–	23
Other receivables and prepayments	536	(187)	349	–	–	349
	2,956	(258)	2,698	(259)	–	2,439
Financial liabilities						
Trade payables	(453)	71	(382)	–	–	(382)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(211)	–	(211)	211	–	–
Cross currency swaps	(26)	–	(26)	26	–	–
Other derivative financial instruments	(3)	–	(3)	3	–	–
Other payables and accruals	(206)	187	(19)	19	–	–
	(899)	258	(641)	259	–	(382)
At 31 December 2018						
Financial assets						
Trade receivables	172	(127)	45	(25)	–	20
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	965	–	965	(6)	–	959
Other derivative financial instruments	159	–	159	(4)	–	155
Other receivables and prepayments	602	(406)	196	–	–	196
	1,898	(533)	1,365	(35)	–	1,330
Financial liabilities						
Trade payables	(1,165)	278	(887)	–	–	(887)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(6)	–	(6)	6	–	–
Other derivative financial instruments	(4)	–	(4)	4	–	–
Other payables and accruals	(3,471)	255	(3,216)	25	–	(3,191)
	(4,646)	533	(4,113)	35	–	(4,078)

44 Statement of financial position of the Company, as at 31 December 2019

	2019 HK\$ million	2018 HK\$ million
Non-current assets		
Subsidiary companies – Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	8,960	9,382
Other receivables	432	20
Cash	7	7
Current liabilities		
Other payables and accruals	71	60
Net current assets	9,328	9,349
Net assets	364,492	364,513
Capital and reserves		
Share capital (see note 30(a))	3,856	3,856
Share premium (see note 30(a))	244,377	244,377
Reserves – Retained profit ^(c)	116,259	116,280
Shareholders' funds	364,492	364,513

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

44 Statement of financial position of the Company, as at 31 December 2019 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 259 to 262.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves – Retained profit

	HK\$ million
At 1 January 2018	116,228
Profit for the year	11,394
Buy-back and cancellation of issued shares (see note 30(a)(i))	(1)
Dividends paid relating to 2017	(7,985)
Dividends paid relating to 2018	(3,356)
At 31 December 2018	116,280
Profit for the year	12,204
Dividends paid relating to 2018	(8,870)
Dividends paid relating to 2019	(3,355)
At 31 December 2019	116,259

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$12,204 million (2018 – HK\$11,394 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2019, the Company's share premium and retained profit amounted to HK\$244,377 million (2018 – HK\$244,377 million) and HK\$116,259 million (2018 – HK\$116,280 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

45 Subsequent events

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

46 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2019, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

47 Approval of financial statements

The financial statements set out on pages 134 to 262 were approved and authorised for issue by the Board of Directors on 19 March 2020.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2019

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services				
Alexandria International Container Terminals Company S.A.E.	Egypt	USD 30,000,000	64	Container terminal operating
Amsterdam Container Terminals B.V.	Netherlands	EUR 18,400	80	Container terminal operating
Brisbane Container Terminals Pty Limited	Australia	AUD 34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS 648,385,014	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR 18,000	71	Container terminal operating
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP 145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP 160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR 45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR 100,000	49	Container terminal operating
Freeport Container Port Limited	Bahamas	BSD 2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN 11,379,300	80	Container terminal operating and rental of port real estate
Harwich International Port Limited	United Kingdom	GBP 16,812,002	80	Container terminal operating
✧ Hongkong United Dockyards Limited	Hong Kong	HKD 76,000,000	50	Ship repairing, general engineering and tug operations
✧ 惠州港業股份有限公司	China	RMB 300,000,000	27	Container terminal operating
✧ 惠 惠州 Quanwan Port Development Co., Ltd.	China	RMB 359,300,000	40	Port related land development
Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED 60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD 26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON 4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB 1,000,000,000	64	Container terminal operating
✧ * # Hutchison Port Holdings Trust	Singapore / China	USD 8,797,780,935	30	Container port business trust
Hutchison Port Investments Limited	Cayman Islands / Hong Kong	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emirates	USD 10,000	48	Container terminal operating
Hutchison Ports UAQ Limited	British Virgin Islands / United Arab Emirates	USD 36,320	48	Container terminal operating
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
✧ 惠 Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 78,560,628	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ 惠 Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
NAWAH for Ports Management LLC	Iraq	IQD 10,000,000	41	Container terminal operating
✧ 惠 寧波北侖國際集裝箱碼頭有限公司	China	RMB 700,000,000	39	Container terminal operating
Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S.A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2019

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Ports and related services (continued)				
☆ +	PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
☆	River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
☆ ☼ +	上海明東集裝箱碼頭有限公司	China	RMB 4,000,000,000	40	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
	Star Classic Investments Limited	British Virgin Islands / Hong Kong	USD 2	80	Operation, management and development of ports and container terminals, and investment holding
	Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
	Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
	Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 680,000,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # +	Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☼ +	Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ☼ +	Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
	Retail				
	A.S. Watson Holdings Limited	Cayman Islands / Hong Kong	HKD 1,000,000	75	Holding company
	A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
	A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
☆ +	Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☼	廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
	PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
*	PT Duta Intidaya Tbk	Indonesia	IDR 242,054,702,500	55	Retailing
☆	Rossmann Supermarkety Drogerijne Polska sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
	Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
☼	武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing
	Infrastructure and energy				
☆	Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
☆ +	AVR-Afvalverwerking B.V.	Netherlands	EUR 1	38	Producing energy from waste
* +	CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding company
☆ +	CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution
☆ +	CKP (Canada) Holdings Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
	Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # +	Husky Energy Inc.	Canada	CAD 7,293,334,286	40	Integrated energy businesses
☆ +	Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
☆ +	Northumbrian Water Group Limited	United Kingdom	GBP 161	43	Water & sewerage businesses

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Infrastructure and energy (continued)				
❖ * # +	Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	27	Investment holding in energy and utility-related businesses
✧ +	Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
✧ +	UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
✧ +	Eversholt UK Rails Limited	United Kingdom	GBP 102	54	Holding company in leasing of rolling stock
✧ +	Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 29,027	33	Gas distribution
	Telecommunications				
	CK Hutchison Group Telecom Holdings Limited	Cayman Islands / Hong Kong	EUR 64	100	Holding company
	Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
	Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
	Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
	Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
*	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,774,052	66	Holding company of mobile telecommunications services
	Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	66	Mobile telecommunications services
	PT. Hutchison 3 Indonesia	Indonesia	IDR 55,310,965,000,000	67	Mobile telecommunications services
	Three Ireland (Hutchison) Limited	Ireland	EUR 780,000,002	100	Mobile telecommunications services
	Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
	Wind Tre S.p.A.	Italy	EUR 474,303,795	100	Mobile telecommunications services
	Finance & investments and others				
	Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
	CK Hutchison Global Investments Limited	British Virgin Islands / Hong Kong	USD 2	100	Holding company
*	Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
✧ +	Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services
* # +	CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
* #	Hutchison China MediTech Limited	Cayman Islands / China	USD 66,690,645	49.9	Holding company of healthcare business
	Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
	Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
	Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
	Marionnaud Parfumeries S.A.S.	France	EUR 351,575,833	100	Investment holding in perfume retailing businesses
#	Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,452	24	Radio broadcasting
* #	TOM Group Limited	Cayman Islands / Hong Kong	HKD 395,851,056	36	Technology and media

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2019

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on The Stock Exchange of Hong Kong Limited except Hutchison Port Holdings Trust which is listed on the Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, PT Duta Intidaya Tbk which is listed on the Indonesia Stock Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

Associated companies

✧ Joint ventures

⌘ Equity joint venture registered under PRC law

⚡ Wholly owned foreign enterprise (WFOE) registered under PRC law

↔ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

❖ Power Assets Holdings Limited indirectly holds 33.37% equity interest in HK Electric Investments and HK Electric Investments Limited, which are listed on The Stock Exchange of Hong Kong Limited.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate revenue (excluding share of associated companies and joint ventures) attributable to shareholders and net assets (excluding share of net assets of associated companies and joint ventures) of these companies not audited by PricewaterhouseCoopers amounted to approximately 8% and 21% of the Group's respective items.

Independent Auditor's Report

To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 170 to 286, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter

How our audit addressed the Key Audit Matter

Goodwill and brand names with an indefinite useful life

Refer to notes 12, 13 and 42 to the consolidated financial statements

The Group has a significant amount of goodwill and brand names arising from various acquisitions. As at 31 December 2018, goodwill amounted to approximately HK\$323 billion and brand names with an indefinite useful life amounted to approximately HK\$69 billion.

Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of the impairment assessments conducted, the Group determined that there is no impairment of goodwill and brand names with an indefinite useful life. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets.

The significant assumptions are disclosed in notes 12, 13 and 42 to the consolidated financial statements.

The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included:

- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters *(continued)*

Key Audit Matter

Investments in associated companies and joint ventures

Refer to notes 14, 15 and 42 to the consolidated financial statements

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2018, investments in associated companies and joint ventures amounted to approximately HK\$254 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Hutchison Port Holdings Trust ("HPH Trust"), a listed associated company of the Group, has recorded an impairment loss as at 31 December 2018 as the carrying values of its assets exceeded the recoverable amounts calculated under the value in use model. The Group therefore recognised its share of impairment loss of HPH Trust of HK\$4.8 billion as at 31 December 2018. Refer to note 3(b)(xvii) to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, except for HPH Trust, there is no impairment of the Group's investments in other associated companies and joint ventures. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Performing sensitivity analyses on the key assumptions as stated above; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSS issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Income Statement

for the year ended 31 December 2018

2018 [#]			2018	2017 [*]
US\$ million		Note	HK\$ million	HK\$ million
35,529	Revenue	2, 3	277,129	248,515
(14,047)	Cost of inventories sold		(109,564)	(101,328)
(4,677)	Staff costs		(36,478)	(33,572)
(2,067)	Expensed customer acquisition and retention costs		(16,124)	(16,545)
(2,530)	Depreciation and amortisation	3	(19,739)	(17,105)
(6,325)	Other operating expenses		(49,337)	(44,570)
	Share of profits less losses of:			
370	Associated companies		2,888	6,797
1,310	Joint ventures		10,220	12,500
7,563			58,995	54,692
(1,256)	Interest expenses and other finance costs	5	(9,797)	(8,274)
6,307	Profit before tax		49,198	46,418
(501)	Current tax	6	(3,912)	(5,415)
166	Deferred tax	6	1,294	2,599
5,972	Profit after tax		46,580	43,602
(972)	Profit attributable to non-controlling interests and holders of perpetual capital securities		(7,580)	(8,502)
5,000	Profit attributable to ordinary shareholders		39,000	35,100
US\$ 1.30	Earnings per share for profit attributable to ordinary shareholders	7	HK\$ 10.11	HK\$ 9.10

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 8.

See note 38.

* See note 41.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

2018 [#]		Note	2018	2017*
US\$ million			HK\$ million	HK\$ million
5,972	Profit after tax		46,580	43,602
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
79	Remeasurement of defined benefit obligations recognised directly in reserves		615	1,730
	Equity securities at FVOCI *			
(212)	Valuation losses recognised directly in reserves		(1,652)	–
29	Share of other comprehensive income of associated companies		224	68
70	Share of other comprehensive income of joint ventures		546	199
(12)	Tax relating to items that will not be reclassified to profit or loss	30 (b)	(93)	(213)
(46)			(360)	1,784
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Debt securities at FVOCI *			
(3)	Valuation losses recognised directly in reserves		(20)	–
	Available-for-sale investments			
–	Valuation gains recognised directly in reserves		–	149
–	Valuation gains previously in reserves recognised in income statement		–	(36)
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
46	Gains (losses) recognised directly in reserves		363	(114)
–	Losses previously in reserves recognised in initial cost of non-financial items		–	1
479	Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves		3,735	(4,683)
(1,193)	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		(9,305)	4,625
(268)	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		(2,093)	40
(364)	Share of other comprehensive income (losses) of associated companies		(2,835)	3,099
(680)	Share of other comprehensive income (losses) of joint ventures		(5,307)	10,116
(9)	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	30 (b)	(69)	(50)
(1,992)			(15,531)	13,147
(2,038)	Other comprehensive income (losses), net of tax		(15,891)	14,931
3,934	Total comprehensive income		30,689	58,533
(711)	Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities		(5,546)	(11,718)
3,223	Total comprehensive income attributable to ordinary shareholders		25,143	46,815

See note 38.

* See note 41.

Consolidated Statement of Financial Position

at 31 December 2018

2018 [#]		Note	2018	2017 [*]
US\$ million			HK\$ million	HK\$ million
	Non-current assets			
14,180	Fixed assets	9	110,605	158,789
988	Leasehold land	10	7,702	8,305
8,233	Telecommunications licences	11	64,221	27,271
11,380	Brand names and other rights	12	88,761	75,985
41,431	Goodwill	13	323,160	255,334
17,473	Associated companies	14	136,287	145,343
15,135	Interests in joint ventures	15	118,053	162,134
2,597	Deferred tax assets	16	20,260	20,195
1,191	Liquid funds and other listed investments	17	9,292	7,813
1,374	Other non-current assets	18	10,717	5,540
113,982			889,058	866,709
	Current assets			
17,360	Cash and cash equivalents	20	135,411	160,470
3,001	Inventories		23,410	21,708
8,183	Trade receivables and other current assets	21	63,826	51,368
28,544			222,647	233,546
15,454	Assets classified as held for sale	22	120,539	–
43,998			343,186	233,546
	Current liabilities			
3,332	Bank and other debts	23	25,986	21,712
265	Current tax liabilities		2,071	2,948
14,907	Trade payables and other current liabilities	24	116,272	90,228
18,504			144,329	114,888
9,949	Liabilities directly associated with assets classified as held for sale	22	77,600	–
28,453			221,929	114,888
15,545	Net current assets		121,257	118,658
129,527	Total assets less current liabilities		1,010,315	985,367
	Non-current liabilities			
41,740	Bank and other debts	23	325,570	310,276
97	Interest bearing loans from non-controlling shareholders	26	752	3,143
2,469	Deferred tax liabilities	16	19,261	25,583
313	Pension obligations	27	2,443	3,770
9,162	Other non-current liabilities	28	71,466	51,048
53,781			419,492	393,820
75,746	Net assets		590,823	591,547

2018 [#]			2018	2017 [*]
US\$ million		Note	HK\$ million	HK\$ million
	Capital and reserves			
494	Share capital	29 (a)	3,856	3,858
31,330	Share premium	29 (a)	244,377	244,505
25,374	Reserves	30	197,918	181,693
57,198	Total ordinary shareholders' funds		446,151	430,056
1,580	Perpetual capital securities	29 (b)	12,326	29,481
16,968	Non-controlling interests		132,346	132,010
75,746	Total equity		590,823	591,547

See note 38.

* See note 41.

Fok Kin Ning, Canning

Director

Frank John Sixt

Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Total equity [#] US\$ million		Attributable to					Total equity HK\$ million
		Ordinary shareholders		Total ordinary shareholders' funds HK\$ million	Perpetual capital securities HK\$ million	Non-controlling interests HK\$ million	
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million				
75,839	At 31 December 2017, as previously reported, and 1 January 2018	248,363	181,693	430,056	29,481	132,010	591,547
102	Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	–	430	430	–	364	794
75,941	At 1 January 2018, as adjusted	248,363	182,123	430,486	29,481	132,374	592,341
5,972	Profit for the year	–	39,000	39,000	551	7,029	46,580
(212)	Other comprehensive income (losses)						
	Equity securities at FVOCI *						
	Valuation losses recognised directly in reserves	–	(1,490)	(1,490)	–	(162)	(1,652)
(3)	Debt securities at FVOCI *						
	Valuation losses recognised directly in reserves	–	(20)	(20)	–	–	(20)
79	Remeasurement of defined benefit obligations recognised directly in reserves	–	455	455	–	160	615
46	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
	Gains recognised directly in reserves	–	322	322	–	41	363
479	Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	–	2,892	2,892	–	843	3,735
(1,193)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(7,733)	(7,733)	–	(1,572)	(9,305)
(268)	Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	–	(1,810)	(1,810)	–	(283)	(2,093)
(335)	Share of other comprehensive income (losses) of associated companies	–	(2,419)	(2,419)	–	(192)	(2,611)
(610)	Share of other comprehensive income (losses) of joint ventures	–	(3,918)	(3,918)	–	(843)	(4,761)
(21)	Tax relating to components of other comprehensive income (losses)	–	(136)	(136)	–	(26)	(162)
(2,038)	Other comprehensive income (losses), net of tax	–	(13,857)	(13,857)	–	(2,034)	(15,891)
3,934	Total comprehensive income	–	25,143	25,143	551	4,995	30,689
(2)	Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	(14)	(14)	–	(2)	(16)
3	Impact of hyperinflation	–	21	21	–	5	26
(1,024)	Dividends paid relating to 2017	–	(7,985)	(7,985)	–	–	(7,985)
(430)	Dividends paid relating to 2018	–	(3,356)	(3,356)	–	–	(3,356)
(682)	Dividends paid to non-controlling interests	–	–	–	–	(5,317)	(5,317)
(129)	Distribution paid on perpetual capital securities	–	–	–	(1,006)	–	(1,006)
4	Equity contribution from non-controlling interests	–	–	–	–	35	35
(2,492)	Redemption of perpetual capital securities (see note 29(b))	–	1,740	1,740	(21,175)	–	(19,435)
574	Issuance of perpetual capital securities (see note 29(b))	–	–	–	4,475	–	4,475
(4)	Transaction costs in relation to issuance of perpetual capital securities	–	(33)	(33)	–	–	(33)
(17)	Buy-back and cancellation of issued shares (see note 29(a)(i))	(130)	(1)	(131)	–	–	(131)
6	Share option schemes and long term incentive plans of subsidiary companies	–	27	27	–	17	44
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
6	Relating to acquisition of subsidiary companies	–	–	–	–	44	44
(7)	Relating to purchase of non-controlling interests	–	(28)	(28)	–	(28)	(56)
64	Relating to partial disposal of subsidiary companies	–	275	275	–	223	498
(4,129)		(130)	(9,348)	(9,478)	(17,706)	(5,023)	(32,207)
75,746	At 31 December 2018	248,233	197,918	446,151	12,326	132,346	590,823

Total equity [#] US\$ million		Attributable to					Total equity* HK\$ million
		Ordinary shareholders		Total ordinary shareholders' funds* HK\$ million	Perpetual capital securities* HK\$ million	Non-controlling interests* HK\$ million	
		Share capital and share premium ^{*(a)} HK\$ million	Reserves ^{*(b)} HK\$ million				
69,768	At 1 January 2017	248,363	145,806	394,169	30,510	119,511	544,190
5,590	Profit for the year	–	35,100	35,100	1,163	7,339	43,602
	Other comprehensive income (losses)						
	Available-for-sale investments						
19	Valuation gains recognised directly in reserves	–	145	145	–	4	149
(5)	Valuation gains previously in reserves recognised in income statement	–	(36)	(36)	–	–	(36)
222	Remeasurement of defined benefit obligations recognised directly in reserves	–	1,268	1,268	–	462	1,730
(15)	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)	–	(134)	(134)	–	20	(114)
–	Losses recognised directly in reserves	–	1	1	–	–	1
(600)	Losses previously in reserves recognised in initial cost of non-financial items	–	1	1	–	–	1
	Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	(3,847)	–	(836)	(4,683)
593	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	2,551	–	2,074	4,625
5	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	22	22	–	18	40
406	Share of other comprehensive income of associated companies	–	2,950	2,950	–	217	3,167
1,322	Share of other comprehensive income of joint ventures	–	8,989	8,989	–	1,326	10,315
(33)	Tax relating to components of other comprehensive income (losses)	–	(194)	(194)	–	(69)	(263)
1,914	Other comprehensive income, net of tax	–	11,715	11,715	–	3,216	14,931
7,504	Total comprehensive income	–	46,815	46,815	1,163	10,555	58,533
(962)	Dividends paid relating to 2016	–	(7,503)	(7,503)	–	–	(7,503)
(386)	Dividends paid relating to 2017	–	(3,009)	(3,009)	–	–	(3,009)
(614)	Dividends paid to non-controlling interests	–	–	–	–	(4,790)	(4,790)
(153)	Distribution paid on perpetual capital securities	–	–	–	(1,192)	–	(1,192)
859	Equity contribution from non-controlling interests	–	–	–	–	6,700	6,700
(1,128)	Redemption of perpetual capital securities (see note 29(b))	–	–	–	(8,800)	–	(8,800)
1,000	Issuance of perpetual capital securities (see note 29(b))	–	–	–	7,800	–	7,800
(8)	Transaction costs in relation to issuance of perpetual capital securities	–	(62)	(62)	–	–	(62)
(9)	Transaction costs in relation to issuance of shares of a subsidiary	–	(41)	(41)	–	(27)	(68)
(2)	Transaction costs in relation to equity contribution from non-controlling interests	–	(14)	(14)	–	(4)	(18)
2	Share option schemes and long term incentive plans of subsidiary companies	–	9	9	–	6	15
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
13	Relating to acquisition of subsidiary companies	–	–	–	–	106	106
(46)	Relating to purchase of non-controlling interests	–	(342)	(342)	–	(19)	(361)
–	Relating to partial disposal of subsidiary companies	–	28	28	–	(28)	–
(1,433)		–	(10,928)	(10,928)	(2,192)	1,944	(11,176)
75,839	At 31 December 2017	248,363	181,693	430,056	29,481	132,010	591,547

See note 38.

* See note 41.

(a) See note 29(a) for further details on share capital and share premium.

(b) See note 30 for further details on reserves.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

2018 [#] US\$ million	Note	2018 HK\$ million	2017* HK\$ million
Operating activities			
9,306			
(1,367)			
(588)			
7,351		72,590	68,137
(206)	31 (a)	(10,661)	(9,375)
		(4,584)	(4,870)
7,351		57,345	53,892
(206)	31 (b)	(1,611)	(296)
7,145		55,734	53,596
Investing activities			
(3,531)		(27,540)	(23,521)
–		–	(149)
(1,093)		(8,527)	(216)
(190)		(1,479)	(29)
(1,836)	31 (c)	(14,323)	(3,724)
(53)		(414)	(130)
285		2,222	804
(314)		(2,446)	(37,798)
12		92	2,231
144	31 (d)	1,121	14,201
19		149	1,348
1		8	19
(6,556)		(51,137)	(46,964)
50		387	278
(1,068)		(8,329)	(1,997)
(7,574)		(59,079)	(48,683)
(429)		(3,345)	4,913
Financing activities			
7,092	31 (e)	55,313	100,488
(7,046)	31 (e)	(54,961)	(87,674)
(24)	31 (e)	(185)	(2,139)
1,834	31 (e)	14,308	–
3		25	1,584
–		–	5,063
–		–	(68)
(7)		(56)	(356)
570		4,442	7,738
(2,492)		(19,435)	(8,800)
(17)		(131)	–
(1,454)		(11,341)	(10,512)
(654)		(5,102)	(4,845)
(129)		(1,006)	(1,192)
(2,324)		(18,129)	(713)
(2,753)		(21,474)	4,200
20,573		160,470	156,270
17,820		138,996	160,470

2018 [#]		Note	2018	2017 [*]
US\$ million			HK\$ million	HK\$ million
	Analysis of cash, liquid funds and other listed investments			
17,820	Cash and cash equivalents, as above		138,996	160,470
(460)	Less: cash and cash equivalents included in assets classified as held for sale	22	(3,585)	–
17,360	Cash and cash equivalents	20	135,411	160,470
1,191	Liquid funds and other listed investments	17	9,292	7,813
18,551	Total cash, liquid funds and other listed investments		144,703	168,283
45,213	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	23	352,668	333,155
97	Interest bearing loans from non-controlling shareholders	26	752	3,143
26,759	Net debt		208,717	168,015
(97)	Interest bearing loans from non-controlling shareholders		(752)	(3,143)
26,662	Net debt (excluding interest bearing loans from non-controlling shareholders)		207,965	164,872

See note 38.

* See note 41.

Notes to the Financial Statements

1 Basis of preparation and presentation

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company" or "CK Hutchison") and its subsidiaries (the "Group") have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group has initially applied Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers" ("HKFRS 15") with effect from 1 January 2018 and has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised in note 41. Except for these changes, the accounting policies applied and methods of computation used in the preparation of these financial statements are consistent with those used in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 40.

These financial statements have been prepared on a historical cost basis, except for the following:

- defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) which are measured at fair values, and
- non-current assets and disposal groups classified as held for sale which are measured at the lower of carrying amount and fair value less cost to sell.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately from other assets and liabilities in the consolidated statement of financial position. Details of the major classes of assets and liabilities classified as held for sale are separately disclosed in note 22. Other assets and liabilities are presented in these financial statements on a net of reclassification to held for sale basis.

With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. This change in presentation has no impact on the total equity. The comparative information has been reclassified accordingly.

2 Revenue

(a) An analysis of revenue of the Company and subsidiary companies is as follows:

	2018 HK\$ million	2017 HK\$ million
Sale of goods	165,781	152,235
Revenue from services	105,288	92,035
Interest	5,948	4,135
Dividend income	112	110
	277,129	248,515

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15:

(i) By segments

	Revenue from contracts with customers			Revenue from other sources	2018 Total
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	–	26,425	26,425	162	26,587
Retail	133,371	204	133,575	–	133,575
Infrastructure	3,834	10,600	14,434	6,192	20,626
Husky Energy	–	–	–	–	–
3 Group Europe	12,534	50,321	62,855	–	62,855
Hutchison Telecommunications Hong Kong Holdings	4,250	3,662	7,912	–	7,912
Hutchison Asia Telecommunications	–	8,220	8,220	–	8,220
Finance & Investments and Others	13,404	764	14,168	3,186	17,354
	167,393	100,196	267,589	9,540	277,129

	Revenue from contracts with customers			Revenue from other sources	2017 Total
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	–	25,640	25,640	122	25,762
Retail	123,834	–	123,834	–	123,834
Infrastructure	3,436	10,035	13,471	5,128	18,599
Husky Energy	–	–	–	–	–
3 Group Europe	10,362	36,186	46,548	–	46,548
Hutchison Telecommunications Hong Kong Holdings	2,899	6,786	9,685	–	9,685
Hutchison Asia Telecommunications	–	7,695	7,695	–	7,695
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15 (continued):

(ii) By geographical locations

	Revenue from contracts with customers			Revenue	2018 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal	from other sources	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Hong Kong	35,404	3,537	38,941	34	38,975
Mainland China	31,669	570	32,239	5	32,244
Europe	63,108	71,154	134,262	5,068	139,330
Canada	–	392	392	231	623
Asia, Australia and Others	23,808	23,779	47,587	1,016	48,603
Finance & Investments and Others	13,404	764	14,168	3,186	17,354
	167,393	100,196	267,589	9,540	277,129

	Revenue from contracts with customers			Revenue	2017 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal	from other sources	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Hong Kong	33,675	6,596	40,271	31	40,302
Mainland China	28,785	659	29,444	2	29,446
Europe	57,536	55,489	113,025	4,278	117,303
Canada	–	357	357	112	469
Asia, Australia and Others	20,535	23,241	43,776	827	44,603
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

2 Revenue (continued)

(c) Contract balances related to contracts with customers within the scope of HKFRS 15

Under HKFRS 15, a contract asset or a contract liability is generated when either party to the contract performs, depending on the relationship between the entity's performance and the customer's payment. When an entity satisfies a performance obligation by transferring a promised goods or service, the entity has earned a right to consideration from the customer and, therefore, has a contract asset. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability. Generally, contract assets may represent conditional or unconditional rights to consideration. The right would be conditional, for example, when an entity is required first to satisfy another performance obligation in the contract before it is entitled to payment from the customer. If an entity has an unconditional right to receive consideration from the customer, the contract asset is classified as and accounted for as a receivable and presented separately from other contract assets. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers within the scope of HKFRS 15.

	31 December 2018 HK\$ million	1 January 2018 HK\$ million
Trade receivables (see note 21)	19,255	11,546
Contract assets (see notes 18 and 21)	6,943	3,842
Contract liabilities (see notes 24 and 28)	(5,883)	(6,325)

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. The acquisition of subsidiary companies during the year resulted in increase in trade receivables of HK\$8,596 million. In 2018, HK\$1,569 million was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The acquisition of a subsidiary during the year resulted in increase in contract assets of HK\$1,863 million. In 2018, HK\$853 million was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK\$3,224 million was recognised as revenue in 2018 that was included in the contract liability balance at the beginning of the year. The reclassification of the Group's interests in certain infrastructure investments as held for sale has resulted in decrease in contract liabilities of HK\$4,535 million.

(d) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. In light of these basis of preparation, the following does not reflect the expectation of the Group's performance. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated the remaining performance obligations.

	2018 HK\$ million
Within one year	17,591
More than one year	7,732
	25,323

3 Operating segment information

- (a) The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of resource allocation and performance assessment, the Group presents its operating segment information based on the following five operating divisions.

Ports and Related Services:

This division operates container terminals in five of the 10 busiest container ports in the world. This division had 288 operational berths as at 31 December 2018. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers. ASW operated 12 retail brands with 14,976 stores in 24 markets worldwide as at 31 December 2018.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the Group's interests in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, ParkN Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. During the year, the Group has divested a substantial portion of its economic benefits arising from these six infrastructure investments. Results of these six infrastructure investments for the period following the divestiture are included in the segment results on a net of divestiture basis.

Husky Energy:

This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the Stock Exchange and Hutchison Asia Telecommunications. During the year, the Group has acquired the remaining 50% interest in the 3 Group Europe telecommunications businesses in Italy operated by Wind Tre S.p.A. ("Wind Tre") and become the sole shareholder of Wind Tre. Results of Wind Tre for the period following the acquisition are included in the segment results (under 3 Group Europe) on a 100% basis.

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA"), Hutchison Whampoa (China), Hutchison E-Commerce, Hutchison Water (which was disposed during 2017), the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associated companies TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

3 Operating segment information *(continued)*

(b) Segment results, assets and liabilities

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items. Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The Group uses two measures of segment results, EBITDA (see note 3(b)(xiii)) and EBIT (see note 3(b)(xiv)).

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$54 million (2017 - HK\$70 million), Hutchison Telecommunications Hong Kong Holdings of HK\$11 million (2017 - HK\$222 million) and Hutchison Asia Telecommunications of HK\$2 million (2017 - HK\$9 million).

HKFRS 9 and HKFRS 15 are applied with effect from 1 January 2018 without restating the comparative information. See notes 1 and 41. The comparative information set out in this note continues to be reported under the accounting policies prevailing prior to 1 January 2018.

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	26,587	8,588	35,175	8%	25,762	8,384	34,146	8%
Retail	133,575	35,416	168,991	37%	123,834	32,329	156,163	38%
Infrastructure	19,522	45,202	64,724	14%	18,599	38,770	57,369	14%
Husky Energy	–	54,251	54,251	12%	–	44,948	44,948	11%
3 Group Europe	62,855	15,556	78,411	17%	46,548	24,186	70,734	17%
Hutchison Telecommunications Hong Kong Holdings	7,912	–	7,912	2%	9,685	–	9,685	2%
Hutchison Asia Telecommunications	8,220	–	8,220	2%	7,695	–	7,695	2%
Finance & Investments and Others	17,354	18,192	35,546	8%	16,392	17,705	34,097	8%
	276,025	177,205	453,230	100%	248,515	166,322	414,837	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	1,098	1,098		–	1,069	1,069	
Divesture of infrastructure investments	1,104	860	1,964		–	–	–	
	277,129	179,163	456,292		248,515	167,391	415,906	

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) ^(viii)							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	9,683	3,709	13,392	12%	8,921	3,642	12,563	12%
Retail	12,874	3,290	16,164	14%	11,911	2,887	14,798	14%
Infrastructure	11,234	24,188	35,422	31%	10,451	22,582	33,033	32%
Husky Energy	–	12,106	12,106	11%	–	8,992	8,992	9%
3 Group Europe	22,787	5,974	28,761	25%	14,546	9,791	24,337	23%
Hutchison Telecommunications Hong Kong Holdings ^(viii)	1,298	73	1,371	1%	4,272	65	4,337	4%
Hutchison Asia Telecommunications	1,028	–	1,028	1%	558	–	558	1%
Finance & Investments and Others	6,138	(802)	5,336	5%	1,852	3,884	5,736	5%
EBITDA	65,042	48,538	113,580	100%	52,511	51,843	104,354	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	752	752		–	741	741	
EBITDA (see note 31(a))	65,042	49,290	114,332		52,511	52,584	105,095	
Depreciation and amortisation	(19,351)	(21,615)	(40,966)		(17,105)	(19,921)	(37,026)	
Interest expenses and other finance costs	(9,562)	(8,463)	(18,025)		(8,274)	(9,750)	(18,024)	
Current tax	(3,982)	(3,813)	(7,795)		(5,415)	(2,483)	(7,898)	
Deferred tax	1,369	(1,652)	(283)		2,599	(756)	1,843	
Non-controlling interests	(7,563)	(700)	(8,263)		(8,502)	(388)	(8,890)	
	25,953	13,047	39,000		15,814	19,286	35,100	

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iii) An analysis of EBIT by segments

	EBIT (LBIT) ^(iv)							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	6,470	2,256	8,726	12%	6,008	2,211	8,219	12%
Retail	10,506	2,572	13,078	18%	9,821	2,268	12,089	18%
Infrastructure	7,825	16,213	24,038	33%	7,535	15,914	23,449	35%
Husky Energy	–	5,742	5,742	8%	–	2,703	2,703	4%
3 Group Europe								
EBITDA before the following non-cash items:	22,787	5,974	28,761		14,546	9,791	24,337	
Depreciation	(5,064)	(950)	(6,014)		(3,968)	(1,103)	(5,071)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(3,626)	(1,458)	(5,084)		(1,164)	(1,535)	(2,699)	
EBIT – 3 Group Europe	14,097	3,566	17,663	24%	9,414	7,153	16,567	25%
Hutchison Telecommunications Hong Kong Holdings ^(viii)	530	23	553	1%	688	19	707	1%
Hutchison Asia Telecommunications	321	–	321	–	226	–	226	–
Finance & Investments and Others	5,942	(3,178)	2,764	4%	1,714	1,918	3,632	5%
EBIT	45,691	27,194	72,885	100%	35,406	32,186	67,592	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	481	481		–	477	477	
Interest expenses and other finance costs	(9,562)	(8,463)	(18,025)		(8,274)	(9,750)	(18,024)	
Current tax	(3,982)	(3,813)	(7,795)		(5,415)	(2,483)	(7,898)	
Deferred tax	1,369	(1,652)	(283)		2,599	(756)	1,843	
Non-controlling interests	(7,563)	(700)	(8,263)		(8,502)	(388)	(8,890)	
	25,953	13,047	39,000		15,814	19,286	35,100	

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iv) An analysis of depreciation and amortisation expenses by segments

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JV	2018 Total	Company and Subsidiaries	Associates and JV	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,213	1,453	4,666	2,913	1,431	4,344
Retail	2,368	718	3,086	2,090	619	2,709
Infrastructure	3,409	7,975	11,384	2,916	6,668	9,584
Husky Energy	–	6,364	6,364	–	6,289	6,289
3 Group Europe	8,690	2,408	11,098	5,132	2,638	7,770
Hutchison Telecommunications Hong Kong Holdings ^(viii)	768	50	818	3,584	46	3,630
Hutchison Asia Telecommunications	707	–	707	332	–	332
Finance & Investments and Others	196	2,376	2,572	138	1,966	2,104
	19,351	21,344	40,695	17,105	19,657	36,762
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	–	271	271	–	264	264
Divestiture of infrastructure investments	388	99	487	–	–	–
	19,739	21,714	41,453	17,105	19,921	37,026

(v) An analysis of capital expenditure by segments

	Capital expenditure							
	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2018 Total	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,909	–	1	3,910	3,700	–	3	3,703
Retail	3,454	–	–	3,454	3,148	–	–	3,148
Infrastructure	5,924	–	136	6,060	5,543	–	6	5,549
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	10,990	6,384	1,341	18,715	7,880	197	3	8,080
Hutchison Telecommunications Hong Kong Holdings	513	–	–	513	1,018	–	9	1,027
Hutchison Asia Telecommunications	2,513	2,143	–	4,656	2,103	19	–	2,122
Finance & Investments and Others	237	–	1	238	278	–	8	286
	27,540	8,527	1,479	37,546	23,670	216	29	23,915

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vi) An analysis of total assets by segments

	Total assets								
	Company and Subsidiaries		Assets classified as held for sale ^(b)	Investments in associated companies and interests in joint ventures	2018 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2017 Total assets
	Segment assets ^(b)	Deferred tax assets				Segment assets ^(b)	Deferred tax assets		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Ports and Related Services	74,366	243	–	20,728	95,337	75,531	184	26,242	101,957
Retail	199,151	1,059	–	13,771	213,981	196,903	1,140	13,707	211,750
Infrastructure	54,963	12	118,187	142,569	315,731	172,958	489	157,420	330,867
Husky Energy	–	–	–	64,297	64,297	–	–	62,976	62,976
3 Group Europe	309,333	18,659	2,352	10	330,354	114,415	18,015	32,723	165,153
Hutchison Telecommunications									
Hong Kong Holdings	19,469	258	–	396	20,123	23,500	338	434	24,272
Hutchison Asia Telecommunications	11,333	–	–	–	11,333	7,973	–	–	7,973
Finance & Investments and Others	168,490	29	–	12,569	181,088	181,303	29	13,975	195,307
	837,105	20,260	120,539	254,340	1,232,244	772,583	20,195	307,477	1,100,255

(vii) An analysis of total liabilities by segments

	Total liabilities								
	Segment liabilities ^(b)	Current & deferred tax liabilities	Liabilities directly associated with assets classified as held for sale ^(b)	Current & non-current borrowings and other non-current liabilities	2018 Total liabilities	Segment liabilities ^(b)	Current & deferred tax liabilities	Current & non-current borrowings and other non-current liabilities	2017 Total liabilities
	Ports and Related Services	13,433	4,472	–	16,127	34,032	13,746	4,624	16,652
Retail	26,366	9,962	–	13,407	49,735	25,813	10,523	13,768	50,104
Infrastructure	4,910	590	77,600	30,535	113,635	15,305	7,165	102,354	124,824
Husky Energy	–	–	–	–	–	–	–	–	–
3 Group Europe	55,915	94	–	113,808	169,817	23,866	460	14,759	39,085
Hutchison Telecommunications									
Hong Kong Holdings	1,804	16	–	343	2,163	2,229	3	4,286	6,518
Hutchison Asia Telecommunications	5,976	1	–	18,897	24,874	5,219	3	17,010	22,232
Finance & Investments and Others	10,311	6,197	–	230,657	247,165	7,820	5,753	217,350	230,923
	118,715	21,332	77,600	423,774	641,421	93,998	28,531	386,179	508,708

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(viii) An analysis of revenue by geographical locations

	Revenue							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	38,975	4,624	43,599	10%	40,302	4,963	45,265	11%
Mainland China	32,244	7,517	39,761	9%	29,446	7,234	36,680	9%
Europe	138,255	76,821	215,076	47%	117,303	77,602	194,905	47%
Canada ⁽ⁱⁱⁱ⁾	596	53,651	54,247	12%	469	43,852	44,321	11%
Asia, Australia and Others	48,601	16,400	65,001	14%	44,603	14,966	59,569	14%
Finance & Investments and Others	17,354	18,192	35,546	8%	16,392	17,705	34,097	8%
	276,025	177,205	453,230 ⁽¹⁾	100%	248,515	166,322	414,837 ⁽¹⁾	100%

(1) see note 3(b)(i) for reconciliation of segment revenue to revenue presented in the income statement.

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) ⁽ⁱⁱⁱ⁾							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	1,698	1,983	3,681	3%	3,864	2,506	6,370	6%
Mainland China	6,184	4,924	11,108	10%	4,873	4,806	9,679	9%
Europe	40,354	22,468	62,822	55%	31,424	24,867	56,291	54%
Canada ⁽ⁱⁱⁱ⁾	410	10,364	10,774	10%	299	7,598	7,897	8%
Asia, Australia and Others	10,258	9,601	19,859	17%	10,199	8,182	18,381	18%
Finance & Investments and Others	6,138	(802)	5,336	5%	1,852	3,884	5,736	5%
	65,042	48,538	113,580 ⁽²⁾	100%	52,511	51,843	104,354 ⁽²⁾	100%

(2) see note 3(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the income statement.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) ^(xv)							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	561	929	1,490	2%	110	1,472	1,582	2%
Mainland China	5,208	3,397	8,605	12%	3,836	3,221	7,057	10%
Europe	26,720	15,458	42,178	58%	21,978	18,335	40,313	60%
Canada ^(xvi)	390	4,508	4,898	6%	276	1,932	2,208	4%
Asia, Australia and Others	6,870	6,080	12,950	18%	7,492	5,308	12,800	19%
Finance & Investments and Others	5,942	(3,178)	2,764	4%	1,714	1,918	3,632	5%
	45,691	27,194	72,885 ⁽³⁾	100%	35,406	32,186	67,592 ⁽³⁾	100%

(3) see note 3(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the income statement.

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure							
	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2018 Total	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,316	–	–	1,316	1,569	–	9	1,578
Mainland China	1,147	–	–	1,147	1,239	–	–	1,239
Europe	18,626	6,384	1,341	26,351	14,545	197	3	14,745
Canada	14	–	37	51	182	–	–	182
Asia, Australia and Others	6,200	2,143	100	8,443	5,857	19	9	5,885
Finance & Investments and Others	237	–	1	238	278	–	8	286
	27,540	8,527	1,479	37,546	23,670	216	29	23,915

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xii) An analysis of total assets by geographical locations

	Total assets								
	Company and Subsidiaries		Assets classified as held for sale ^(xx)	Investments in associated companies and interests in joint ventures	2018 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2017 Total assets
	Segment assets ^(xx)	Deferred tax assets				Segment assets ^(xx)	Deferred tax assets		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Hong Kong	55,494	306	–	14,233	70,033	55,423	366	22,521	78,310
Mainland China	47,989	681	–	23,735	72,405	48,697	726	27,190	76,613
Europe	452,780	18,914	114,559	87,437	673,690	370,864	18,830	120,642	510,336
Canada ^(xx)	3,638	6	2,558	63,027	69,229	6,249	3	63,977	70,229
Asia, Australia and Others	108,714	324	3,422	53,339	165,799	110,047	241	59,172	169,460
Finance & Investments and Others	168,490	29	–	12,569	181,088	181,303	29	13,975	195,307
	837,105	20,260	120,539	254,340	1,232,244	772,583	20,195	307,477	1,100,255

(xiii) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net divesture basis after the divesture. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.

(xiv) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net divesture basis after the divesture. EBIT (LBIT) is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under HKFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

- (xv) As announced on 31 August 2018, the Group divested a substantial portion of the economic benefits arising from its interests in six infrastructure investments co-owned with CKI comprising Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. The Group recognised one-off loss of HK\$2,962 million attributable to ordinary shareholders. The amount of the loss is HK\$3,626 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.
- (xvi) As announced on 3 July 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The Group recognised one-off re-measurement and other gains of HK\$8,600 million. The amount of the gains is HK\$8,600 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.
- (xvii) The Group's 30.07% owned listed associated company, HPH Trust reported a one-off impairment of goodwill and investment in a joint venture of HK\$12,289 million for the year ended 31 December 2018. The Group's share of this loss (after consolidation adjustments) amounted to HK\$4,781 million. The amount of the loss is HK\$4,781 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Share of profits less losses of associated companies" in the income statement.
- (xviii) During the comparative 2017 year, HTHKH disposed of its fixed-line telecommunications business and reported a one-off gain of HK\$5,614 million. HTHKH also reported a one-off after tax and non-controlling interests accelerated depreciation charges of HK\$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau. The Group's share of this disposal gain is HK\$2,034 million at the EBITDA (included in Other operating expenses) level and EBIT level, and the Group's share of these accelerated depreciation charges is HK\$2,182 million at the EBIT level (included in Depreciation and amortisation). These one-offs resulted in a net loss of HK\$148 million at the EBIT level and the respective amounts are included in the Other operating expenses and Depreciation and amortisation in the income statement and reported under Hutchison Telecommunications Hong Kong Holdings in the segment results.
- (xix) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale. Segment liabilities comprise trade and other payables and pension obligations and exclude liabilities directly associated with assets classified as held for sale. As additional information, the Group's non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK\$73,511 million (2017 - HK\$81,118 million), HK\$85,882 million (2017 - HK\$84,307 million), HK\$463,580 million (2017 - HK\$443,138 million), HK\$66,500 million (2017 - HK\$68,789 million), HK\$159,698 million (2017 - HK\$156,169 million) respectively.
- (xx) See note 22.
- (xxi) Include contribution from the United States of America for Husky Energy.

4 Directors' emoluments

	2018 HK\$ million	2017 HK\$ million
Directors' emoluments	561	512

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses and are included in staff costs and other operating expenses in the income statement.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2017 - nil).

In 2018, the five individuals whose emoluments were the highest for the year were five directors of the Company. In 2017 the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK\$4.73 million; provident fund contribution - HK\$0.3 million and discretionary bonus - HK\$28.34 million.

Further details of the directors' emoluments are set out in table below:

(a) Directors' emolument expenses recognised in the Group's income statement:

Name of directors	2018					
	Director's fees HK\$ million	Basic salaries, allowances and benefits- in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ^{(1) (3)} Victor T K Li ^{(4) (8)}	-	-	-	-	-	-
<i>Paid by the Company</i>	0.26	4.89	73.87	-	-	79.02
<i>Paid by CKI</i>	0.08	-	33.24	-	-	33.32
FOK Kin Ning, Canning ⁽²⁾	0.34	4.89	107.11	-	-	112.34
Frank John SIXT ⁽²⁾	0.22	11.53	213.50	1.04	-	226.29
IP Tak Chuen, Edmond	0.22	8.54	62.55	0.75	-	72.06
<i>Paid by the Company</i>	0.22	1.62	10.68	-	-	12.52
<i>Paid by CKI</i>	0.08	1.80	11.70	-	-	13.58
KAM Hing Lam	0.30	3.42	22.38	-	-	26.10
<i>Paid by the Company</i>	0.22	2.42	10.17	-	-	12.81
<i>Paid by CKI</i>	0.08	4.20	11.70	-	-	15.98
LAI Kai Ming, Dominic ⁽²⁾	0.30	6.62	21.87	-	-	28.79
Edith SHIH ⁽²⁾	0.22	5.85	62.00	0.84	-	68.91
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	4.33	18.51	0.32	-	23.38
CHOW WOO Mo Fong, Susan ⁽⁵⁾	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	-	-	-	-	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	-	-	-	-	0.22
George Colin MAGNUS ⁽⁵⁾	0.22	-	-	-	-	0.22
<i>Paid by the Company</i>	0.22	-	-	-	-	0.22
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
KWOK Tun-li, Stanley ^{(6) (7)}	0.30	-	-	-	-	0.30
<i>Paid by the Company</i>	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	-	-	-	-	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	-	-	-	-	0.22
William SHURNIAK ^{(6) (7)}	0.35	-	-	-	-	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	-	-	-	-	0.28
Total	5.24	45.18	507.92	2.95	-	561.29

4 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement (continued):

2017						
Name of directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ^{(1) (8)}	0.01	—	—	—	—	0.01
Victor T K Li						
<i>Paid by the Company</i>	0.22	4.89	63.87	—	—	68.98
<i>Paid by CKI</i>	0.08	—	32.27	—	—	32.35
	0.30	4.89	96.14	—	—	101.33
FOK Kin Ning, Canning ⁽²⁾	0.22	11.59	197.68	1.04	—	210.53
Frank John SIXT ⁽²⁾	0.22	8.64	52.58	0.75	—	62.19
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	10.07	—	—	11.91
<i>Paid by CKI</i>	0.08	1.80	11.35	—	—	13.23
	0.30	3.42	21.42	—	—	25.14
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	9.88	—	—	12.52
<i>Paid by CKI</i>	0.08	4.20	11.35	—	—	15.63
	0.30	6.62	21.23	—	—	28.15
LAI Kai Ming, Dominic ⁽²⁾	0.22	5.84	52.01	1.10	—	59.17
Edith SHIH ^{(2) (9)}	0.22	4.30	17.13	0.36	—	22.01
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	—	—	—	—	0.22
CHOW WOO Mo Fong, Susan ^{(5) (9)}	0.22	—	—	—	—	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	—	—	—	—	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	—	—	—	—	0.22
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	—	—	—	—	0.22
<i>Paid by CKI</i>	0.08	—	—	—	—	0.08
	0.30	—	—	—	—	0.30
KWOK Tun-li, Stanley ^{(6) (7)}	0.35	—	—	—	—	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	—	—	—	—	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	—	—	—	—	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	—	—	—	—	0.22
William SHURNIAK ^{(6) (7)}	0.35	—	—	—	—	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	—	—	—	—	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	—	—	—	—	0.28
Total	5.21	45.30	458.19	3.25	—	511.95

- (1) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK\$1,781 (2017 - HK\$5,000). The amount of director's fee shown above is a result of rounding.
- (2) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (3) Retired on 10 May 2018.
- (4) Appointed as Member of the Remuneration Committee on 10 May 2018.
- (5) Non-executive director.
- (6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2017 - HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Member of the Remuneration Committee.
- (9) Appointed on 1 January 2017.

5 Interest expenses and other finance costs

	2018 HK\$ million	2017 HK\$ million
Bank loans and overdrafts	1,971	1,556
Other loans	172	264
Notes and bonds	8,403	7,605
Interest bearing loans from non-controlling shareholders	262	260
Other finance costs	230	60
	11,038	9,745
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	235	210
Other non-cash interest adjustments ^(a)	(1,099)	(1,311)
	10,174	8,644
Less: interest capitalised ^(b)	(377)	(370)
	9,797	8,274

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK\$1,522 million (2017 - HK\$1,725 million) net with notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future of HK\$423 million (2017 - HK\$414 million).

(b) Borrowing costs have been capitalised at various applicable rates ranging from 2.7% to 6.2% (2017 - 4.6% to 6.2%) per annum.

6 Tax

	2018 HK\$ million	2017 HK\$ million
Current tax charge		
Hong Kong	76	598
Outside Hong Kong	3,836	4,817
	3,912	5,415
Deferred tax charge (credit)		
Hong Kong	53	(255)
Outside Hong Kong	(1,347)	(2,344)
	(1,294)	(2,599)
	2,618	2,816

Hong Kong profits tax has been provided for at the rate of 16.5% (2017 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

6 Tax (continued)

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2018 HK\$ million	2017 HK\$ million
Tax calculated at the domestic rates applicable in the country concerned	6,305	7,101
Tax effect of:		
Tax losses not recognised	1,724	1,474
Income not subject to tax	(2,172)	(1,847)
Expenses not deductible for tax purposes	1,349	1,535
Recognition of previously unrecognised tax losses	(141)	(2,010)
Utilisation of previously unrecognised tax losses	(1,256)	(926)
Under (over) provision in prior years	(98)	33
Other temporary differences	(2,818)	(2,456)
Effect of change in tax rate	(275)	(88)
Total tax for the year	2,618	2,816

7 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$39,000 million (2017 - HK\$35,100 million) and on weighted average number of shares, 3,857,216,697 shares outstanding during 2018 (2017 - 3,857,678,500 shares in issue).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2018 and 2017. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2018 and 2017 did not have a dilutive effect on earnings per share.

8 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2018 HK\$ million	2017 HK\$ million
Distribution paid on perpetual capital securities	1,006	1,192

(b) Dividends

	2018 HK\$ million	2017 HK\$ million
Interim dividend, paid of HK\$0.87 per share (2017 - HK\$0.78 per share)	3,356	3,009
Final dividend, proposed of HK\$2.30 per share (2017 - HK\$2.07 per share)	8,870	7,985
	12,226	10,994

In 2018, the calculation of the interim dividend and final dividend is based on 3,857,678,500 shares (2017 - 3,857,678,500 shares) and 3,856,240,500 shares (2017 - 3,857,678,500 shares) in issue respectively.

9 Fixed assets

	Land and buildings HK\$ million	Telecom- munications network assets HK\$ million	Other assets ^(a) HK\$ million	Total HK\$ million
Cost				
At 1 January 2017	24,367	32,061	106,907	163,335
Additions	1,632	3,336	18,553	23,521
Relating to subsidiaries acquired (see note 31(c))	4	334	107	445
Disposals	(71)	(2,797)	(959)	(3,827)
Relating to subsidiaries disposed (see note 31(d))	(35)	(7,618)	(625)	(8,278)
Transfer between categories	(44)	5,244	(4,935)	265
Exchange translation differences	1,396	2,393	9,102	12,891
At 31 December 2017 and 1 January 2018	27,249	32,953	128,150	188,352
Additions	1,983	3,691	21,866	27,540
Relating to subsidiaries acquired (see note 31(c))	16	14,905	3,248	18,169
Disposals	(10)	(551)	(1,462)	(2,023)
Relating to subsidiaries disposed (see note 31(d))	(281)	–	(125)	(406)
Transfer between categories	120	3,201	(3,086)	235
Exchange translation differences	(1,009)	(2,830)	(4,963)	(8,802)
Transfer to assets classified as held for sale (see note 22)	(1,787)	(148)	(79,906)	(81,841)
At 31 December 2018	26,281	51,221	63,722	141,224
Accumulated depreciation and impairment				
At 1 January 2017	1,447	5,312	10,978	17,737
Charge for the year	1,015	5,848	7,816	14,679
Disposals	(23)	(2,753)	(696)	(3,472)
Relating to subsidiaries disposed (see note 31(d))	(5)	(1,406)	(134)	(1,545)
Transfer between categories	(177)	165	277	265
Exchange translation differences	146	727	1,026	1,899
At 31 December 2017 and 1 January 2018	2,403	7,893	19,267	29,563
Charge for the year	1,069	3,796	9,649	14,514
Disposals	(7)	(384)	(1,511)	(1,902)
Relating to subsidiaries disposed (see note 31(d))	(24)	–	(43)	(67)
Transfer between categories	18	181	36	235
Exchange translation differences	8	(517)	(831)	(1,340)
Transfer to assets classified as held for sale (see note 22)	(128)	–	(10,256)	(10,384)
At 31 December 2018	3,339	10,969	16,311	30,619
Net book value				
At 31 December 2018	22,942	40,252	47,411	110,605
At 31 December 2017	24,846	25,060	108,883	158,789
At 1 January 2017	22,920	26,749	95,929	145,598

- (a) Cost and net book value of other assets include HK\$24,249 million (2017 - HK\$22,937 million) and HK\$18,765 million (2017 - HK\$19,287 million) respectively relate to the business of Ports and Related Services, HK\$20,852 million (2017 - HK\$10,439 million) and HK\$17,671 million (2017 - HK\$8,268 million) respectively relate to the business of Telecommunications and HK\$2,025 million (2017 - HK\$80,475 million) and HK\$1,433 million (2017 - HK\$72,599 million) respectively relate to the business of Infrastructure. The decrease in cost and net book value of other assets relating to the business of Infrastructure is mainly attributable to assets transferred to disposal group held for sale during the year.

9 Fixed assets (continued)

- (b) As at 31 December 2018, the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is not material. The comparative balances as at 31 December 2017 analysed by the bands of "within 1 year", "after 1 year, but within 5 years", and "after 5 years" are HK\$3,317 million, HK\$5,199 million and HK\$1,468 million, respectively and are mainly related to businesses of the six co-owned infrastructure investments classified as disposal group held for sale as at the reporting date.

10 Leasehold land

	2018 HK\$ million	2017 HK\$ million
Net book value		
At 1 January	8,305	8,155
Additions	–	149
Relating to subsidiaries acquired (see note 31(c))	–	105
Amortisation for the year	(424)	(428)
Relating to subsidiaries disposed (see note 31(d))	(68)	–
Exchange translation differences	(111)	324
At 31 December	7,702	8,305

11 Telecommunications licences

	2018 HK\$ million	2017 HK\$ million
Net book value		
At 1 January	27,271	23,936
Additions	8,527	216
Relating to subsidiaries acquired (see note 31(c))	32,802	1,962
Amortisation for the year	(1,222)	(998)
Exchange translation differences	(1,813)	2,155
Transfer to assets classified as held for sale (see note 22)	(1,344)	–
At 31 December	64,221	27,271
Cost	67,571	29,507
Accumulated amortisation and impairment	(3,350)	(2,236)
	64,221	27,271

The carrying amount of telecommunications licences primarily arises from the acquisition of Hutchison Whampoa Limited's ("HWL") businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year.

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life and their carrying amount at 31 December 2018 are £1,723 million and €3,947 million (2017 - £1,555 million and nil) respectively.

12 Brand names and other rights

	Brand names HK\$ million	Other rights HK\$ million	Total HK\$ million
Net book value			
At 1 January 2017	60,120	13,505	73,625
Additions	–	29	29
Relating to subsidiaries acquired (see note 31(c))	–	134	134
Amortisation for the year	(12)	(988)	(1,000)
Relating to subsidiaries disposed (see note 31(d))	–	(503)	(503)
Exchange translation differences	2,677	1,023	3,700
At 31 December 2017 and 1 January 2018	62,785	13,200	75,985
Additions	–	1,479	1,479
Relating to subsidiaries acquired (see note 31(c))	7,652	15,327	22,979
Amortisation for the year	(12)	(2,379)	(2,391)
Exchange translation differences	(1,118)	(730)	(1,848)
Transfer to assets classified as held for sale (see note 22)	(270)	(7,173)	(7,443)
At 31 December 2018	69,037	19,724	88,761
Cost	69,080	24,096	93,176
Accumulated amortisation	(43)	(4,372)	(4,415)
	69,037	19,724	88,761

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year. At 31 December 2018,

- brand names relate to Retail of approximately HK\$50 billion (2017 - HK\$51 billion) and Telecommunications of approximately HK\$19 billion (2017 - HK\$12 billion) are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK\$547 million (2017 - HK\$711 million), operating and service content rights of HK\$7,954 million (2017 - HK\$9,903 million), resource consents and customer lists of HK\$11,223 million (2017 - HK\$2,586 million) are amortised over their finite useful lives.

13 Goodwill

	2018 HK\$ million	2017 HK\$ million
Cost		
At 1 January	255,334	254,748
Relating to subsidiaries acquired (see note 31(c))	97,602	1,271
Relating to subsidiaries disposed (see note 31(d))	–	(5,929)
Exchange translation differences	(4,090)	5,244
Transfer to assets classified as held for sale (see note 22)	(25,686)	–
At 31 December	323,160	255,334

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year. As at 31 December 2018, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (2017 - HK\$114 billion), telecommunications of approximately HK\$127 billion (2017 - HK\$32 billion) and CKI of approximately HK\$39 billion (2017 - HK\$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 11, 12 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 3.3% to 9.3% (2017 - 3.1% to 8.0%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1.0% to 3.1% (2017 - 1.0% to 3.5%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2018 and 2017 indicated no impairment charge was necessary.

14 Associated companies

	2018 HK\$ million	2017 HK\$ million
Unlisted shares	8,812	8,917
Listed shares, Hong Kong	64,408	64,408
Listed shares, outside Hong Kong	78,444	78,202
Share of undistributed post acquisition reserves	(19,151)	(10,341)
	132,513	141,186
Amounts due from (net with amounts due to) associated companies ^(a)	3,774	4,157
	136,287	145,343

The market value of the above listed investments at 31 December 2018 was HK\$91,849 million (2017 - HK\$116,870 million), inclusive of HK\$33,001 million (2017 - HK\$43,574 million) and HK\$44,054 million (2017 - HK\$53,505 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 34.

(a) Amounts due from (net with amounts due to) associated companies

	2018 HK\$ million	2017 HK\$ million
Amounts due from associated companies ⁽ⁱ⁾		
Interest free	639	340
Interest bearing at fixed rates ⁽ⁱⁱ⁾	2,946	3,444
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	906	907
	4,491	4,691
Amount due to an associated company ^(iv)		
Interest free	717	534
Amounts due from (net with amounts due to) associated companies	3,774	4,157

- (i) At 31 December 2018 and 2017, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$884 million which are repayable within one to three years (2017 - HK\$592 million which are repayable within one to four years).
- (ii) At 31 December 2018, HK\$2,946 million (2017 - HK\$3,444 million) bear interests at fixed rates ranging from approximately 10.9% to 11.2% (2017 - 10.9% to 11.2%) per annum.
- (iii) At 31 December 2018, HK\$906 million (2017 - HK\$907 million) bear interests at floating rates ranging from approximately 1.8% to 3.3% (2017 - 2.0% to 2.3%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.
- (iv) At 31 December 2018 and 2017, the amount due to an associated company is unsecured and has no fixed terms of repayment.

14 Associated companies (continued)

(b) Material associated companies

Set out below are additional information in respect of the Group's material associated companies:

	2018		2017	
	Husky Energy HK\$ million	Power Assets HK\$ million	Husky Energy HK\$ million	Power Assets HK\$ million
Dividends received from associated companies	667	7,139	–	12,685
Gross amount of the following items of the associated companies ⁽ⁱ⁾ :				
Total revenue	135,440	1,555	111,858	1,420
EBITDA	30,118	19,418	22,378	19,243
EBIT	14,285	14,108	6,726	14,121
Other comprehensive income (losses)	(3,617)	(1,113)	4,780	1,482
Total comprehensive income	4,963	6,523	10,547	9,801
Current assets	34,517	5,475	34,145	25,574
Non-current assets	229,816	123,664	228,164	118,935
Current liabilities	29,015	4,072	21,323	6,832
Non-current liabilities	71,294	3,808	79,853	4,589
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	159,254	121,259	156,695	133,088
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	38.0%	40.2%	38.0%
Group's share of net assets	64,004	46,091	62,976	50,591
Amount due from associated company	293	–	–	–
Carrying amount	64,297	46,091	62,976	50,591

14 Associated companies (continued)

(b) Material associated companies (continued)

Set out below are additional information in respect of the Group's material associated companies (continued):

	2018				2017			
	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million
Group's share of the following items of the associated companies ⁽ⁱ⁾ :								
Profits less losses after tax	3,448	2,902	(3,462)	2,888	2,345	3,214	1,238	6,797
Other comprehensive income (losses)	(1,454)	(424)	(733)	(2,611)	1,922	586	659	3,167
Total comprehensive income (loss)	1,994	2,478	(4,195)	277	4,267	3,800	1,897	9,964

(i) After translation into Hong Kong dollars and consolidation adjustments.

Particulars regarding the principal associated companies are set forth on pages 283 to 286.

15 Interests in joint ventures

	2018 HK\$ million	2017 HK\$ million
Unlisted shares	83,066	113,091
Share of undistributed post acquisition reserves	36	9,491
	83,102	122,582
Amounts due from (net with amounts due to) joint ventures ^(a)	34,951	39,552
	118,053	162,134

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 34.

15 Interests in joint ventures (continued)

(a) Amounts due from (net with amounts due to) joint ventures

	2018 HK\$ million	2017 HK\$ million
Amounts due from joint ventures ⁽ⁱ⁾		
Interest free	2,070	2,137
Interest bearing at fixed rates ⁽ⁱⁱ⁾	17,222	20,101
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	16,036	17,699
	35,328	39,937
Amounts due to joint ventures ^(iv)		
Interest free	347	385
Interest bearing at floating rates ^(v)	30	–
Amounts due from (net with amounts due to) joint ventures	34,951	39,552

(i) At 31 December 2018 and 2017, the amounts due from joint ventures are unsecured except for HK\$133 million for 2017 and have no fixed terms of repayment except for HK\$979 million which are repayable within one to two years (2017 - HK\$1,807 million which are repayable within one to two years and HK\$164 million which is repayable in 2027).

(ii) At 31 December 2018, HK\$17,222 million (2017 - HK\$20,101 million) bear interests at fixed rates ranging from approximately 4.9% to 11.0% (2017 - 4.9% to 16.0%) per annum.

(iii) At 31 December 2018, HK\$16,036 million (2017 - HK\$17,699 million) bear interests at floating rates ranging from approximately 3.7% to 7.4% (2017 - 1.7% to 6.5%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime rate and London Interbank Offered Rate, as applicable.

(iv) At 31 December 2018 and 2017, the amounts due to joint ventures are unsecured and have no fixed terms of repayment except for HK\$30 million which are repayable within one year (2017 - nil).

(v) At 31 December 2018, HK\$30 million (2017 - nil) bear interests at floating rates ranging from approximately 1.5% to 2.5% (2017 - nil) per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

(b) Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2018 HK\$ million	2017 HK\$ million
Profits less losses after tax ⁽ⁱ⁾	10,220	12,500
Other comprehensive income (losses)	(4,761)	10,315
Total comprehensive income	5,459	22,815
Capital commitments	2,692	2,247

(i) During the second half of 2012, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK\$61 million (2017 - HK\$11 million). This item is presented within the consolidated income statement line item titled other operating expenses.

Particulars regarding the principal joint ventures are set forth on pages 283 to 286.

16 Deferred tax

	2018 HK\$ million	2017 HK\$ million
Deferred tax assets	20,260	20,195
Deferred tax liabilities	19,261	25,583
Net deferred tax assets (liabilities)	999	(5,388)

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2018 HK\$ million	2017 HK\$ million
At 1 January	(5,388)	(7,836)
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	(304)	–
Relating to subsidiaries acquired (see note 31(c))	2	249
Relating to subsidiaries disposed (see note 31(d))	7	657
Transfer to current tax	29	(235)
Net charge to other comprehensive income	(162)	(263)
Net credit (charge) to the income statement		
Unused tax losses	669	1,218
Accelerated depreciation allowances	(240)	(181)
Fair value adjustments arising from acquisitions	(39)	732
Withholding tax on undistributed profits	(61)	89
Other temporary differences	965	741
Exchange translation differences	(318)	(559)
Transfer to assets classified as held for sale (see note 22)	(416)	–
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	6,255	–
At 31 December	999	(5,388)

Analysis of net deferred tax assets (liabilities):

	2018 HK\$ million	2017 HK\$ million
Unused tax losses	18,459	16,687
Accelerated depreciation allowances	(4,127)	(9,588)
Fair value adjustments arising from acquisitions	(10,501)	(8,905)
Revaluation of investment properties and other investments	126	119
Withholding tax on undistributed profits	(497)	(461)
Other temporary differences	(2,461)	(3,240)
	999	(5,388)

16 Deferred tax (continued)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2018, the Group has recognised accumulated deferred tax assets amounting to HK\$20,260 million (2017 - HK\$20,195 million) of which HK\$18,659 million (2017 - HK\$18,015 million) relates to 3 Group Europe.

Note 42(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$28,880 million at 31 December 2018 (2017 - HK\$13,354 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$99,135 million (2017 - HK\$55,385 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$76,257 million (2017 - HK\$31,053 million) can be carried forward indefinitely and the balances expire in the following years:

	2018 HK\$ million	2017 HK\$ million
In the first year	3,896	6,677
In the second year	5,606	4,414
In the third year	2,096	6,015
In the fourth year	2,667	2,097
After the fourth year	8,613	5,129
	22,878	24,332

17 Liquid funds and other listed investments

	2018 HK\$ million	2017 HK\$ million
Financial assets at amortised cost		
Managed funds - cash and cash equivalents, outside Hong Kong	66	—
Financial assets at FVOCI ^{*(i)}		
Listed equity securities, Hong Kong ⁽ⁱⁱ⁾	2,909	—
Listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	208	—
Managed funds - listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	154	—
Managed funds - listed debt securities, outside Hong Kong	4,770	—
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	1,089	—
	9,130	—
Available-for-sale investments ⁽ⁱ⁾		
Managed funds - cash and cash equivalents, outside Hong Kong	—	50
Listed equity securities, Hong Kong	—	1,546
Listed equity securities, outside Hong Kong	—	25
Managed funds - listed equity securities, outside Hong Kong	—	169
Managed funds - listed debt securities, outside Hong Kong	—	4,697
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	—	1,168
	—	7,655
Financial assets at fair value through profit or loss - listed equity securities	96	158
	9,292	7,813

* See note 41.

(i) The fair values are based on quoted market prices.

(ii) These equity securities are strategic investments and not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise these investments in this category so the Group considers this category to be the most appropriate classification.

(iii) Included in listed / traded debt securities outside Hong Kong as at 31 December 2018 and 2017 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million which will mature in 2019.

17 Liquid funds and other listed investments (continued)

- (a) At 31 December, liquid funds and other listed investments totalling HK\$9,292 million (2017 - HK\$7,813 million) are denominated in the following currencies:

	2018			2017	
	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	–	32%	–	20%	–
US dollars	26%	55%	100%	65%	71%
Other currencies	74%	13%	–	15%	29%
	100%	100%	100%	100%	100%

- (b) At 31 December, Listed / traded debt securities totalling HK\$5,859 million (2017 - HK\$5,865 million) presented above are analysed as follows:

	2018	2017
	Financial assets at FVOCI Percentage	Available-for-sale investments Percentage
Credit ratings		
Aaa / AAA	20%	19%
Aa1 / AA+	60%	60%
Other investment grades	4%	4%
Unrated	16%	17%
	100%	100%
Sectorial		
US Treasury notes	56%	56%
Government and government guaranteed notes	17%	17%
Husky Energy notes	4%	4%
Financial institutions notes	–	1%
Others	23%	22%
	100%	100%
Weighted average maturity	2.2 years	2.4 years
Weighted average effective yield	1.58%	1.42%

18 Other non-current assets

	2018 HK\$ million	2017 HK\$ million
Investment properties (see note 19)	382	360
Customer acquisition and retention costs ^(a)	1,576	–
Contract assets (see note 21(b))	2,726	–
Unlisted investments		
Financial assets at amortised costs – debt securities ^(b)	170	–
Financial assets at FVOCI * – equity securities ^(c)	1,953	–
Financial assets at fair value through profit or loss – equity securities	641	–
Financial assets at fair value through profit or loss – debt securities	318	–
Loans and receivables – debt securities	–	179
Available-for-sale investments – equity securities	–	2,649
Derivative financial instruments		
Fair value hedges – Interest rate swaps	19	45
Cash flow hedges		
Interest rate swaps	–	31
Cross currency Interest rate swaps	317	–
Forward foreign exchange contracts	–	293
Net investment hedges		
Forward foreign exchange contracts	2,021	1,791
Cross currency swaps	427	–
Other derivative financial instruments	167	192
	10,717	5,540

* See note 41.

- (a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the year was HK\$1,188 million and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.
- (b) The carrying value of the debt securities approximate their fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.
- (c) Equity securities where there is a history of dividends are carried at fair values based on the discounted present value of expected future dividends. The value of the remaining equity securities are not significant to the Group.

19 Investment properties

Investment properties are included in "Other non-current assets" (see note 18) in the statement of financial position.

	2018 HK\$ million	2017 HK\$ million
Valuation		
At 1 January	360	344
Increase in fair value of investment properties	22	16
At 31 December	382	360

Investment properties have been fair valued as at 31 December 2018 and 31 December 2017 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2018 and 2017, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2018 and 2017, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

20 Cash and cash equivalents

	2018 HK\$ million	2017 HK\$ million
Cash at bank and in hand	32,253	27,356
Short term bank deposits	103,158	133,114
	135,411	160,470

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

21 Trade receivables and other current assets

	2018 HK\$ million	2017 HK\$ million
Trade receivables ^(a)	20,391	14,132
Less: loss allowance provision	(1,136)	(2,586)
	19,255	11,546
Other current assets		
Derivative financial instruments		
Fair value hedges - Interest rate swaps	-	9
Cash flow hedges - Forward foreign exchange contracts	-	1
Net investment hedges - Forward foreign exchange contracts	567	-
Contract assets ^(b)	4,217	-
Prepayments	21,105	10,351
Other receivables	18,682	29,461
	63,826	51,368

- (a) Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's revenue for the year ended 31 December 2018 (2017 - less than 4%).

At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2018 HK\$ million	2017 HK\$ million
Less than 31 days	11,830	8,271
Within 31 to 60 days	2,308	1,779
Within 61 to 90 days	994	797
Over 90 days	5,259	3,285
	20,391	14,132

21 Trade receivables and other current assets (continued)

Movements on the loss allowance provision for trade receivables are as follows:

	2018 HK\$ million	2017 HK\$ million
At 1 January	2,586	2,615
Additions	1,569	1,283
Utilisations	(2,003)	(1,133)
Write back	(9)	(303)
Relating to subsidiaries disposed	–	(62)
Exchange translation differences	(178)	186
Transfer to assets classified as held for sale	(829)	–
At 31 December	1,136	2,586

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision determined under the new accounting policies from 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	10,206	115	1%
Past due less than 31 days	2,993	72	2%
Past due within 31 to 60 days	1,158	87	8%
Past due within 61 to 90 days	604	100	17%
Past due over 90 days	5,430	762	14%
	20,391	1,136	

The Group has initially applied HKFRS 9 using the cumulative effect method and adjusted the opening balance at 1 January 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The gross carrying amount of the impaired and not impaired trade receivables and the loss allowance provision determined under the accounting policies prevailing prior to 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount of trade receivables			Loss allowance provision HK\$ million	Expected loss rate Percentage
	Not impaired HK\$ million	Impaired HK\$ million	Total HK\$ million		
Not past due	3,002	3,825	6,827	113	2%
Past due less than 31 days	1,704	742	2,446	62	3%
Past due within 31 to 60 days	343	575	918	191	21%
Past due within 61 to 90 days	137	420	557	202	36%
Past due over 90 days	318	3,066	3,384	2,018	60%
	5,504	8,628	14,132	2,586	

- (b) As at 31 December 2018, contract assets of HK\$4,217 million and HK\$2,726 million are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 18) respectively. These amounts are net of provision for estimated impairment losses of HK\$493 million.

22 Assets and liabilities classified as held for sale

	2018 HK\$ million
Assets classified as held for sale	
Disposal group held for sale ^(a)	118,187
Non-current assets held for sale ^(b)	2,352
	120,539
Liabilities directly associated with assets classified as held for sale ^(a)	77,600

- (a) The Group has interests in six infrastructure investments co-owned with CKI comprising of interests in subsidiary Northumbrian Water, subsidiary ParkN Fly, subsidiary UK Rails, joint venture Australian Gas Networks, joint venture Dutch Enviro Energy and joint venture Wales & West Utilities. On 20 December 2018, the board of directors of the Company approved a plan to streamline the Group's holdings in these infrastructure investments, which will lead to the Group ceasing control on some of these infrastructure investments. The plan, subject to obtaining relevant regulatory approvals, is expected to be completed within a year from the reporting date.

These interests in the six co-owned infrastructure investments are reclassified for accounting purposes as disposal group held for sale as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. The major classes and the carrying amounts of assets and liabilities of this disposal group classified as held for sale at the reporting date are as follows:

	2018 HK\$ million
Assets	
Fixed assets	71,309
Brand names and other rights	7,443
Goodwill	25,686
Interests in joint ventures	7,223
Deferred tax assets	416
Other non-current assets	304
Cash and cash equivalents	3,585
Inventories	56
Trade receivables and other current assets	2,165
Assets classified as held for sale	118,187
Liabilities	
Bank and other debts	57,707
Current tax liabilities	134
Trade payables and other current liabilities	4,453
Interest bearing loans from non-controlling shareholders	2,071
Deferred tax liabilities	6,255
Pension obligations	1,113
Other non-current liabilities	5,867
Liabilities directly associated with assets classified as held for sale	77,600
Net assets directly associated with disposal group	40,587
Non-controlling interests	3,021
Net assets and non-controlling interests directly associated with disposal group	37,566
Amounts included in accumulated other comprehensive income:	
Exchange reserve deficit	(4,146)
Pension reserve deficit	(691)
Hedging reserve deficit	(1,112)
Reserves of disposal group classified as held for sale	(5,949)

22 Assets and liabilities classified as held for sale (continued)

- (b) During the year, the Group has acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites, spectrums and frequencies to an external third party. The transfer is expected to be completed within a year from the reporting date. These assets are classified for accounting purposes as assets held for sale as at the reporting date and the major classes of assets and their carrying amounts at that date are as follows:

	2018 HK\$ million
Fixed assets	477
Telecommunications licences	1,875
	2,352

Non-current asset held for sale is presented within total assets of "3 Group Europe" segment in note 3(b)(vi) and Europe in note 3(b)(xii).

23 Bank and other debts

	2018			2017		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Principal amounts						
Bank loans	5,943	111,235	117,178	19,080	92,091	111,171
Other loans	38	410	448	249	1,279	1,528
Notes and bonds	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816
Unamortised fair value adjustments arising from acquisitions	553	5,197	5,750	2	10,337	10,339
Subtotal before the following items	26,244	326,424	352,668	21,708	311,447	333,155
Unamortised loan facilities fees and premiums or discounts related to debts	(1)	(656)	(657)	(5)	(822)	(827)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	(257)	(198)	(455)	9	(349)	(340)
	25,986	325,570	351,556	21,712	310,276	331,988

23 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows:

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans	5,943	111,235	117,178	19,080	92,091	111,171
Other loans	38	410	448	249	1,279	1,528
Notes and bonds						
HK\$500 million notes, 4.88% due 2018	–	–	–	500	–	500
HK\$500 million notes, 4.3% due 2020	–	500	500	–	500	500
HK\$500 million notes, 4.35% due 2020	–	500	500	–	500	500
HK\$300 million notes, 3.9% due 2020	–	300	300	–	300	300
HK\$400 million notes, 3.45% due 2021	–	400	400	–	400	400
HK\$300 million notes, 3.35% due 2021	–	300	300	–	300	300
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$1,000 million notes, 5.75% due 2019	7,800	–	7,800	–	7,800	7,800
US\$1,500 million notes, 7.625% due 2019	11,700	–	11,700	–	11,700	11,700
US\$1,000 million notes, 2.25% due 2020	–	7,800	7,800	–	7,800	7,800
US\$750 million notes, 1.875% due 2021	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 4.625% due 2022	–	11,700	11,700	–	11,700	11,700
US\$1,000 million notes, 2.875% due 2022	–	7,800	7,800	–	7,800	7,800
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$750 million notes, 2.75% due 2023	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 2.75% due 2026	–	3,900	3,900	–	3,900	3,900
US\$1,843 million notes, 5% due 2026	–	14,375	14,375	–	–	–
US\$309 million notes - Series C, 7.5% due 2027	–	2,410	2,410	–	2,410	2,410
US\$500 million notes, 3.25% due 2027	–	3,900	3,900	–	3,900	3,900
US\$800 million notes, 3.5% due 2027	–	6,240	6,240	–	6,240	6,240
US\$1,039 million notes, 7.45% due 2033	–	8,107	8,107	–	8,107	8,107
US\$25 million notes - Series D, 6.988% due 2037	–	196	196	–	196	196
SGD320 million notes, 3.408% due 2018	–	–	–	1,859	–	1,859
EUR1,500 million notes, 1.375% due 2021	–	13,425	13,425	–	13,890	13,890
EUR750 million notes, 3.625% due 2022	–	6,712	6,712	–	6,945	6,945
EUR1,350 million notes, 1.25% due 2023	–	12,083	12,083	–	12,501	12,501
EUR1,537 million notes, 2.625% due 2023	–	13,756	13,756	–	–	–
EUR600 million bonds, 1% due 2024	–	5,370	5,370	–	5,556	5,556
EUR1,000 million notes, 0.875% due 2024	–	8,950	8,950	–	9,260	9,260
EUR2,026 million notes, EURIBOR [^] + 2.75% due 2024	–	18,133	18,133	–	–	–

23 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows (continued):

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
EUR700 million notes, 1.25% due 2025	–	6,712	6,712	–	–	–
EUR1,576 million notes, 3.125% due 2025	–	14,105	14,105	–	–	–
EUR650 million notes, 2% due 2028	–	5,818	5,818	–	6,019	6,019
EUR500 million notes, 2% due 2030	–	4,475	4,475	–	–	–
GBP300 million bonds, 5.831% due 2020	–	–	–	–	3,144	3,144
GBP100 million notes, 5.82% due 2021	–	–	–	–	1,048	1,048
GBP350 million bonds, 6.875% due 2023	–	–	–	–	3,668	3,668
GBP400 million bonds, 6.359% due 2025	–	–	–	–	4,192	4,192
GBP33 million notes, 2.56% due 2026	–	–	–	–	346	346
GBP300 million bonds, 1.625% due 2026	–	–	–	–	3,144	3,144
GBP303 million notes, 5.625% due 2026	–	3,005	3,005	–	3,175	3,175
GBP300 million bonds, 2.375% due 2027	–	–	–	–	3,144	3,144
GBP45 million notes, 2.56% due 2028	–	–	–	–	471	471
GBP90 million notes, 3.54% due 2030	–	–	–	–	943	943
GBP22 million notes, 2.83% due 2031	–	–	–	–	230	230
GBP350 million bonds, 5.625% due 2033	–	–	–	–	3,668	3,668
GBP246 million bonds, 5.87526% due 2034	–	–	–	17	2,558	2,575
GBP400 million bonds, 6.697% due 2035	–	–	–	–	4,192	4,192
GBP50 million notes, 5.01% due 2036	–	–	–	–	524	524
GBP100 million notes, LIBOR* + 2.33% due 2036	–	–	–	–	1,048	1,048
GBP215 million bonds, RPI# + 2.033% due 2036	–	–	–	–	2,252	2,252
GBP58 million bonds, 6.627% due 2037	–	–	–	1	612	613
GBP100 million notes, 3.19% due 2037	–	–	–	–	1,048	1,048
GBP84 million bonds, RPI# + 1.6274% due 2041	–	–	–	–	886	886
GBP360 million bonds, 5.125% due 2042	–	–	–	–	3,773	3,773
GBP400 million bonds, 3.529% due 2042	–	–	–	–	4,192	4,192
GBP140 million bonds, RPI# + 1.7118% due 2049	–	–	–	–	1,467	1,467
GBP140 million bonds, RPI# + 1.7484% due 2053	–	–	–	–	1,467	1,467
JPY3,000 million notes, 1.75% due 2019	210	–	210	–	211	211
JPY15,000 million notes, 2.6% due 2027	–	1,050	1,050	–	1,053	1,053
	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816

^ EURIBOR represents the Euro Interbank Offered Rate

* LIBOR represents the London Interbank Offered Rate

RPI represents UK Retail Price Index

23 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below:

(a) By year of repayment

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans						
Within a year	5,943	–	5,943	19,080	–	19,080
After 1 year, but within 2 years	–	35,020	35,020	–	7,937	7,937
After 2 years, but within 5 years	–	76,215	76,215	–	79,418	79,418
After 5 years	–	–	–	–	4,736	4,736
	5,943	111,235	117,178	19,080	92,091	111,171
Other loans						
Within a year	38	–	38	249	–	249
After 1 year, but within 2 years	–	37	37	–	256	256
After 2 years, but within 5 years	–	273	273	–	412	412
After 5 years	–	100	100	–	611	611
	38	410	448	249	1,279	1,528
Notes and bonds						
Within a year	19,710	–	19,710	2,377	–	2,377
After 1 year, but within 2 years	–	9,100	9,100	–	19,736	19,736
After 2 years, but within 5 years	–	81,777	81,777	–	64,655	64,655
After 5 years	–	118,705	118,705	–	123,349	123,349
	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816

(b) By secured and unsecured borrowings

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Secured borrowings	1,258	87,343	88,601	258	25,728	25,986
Unsecured borrowings	24,433	233,884	258,317	21,448	275,382	296,830
	25,691	321,227	346,918	21,706	301,110	322,816

Out of the principal amount of secured bank and other debts of the Group, HK\$87,219 million is arising from the acquisition of a subsidiary during the year.

(c) By borrowings at fixed and floating interest rate

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	19,748	191,859	211,607	2,818	203,665	206,483
Borrowings at floating rate	5,943	129,368	135,311	18,888	97,445	116,333
	25,691	321,227	346,918	21,706	301,110	322,816

23 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(d) By currency

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	6%	38%	44%	2%	40%	42%
Euro	–	42%	42%	–	21%	21%
HK dollars	–	3%	3%	2%	3%	5%
British Pounds	–	3%	3%	–	22%	22%
Other currencies	1%	7%	8%	2%	8%	10%
	7%	93%	100%	6%	94%	100%

(e) By borrowings at fixed and floating interest rate (adjusted for the effect of hedging transactions)

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	20,540	232,580	253,120	3,348	221,485	224,833
Borrowings at floating rate	5,151	88,647	93,798	18,358	79,625	97,983
	25,691	321,227	346,918	21,706	301,110	322,816

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures.

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements amounted to HK\$9,100 million (2017 - HK\$9,600 million) (See note 43(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$33,453 million and HK\$17,160 million respectively (2017 - HK\$10,790 million and HK\$17,160 million respectively) (See note 43(i)(ii)).

(f) By currency (adjusted for the effect of hedging transactions)

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	6%	27%	33%	2%	33%	35%
Euro	–	53%	53%	–	28%	28%
HK dollars	–	3%	3%	2%	3%	5%
British Pounds	–	3%	3%	–	22%	22%
Other currencies	1%	7%	8%	2%	8%	10%
	7%	93%	100%	6%	94%	100%

As at 31 December 2018, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$38,610 million (2017 - HK\$23,010 million) (see note 43(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

24 Trade payables and other current liabilities

	2018 HK\$ million	2017 HK\$ million
Trade payables ^(a)	29,233	19,252
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	8	11
Forward foreign exchange contracts	2	2
Other contracts	–	10
Net investment hedges – Forward foreign exchange contracts	6	396
Other derivative financial instruments	–	10
Interest free loans from non-controlling shareholders	385	389
Contract liabilities	5,880	–
Provisions (see note 25)	4,514	1,014
Other payables and accruals	76,244	69,144
	116,272	90,228

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2018 HK\$ million	2017 HK\$ million
Less than 31 days	19,764	12,994
Within 31 to 60 days	4,095	3,623
Within 61 to 90 days	2,392	1,500
Over 90 days	2,982	1,135
	29,233	19,252

(b) The Group's five largest suppliers accounted for less than 16% of the Group's cost of purchases for the year ended 31 December 2018 (2017 - less than 18%).

25 Provisions

	Provision for commitments, onerous contracts and other guarantees HK\$ million	Closure obligation HK\$ million	Assets retirement obligation HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2017	32,492	311	611	433	33,847
Additions	–	12	20	636	668
Interest accretion	–	–	29	–	29
Utilisations	(5,486)	(98)	–	(1)	(5,585)
Write back	–	(75)	–	(256)	(331)
Relating to subsidiaries acquired	–	–	34	–	34
Relating to subsidiaries disposed	–	–	(34)	–	(34)
Exchange translation differences	314	33	32	19	398
At 31 December 2017 and 1 January 2018	27,320	183	692	831	29,026
Additions	–	15	237	161	413
Interest accretion	–	6	17	–	23
Utilisations	(8,371)	(86)	(58)	(31)	(8,546)
Write back	–	(29)	–	(86)	(115)
Relating to subsidiaries acquired	12,774	–	926	601	14,301
Exchange translation differences	(535)	(10)	(40)	(14)	(599)
At 31 December 2018	31,188	79	1,774	1,462	34,503

Provisions are analysed as:

	2018 HK\$ million	2017 HK\$ million
Current portion (see note 24)	4,514	1,014
Non-current portion (see note 28)	29,989	28,012
	34,503	29,026

The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located. The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value.

26 Interest bearing loans from non-controlling shareholders

	2018 HK\$ million	2017 HK\$ million
Interest bearing loans from non-controlling shareholders	752	3,143

At 31 December 2018, these loans bear interest at rates at 2.3% (2017 - 2.3% to 11%) per annum. The carrying amounts of the borrowings approximate their fair values.

27 Pension plans

	2018 HK\$ million	2017 HK\$ million
Defined benefit assets	–	–
Defined benefit liabilities	2,443	3,770
Net defined benefit liabilities	2,443	3,770

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2018	2017
Discount rates	0.4% - 3.0%	0.15% - 2.55%
Future salary increases	1.0% - 4.0%	1.0% - 4.0%
Interest credited on two principal plans in Hong Kong	5.0% - 6.0%	5.0% - 6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2018 HK\$ million	2017 HK\$ million
Present value of defined benefit obligations	18,337	31,528
Fair value of plan assets	15,897	27,761
	2,440	3,767
Restrictions on assets recognised	3	3
Net defined benefit liabilities	2,443	3,770

27 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2018	31,528	(27,761)	3	3,770
Net charge (credit) to the income statement				
Current service cost	710	51	–	761
Past service cost and gains and losses on settlements	67	–	–	67
Interest cost (income)	704	(616)	–	88
	1,481	(565)	–	916
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(113)	–	–	(113)
Actuarial gain arising from change in financial assumptions	(1,514)	–	–	(1,514)
Actuarial loss arising from experience adjustment	24	–	–	24
Return on plan assets excluding interest income	–	1,002	–	1,002
Exchange translation differences	(1,350)	1,208	–	(142)
	(2,953)	2,210	–	(743)
Contributions paid by the employer	–	(993)	–	(993)
Contributions paid by the employee	111	(111)	–	–
Benefits paid	(1,371)	1,371	–	–
Relating to subsidiaries acquired (see note 31(c))	594	–	–	594
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	(11,070)	9,957	–	(1,113)
Transfer from (to) other liabilities	17	(5)	–	12
At 31 December 2018	18,337	(15,897)	3	2,443

27 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2017	29,392	(24,026)	3	5,369
Net charge (credit) to the income statement				
Current service cost	724	40	–	764
Past service cost and gains and losses on settlements	(115)	–	–	(115)
Interest cost (income)	745	(614)	–	131
	1,354	(574)	–	780
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(434)	–	–	(434)
Actuarial loss arising from change in financial assumptions	233	–	–	233
Actuarial gain arising from experience adjustment	(139)	–	–	(139)
Return on plan assets excluding interest income	–	(1,548)	–	(1,548)
Exchange translation differences	2,622	(2,171)	–	451
	2,282	(3,719)	–	(1,437)
Contributions paid by the employer	–	(886)	–	(886)
Contributions paid by the employee	112	(112)	–	–
Benefits paid	(1,552)	1,552	–	–
Relating to subsidiaries acquired (see note 31(c))	11	–	–	11
Transfer from (to) other liabilities	(71)	4	–	(67)
At 31 December 2017	31,528	(27,761)	3	3,770

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2018, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$19 million (2017 - HK\$20 million) were used to reduce the current year's level of contributions and HK\$2 million forfeited contribution was available at 31 December 2018 (2017 - HK\$ 2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2018 reported a funding level of 79% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP16 million (included GBP5.5 million additional voluntary contribution) in 2018 (2017 - GBP11 million (included GBP5.5 million additional voluntary contribution)). A schedule of contributions was agreed with GBP18.5 million to pay in 2019 and 2020, and GBP2.7 million in 2021 to eliminate the shortfall by February 2021. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.08% to 4.44% per annum and pension increases of 1.28% to 3.68% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2018 Percentage	2017 Percentage
Equity instruments		
Consumer markets and manufacturing	7%	8%
Energy and utilities	3%	3%
Financial institutions and insurance	5%	7%
Telecommunications and information technology	5%	4%
Units trust and equity instrument funds	6%	4%
Others	7%	10%
	33%	36%
Debt instruments		
Government and government guaranteed notes	17%	14%
Financial institutions notes	1%	1%
Others	7%	7%
	25%	22%
Qualifying insurance policies	22%	20%
Properties	6%	8%
Other assets	14%	14%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2018 Percentage	2017 Percentage
Aaa / AAA	4%	5%
Aa1 / AA+	3%	4%
Aa2 / AA	73%	61%
Aa3 / AA-	1%	—
A1 / A+	1%	1%
A2 / A	6%	8%
Other investment grades	11%	13%
No investment grades	1%	8%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK\$15,897 million (2017 - HK\$27,761 million) includes investments in the Company's shares with a fair value of HK\$28 million (2017 - HK\$36 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2018 is 18 years (2017 - 18 years).

The Group expects to make contributions of HK\$1,071 million (2017 - HK\$980 million) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), 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 actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.6% or increase by 3.8% respectively (2017 - decrease by 3.7% or increase by 3.9% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.3% respectively (2017 - increase by 0.3% or decrease by 0.3% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,363 million (2017 - HK\$1,197 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$16 million (2017 - HK\$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2018 (2017 - nil) to reduce future years' contributions.

28 Other non-current liabilities

	2018 HK\$ million	2017 HK\$ million
Contract liabilities	3	–
Derivative financial instruments		
Fair value hedges - Interest rate swaps	116	37
Cash flow hedges		
Interest rate swaps	373	532
Cross currency interest rate swaps	928	1,888
Forward foreign exchange contracts	–	1
Other contracts	–	374
Net investment hedges		
Forward foreign exchange contracts	–	895
Cross currency swaps	45	–
Other derivative financial instruments	481	4,059
Obligations for telecommunications licences and other rights	9,613	5,670
Other non-current liabilities ^(a)	15,610	9,580
Liabilities relating to the economic benefits agreements ^(b)	14,308	–
Provisions (see note 25)	29,989	28,012
	71,466	51,048

(a) includes equipment purchase payables of HK\$10,906 million (2017 - HK\$4,845 million).

(b) During the year, the Group has divested a substantial portion of the economic benefits arising from six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities under economic benefit agreements. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group.

29 Share capital, share premium, perpetual capital securities and capital management

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
At 1 January and 31 December 2017 and 1 January 2018	3,857,678,500	3,858	244,505	248,363
Buy-back and cancellation of issued shares ⁽ⁱ⁾	(1,438,000)	(2)	(128)	(130)
At 31 December 2018	3,856,240,500	3,856	244,377	248,233

(i) The Company acquired a total of 1,438,000 of its own shares through purchases on the Stock Exchange on 4, 5 and 6 September 2018. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK\$131 million and has been deducted from share capital and share premium of HK\$130 million and retained profit of HK\$1 million.

29 Share capital, share premium, perpetual capital securities and capital management (continued)

(b) Perpetual capital securities

	2018 HK\$ million	2017 HK\$ million
US\$425.3 million issued in 2013*	–	3,373
EUR1,750 million issued in 2013	–	18,266
US\$1,000 million issued in 2017	7,842	7,842
EUR500 million issued in 2018	4,484	–
	12,326	29,481

In January 2013, May 2013, May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$500 million (approximately HK\$3,875 million), EUR1,750 million (approximately HK\$17,879 million), US\$1,000 million (approximately HK\$7,800 million) and EUR500 million (approximately HK\$4,475 million) respectively for cash.

During the year, the Group had redeemed the remaining outstanding US\$500 million (approximately HK\$3,875 million) nominal amount of the perpetual capital securities that were originally issued in January 2013 and EUR1,750 million (approximately HK\$17,879 million) nominal amount of the perpetual capital securities that were originally issued in May 2013. During the year ended 31 December 2017, the Group had redeemed US\$1,000 million (approximately HK\$7,800 million) and HK\$1,000 million nominal amount of perpetual capital securities that were originally issued in May 2012 and July 2012 respectively.

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

* US\$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.

29 Share capital, share premium, perpetual capital securities and capital management (continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2018, total equity amounted to HK\$590,823 million (2017 - HK\$591,547 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$207,965 million (2017 - HK\$164,872 million). The Group's net debt to net total capital ratio increased to 26.0% from 21.7% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios⁽ⁱ⁾ at 31 December:

	2018	2017
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	26.0%	21.7%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	27.8%	22.1%
B1 – including interest-bearing loans from non-controlling shareholders as debt	26.1%	22.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	27.9%	22.5%

- (i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

30 Reserves

	2018				Total HK\$ million
	Retained profit HK\$ million	Attributable to ordinary shareholders			
	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million		
At 31 December 2017, as previously reported, and 1 January 2018	546,498	(20,642)	(2,094)	(342,069)	181,693
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	1,379	–	–	(949)	430
At 1 January 2018, as adjusted	547,877	(20,642)	(2,094)	(343,018)	182,123
Profit for the year	39,000	–	–	–	39,000
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI *					
Valuation losses recognised directly in reserves	–	–	–	(1,490)	(1,490)
Debt securities at FVOCI *					
Valuation losses recognised directly in reserves	–	–	–	(20)	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	455	–	–	–	455
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Gains recognised directly in reserves	–	–	322	–	322
Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	–	2,892	–	–	2,892
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(7,733)	–	–	(7,733)
Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	–	(1,885)	75	–	(1,810)
Share of other comprehensive income (losses) of associated companies	285	(2,417)	(175)	(112)	(2,419)
Share of other comprehensive income (losses) of joint ventures	381	(4,145)	(186)	32	(3,918)
Tax relating to components of other comprehensive income (losses)	(70)	–	(66)	–	(136)
Other comprehensive income (losses), net of tax	1,051	(13,288)	(30)	(1,590)	(13,857)
Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	–	(14)	–	(14)
Impact of hyperinflation	(173)	208	–	(14)	21
Dividends paid relating to 2017	(7,985)	–	–	–	(7,985)
Dividends paid relating to 2018	(3,356)	–	–	–	(3,356)
Redemption of perpetual capital securities	–	1,740	–	–	1,740
Transaction costs in relation to issuance of perpetual capital securities	(33)	–	–	–	(33)
Buy-back and cancellation of issued shares (see note 29(a)(i))	(1)	–	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	4	–	–	23	27
Transfer of loss on disposal of equity securities at FVOCI * to retained profits	(16)	–	–	16	–
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(28)	(28)
Relating to partial disposal of subsidiary companies	4	3	–	268	275
Gains previously in other reserves related to deemed disposed of associated companies during the year transferred directly to retained profit	3	–	–	(3)	–
At 31 December 2018	576,381	(31,979)	(2,138)	(344,346)	197,918

* See note 41.

Notes to the Financial Statements

30 Reserves (continued)

	2017				Total HK\$ million
	Retained profit HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2017	520,616	(30,832)	(1,982)	(341,996)	145,806
Profit for the year	35,100	–	–	–	35,100
Other comprehensive income (losses) ^(b)					
Available-for-sale investments					
Valuation gains recognised directly in reserves	–	–	–	145	145
Valuation gains previously in reserves recognised in income statement	–	–	–	(36)	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,268	–	–	–	1,268
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Losses recognised directly in reserves	–	–	(134)	–	(134)
Losses previously in reserves recognised in initial cost of non-financial items	–	–	1	–	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	–	–	(3,847)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	–	–	2,551
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	20	2	–	22
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	9	–	–	(9)	–
Share of other comprehensive income (losses) of associated companies	101	2,897	(126)	78	2,950
Share of other comprehensive income of joint ventures	178	8,569	188	54	8,989
Tax relating to components of other comprehensive income (losses)	(151)	–	(43)	–	(194)
Other comprehensive income (losses), net of tax	1,405	10,190	(112)	232	11,715
Dividends paid relating to 2016	(7,503)	–	–	–	(7,503)
Dividends paid relating to 2017	(3,009)	–	–	–	(3,009)
Transaction costs in relation to issuance of perpetual capital securities	(62)	–	–	–	(62)
Transaction costs in relation to issuance of shares of a subsidiary	(41)	–	–	–	(41)
Transaction costs in relation to equity contribution from non-controlling interests	(14)	–	–	–	(14)
Share option schemes and long term incentive plans of subsidiary companies	–	–	–	9	9
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(342)	(342)
Relating to partial disposal of subsidiary companies	–	–	–	28	28
At 31 December 2017	546,498	(20,642)	(2,094)	(342,069)	181,693

30 Reserves (continued)

- (a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2018, revaluation reserve deficit amounted to HK\$2,985 million (1 January 2018 - HK\$503 million and 1 January 2017 - HK\$792 million), and other capital reserves deficit amounted to HK\$341,361 million (1 January 2018 - HK\$341,566 million and 1 January 2017 - HK\$341,204 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.
- (b) Set out below are the before and after related tax effects of other comprehensive income (losses) for the year:

	2018		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI *			
Valuation losses recognised directly in reserves	(1,652)	–	(1,652)
Debt securities at FVOCI *			
Valuation losses recognised directly in reserves	(20)	–	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	615	(93)	522
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains recognised directly in reserves	363	(69)	294
Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	3,735
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(9,305)	–	(9,305)
Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	(2,093)	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,611)	–	(2,611)
Share of other comprehensive income (losses) of joint ventures	(4,761)	–	(4,761)
	(15,729)	(162)	(15,891)
	2017		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Available-for-sale investments			
Valuation gains recognised directly in reserves	149	–	149
Valuation gains previously in reserves recognised in income statement	(36)	–	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,730	(213)	1,517
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(114)	(50)	(164)
Losses previously in reserves recognised in initial cost of non-financial items	1	–	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	(4,683)	–	(4,683)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	4,625	–	4,625
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	40	–	40
Share of other comprehensive income of associated companies	3,167	–	3,167
Share of other comprehensive income of joint ventures	10,315	–	10,315
	15,194	(263)	14,931

* See note 41.

31 Notes to consolidated statement of cash flows

- (a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2018 HK\$ million	2017 HK\$ million
Profit after tax	46,580	43,602
Less: share of profits less losses of		
Associated companies	(2,888)	(6,797)
Joint ventures	(10,220)	(12,500)
	33,472	24,305
Adjustments for:		
Current tax charge	3,912	5,415
Deferred tax credit	(1,294)	(2,599)
Interest expenses and other finance costs	9,797	8,274
Depreciation and amortisation	19,739	17,105
Others	61	11
EBITDA of Company and subsidiaries^(a)	65,687	52,511
Loss (profit) on disposal of fixed assets	22	(1,943)
Dividends received from associated companies and joint ventures	14,519	19,029
Profit on disposal of subsidiaries, associated companies and joint ventures	(2,641)	(2,829)
Other non-cash items	(4,997)	1,369
	72,590	68,137

31 Notes to consolidated statement of cash flows (continued)

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital (continued)

(i) Reconciliation of EBITDA:

	2018 HK\$ million	2017 HK\$ million
EBITDA of Company and subsidiaries	65,687	52,511
Divesture of infrastructure investments	(645)	–
	65,042	52,511
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	2,888	6,797
Joint ventures	10,220	12,500
Adjustments for:		
Depreciation and amortisation	21,615	19,921
Interest expenses and other finance costs	8,463	9,750
Current tax charge	3,813	2,483
Deferred tax charge	1,652	756
Non-controlling interests	700	388
Others	(61)	(11)
	49,290	52,584
EBITDA (see notes 3(b)(ii) and 3(b)(xiii))	114,332	105,095

(b) Changes in working capital

	2018 HK\$ million	2017 HK\$ million
Increase in inventories	(2,433)	(1,825)
Increase in debtors and prepayments	(2,166)	(5,320)
Increase in creditors	5,224	2,771
Other non-cash items	(2,236)	4,078
	(1,611)	(296)

31 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

During the year, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	Wind Tre HK\$ million	Others HK\$ million	2018 HK\$ million	2017 HK\$ million
Purchase consideration transferred:				
Cash and cash equivalents paid	21,744	38	21,782	3,925
Deferred consideration	–	11	11	–
Non-cash consideration	–	498	498	–
Fair value of investments held by the Company prior to acquisition	39,342	278	39,620	–
	61,086	825	61,911	3,925
Fair value				
Fixed assets	17,804	365	18,169	445
Leasehold land	–	–	–	105
Telecommunications licences	32,484	318	32,802	1,962
Brand names and other rights	22,979	–	22,979	134
Deferred tax assets	–	2	2	249
Other non-current assets	20	–	20	–
Cash and cash equivalents	7,396	63	7,459	201
Trade and other receivables	14,831	310	15,141	195
Contract assets	1,863	–	1,863	–
Inventories	661	50	711	4
Assets held for sale	2,007	–	2,007	–
Creditors and current tax liabilities	(30,109)	(556)	(30,665)	(504)
Contract liabilities	(1,738)	(38)	(1,776)	–
Bank and other debts	(93,829)	(27)	(93,856)	(20)
Pension obligations	(589)	(5)	(594)	(11)
Other non-current liabilities	(9,854)	(55)	(9,909)	–
Net identifiable assets (liabilities) acquired	(36,074)	427	(35,647)	2,760
Non-controlling interests	–	(44)	(44)	(106)
	(36,074)	383	(35,691)	2,654
Goodwill	97,160	442	97,602	1,271
Total consideration	61,086	825	61,911	3,925
Net cash outflow (inflow) arising from acquisition:				
Cash and cash equivalents paid	21,744	38	21,782	3,925
Cash and cash equivalents acquired	(7,396)	(63)	(7,459)	(201)
Total net cash outflow (inflow)	14,348	(25)	14,323	3,724

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

Acquisition related costs of approximately HK\$145 million (2017 – HK\$58 million) had been charged to income statement during the year and included in the line item titled other operating expenses.

The subsidiaries acquired during the current year contributed HK\$14,566 million to the Group's revenue and HK\$3,773 million to the Group's profit before tax since the respective date of acquisition.

For the year ended 31 December 2017, the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the comparative year since the respective date of acquisition were not material.

31 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2018 HK\$ million	2017 HK\$ million
Consideration received or receivable		
Cash and cash equivalents	1,628	14,556
Non-cash consideration	–	1,920
Total disposal consideration	1,628	16,476
Carrying amount of net assets disposed	(644)	(13,764)
Cumulative exchange gains (losses) in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	(70)	4
Gain on disposal *	914	2,716
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	1,628	14,556
Less: Cash and cash equivalents disposed	(507)	(355)
Total net cash consideration	1,121	14,201
Analysis of assets and liabilities over which control was lost		
Fixed assets	339	6,733
Leasehold land	68	–
Goodwill	–	5,929
Brand names and other rights	–	503
Associated companies	–	673
Interests in joint ventures	–	(1)
Liquid funds and other listed investments	–	4
Trade and other receivables	28	1,850
Inventories	11	5
Creditors and current tax liabilities	(19)	(1,630)
Bank and other debts	–	(9)
Deferred tax liabilities	(7)	(657)
Non-controlling interests	(283)	9
Net assets (excluding cash and cash equivalents) disposed	137	13,409
Cash and cash equivalents disposed	507	355
Net assets disposed	644	13,764

* The gains on disposal for the years ended 31 December 2018 and 2017 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2018 and 2017.

31 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

The following table sets out an analysis of the cash flows and non-cash flows changes in liabilities arising from financing activities:

	Bank and other debts HK\$ million	Interest bearing loans from non- controlling shareholders HK\$ million	Interest free loans from non- controlling shareholders HK\$ million	Liabilities relating to the economic benefits agreements HK\$ million	Total HK\$ million
At 1 January 2017	303,140	4,283	927	–	308,350
Financing cash flows					
New borrowings	100,488	–	–	–	100,488
Repayment of borrowings	(87,674)	–	–	–	(87,674)
Net loans to non-controlling shareholders	–	(1,523)	(616)	–	(2,139)
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	210	–	–	–	210
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(103)	–	–	–	(103)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,725)	–	–	–	(1,725)
Relating to subsidiaries acquired (see note 31(c))	20	–	–	–	20
Relating to subsidiaries disposed (see note 31(d))	(9)	–	–	–	(9)
Exchange translation differences	17,641	383	78	–	18,102
At 31 December 2017 and 1 January 2018	331,988	3,143	389	–	335,520
Financing cash flows					
New borrowings	55,313	–	–	–	55,313
Repayment of borrowings	(54,961)	–	–	–	(54,961)
Net loans to non-controlling shareholders	–	(181)	(4)	–	(185)
Consideration received from the economic benefits agreements (see note 28(b))	–	–	–	14,308	14,308
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	235	–	–	–	235
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(115)	–	–	–	(115)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,522)	–	–	–	(1,522)
Relating to subsidiaries acquired (see note 31(c))	93,856	–	–	–	93,856
Derecognition of notes and bonds *	(5,633)	–	–	–	(5,633)
Exchange translation differences	(9,898)	(139)	–	–	(10,037)
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	(57,707)	(2,071)	–	–	(59,778)
At 31 December 2018	351,556	752	385	14,308	367,001

* via transfer from liquid funds and other listed investments

32 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

33 Pledge of assets

At 31 December 2018, assets of the Group totalling HK\$111,017 million (2017 - HK\$27,990 million) were pledged as security for bank and other debts. The increase is mainly attributable to an acquisition of a subsidiary during the year.

34 Contingent liabilities

At 31 December 2018, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$4,138 million (2017 - HK\$3,911 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2018 HK\$ million	2017 HK\$ million
To associated companies	2,777	2,687
To joint ventures	728	623

At 31 December 2018, the Group had provided performance and other guarantees of HK\$2,885 million (2017 - HK\$3,307 million).

35 Commitments

The Group's outstanding commitments contracted for at 31 December 2018, where material, not provided for in the financial statements at 31 December 2018 are as follows:

Capital commitments

- (a) Ports and Related Services - HK\$214 million (2017 - HK\$73 million)
- (b) 3 Group Europe - HK\$6,441 million (2017 - HK\$3,271 million)
- (c) Telecommunications, Hong Kong and Asia - HK\$2,092 million (2017 - HK\$1,836 million)
- (d) Other fixed assets - HK\$276 million (2017 - HK\$187 million)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

- (a) In the first year - HK\$13,517 million (2017 - HK\$11,494 million)
- (b) In the second to fifth years inclusive - HK\$23,516 million (2017 - HK\$21,947 million)
- (c) After the fifth year - HK\$45,133 million (2017 - HK\$41,343 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

- (a) In the first year - HK\$1,850 million (2017 - HK\$1,041 million)
- (b) In the second to fifth years inclusive - HK\$3,870 million (2017 - HK\$2,528 million)
- (c) After the fifth year - HK\$698 million (2017 - HK\$400 million)

36 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 14 and 15. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US\$25 million which will mature in 2019.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

37 Legal proceedings

As at 31 December 2018, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

38 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2018, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

39 Profit before tax

Profit before tax is shown after charging the following items:

	2018 HK\$ million	2017 HK\$ million
Operating leases		
Properties	18,896	17,081
Hire of plant and machinery	2,105	2,023
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	201	163
- other auditors	22	17
Non-audit work - PricewaterhouseCoopers	41	35
- other auditors	48	63

40 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes elsewhere in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2018 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Joint arrangement

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. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 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.

(d) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

40 Significant accounting policies *(continued)*

(d) Non-current assets (or disposal groups) held for sale and discontinued operations *(continued)*

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 ¹ / ₃ - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 20%
Rolling stock and other railway assets	2.5 - 5%
Water and sewerage infrastructure assets	0.5 - 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

40 Significant accounting policies *(continued)*

(h) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have indefinite useful lives to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(i) Customer acquisition and retention costs

(i) Policy applied from 1 January 2018

Customer acquisition and retention costs ("CACs") comprise the net costs to acquire and retain customers, which are mainly mobile telecommunication 3G and LTE customers. CACs are expensed and recognised in the income statement in the period in which they are incurred, except (i) the costs are incremental of obtaining a contract and they are expected to be recovered; and (ii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

(ii) Policy applied prior to 1 January 2018

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(j) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to seven years over the expected useful life of the customer relationship.

40 Significant accounting policies *(continued)*

(l) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(m) Liquid funds and other listed investments and other unlisted investments and other financial assets

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

- (i) Policy applied from 1 January 2018 - see note 41(a)(i) and (ii)
- (ii) Policy applied prior to 1 January 2018

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" ("AFS") are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

40 Significant accounting policies *(continued)*

(n) 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. Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Group designates certain derivative financial instruments as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Certain derivative financial instruments are designated as hedges of the foreign exchange risk of a net investment in a foreign operation. The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset. For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the derivative financial instruments is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(o) Trade and other receivables, and contract assets

Trade receivables are recognised when the Group's right to consideration is unconditional that only the passage of time is required before the payment is due.

Contract assets primarily relate to the Group's rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Trade and other receivables and contract assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measured the loss allowance for its trade and other receivables and contract assets at an amount equal to the lifetime expected credit losses. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

40 Significant accounting policies *(continued)*

(p) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

(q) 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.

(r) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Trade and other payables, and contract liabilities

Trade and other payables and contract liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

(t) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

(u) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

40 Significant accounting policies *(continued)*

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

40 Significant accounting policies *(continued)*

(aa) Foreign exchange *(continued)*

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ending after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions in 2018 and non-monetary balances at the end of the current year of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 183 in December 2018 (2017 - 125) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

(ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

40 Significant accounting policies *(continued)*

(ab) Business combinations *(continued)*

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Ports and Related Services

Revenue from the provision of ports and related services is recognised over time when the services are rendered and the Group's performance provides the benefits received and consumed simultaneously by the customer.

Retail

Revenue from the sale of retail goods is recognised at point of sale less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually settled in cash or by credit card and debit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Infrastructure

Operating lease income from the rental of rolling stock assets is recognised on a straight-line basis over the lease term.

Revenue from the provision of water and wastewater services to customers is recognised pro-rata over the period to which they relate. Revenue received in respect of contributions to capital investment was previously recognised as deferred income in the statement of financial position and amortised to the income statement over the useful life of the associated assets. From 1 January 2018, contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, and other contributions to capital investment, most significantly mains and sewer diversions, the contributions are recognised in full in the income statement upon completion of the investment, which are typically the point at which the associated asset is brought into use.

Revenue from the provision of waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations were previously recognised in the period in which the services were rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. From 1 January 2018, revenue from provision of these services is recognised when a performance obligation is satisfied, which is recognised at a point of time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

40 Significant accounting policies *(continued)*

(ac) Revenue recognition *(continued)*

Energy

Prior to 1 January 2018, revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products was recognised when the title passes to the customer, and revenue associated with the sale of transportation, processing and natural gas storage services was recognised when the service is provided. From 1 January 2018, revenue is recognised when the performance obligations are satisfied and revenue can be reliably measured. Performance obligations associated with the sale of crude oil, crude oil equivalents, and refined products are satisfied at the point in time when the products are delivered to and title passes to the customer. Performance obligations associated with processing services, transportation, blending and storage, and marketing services are satisfied at the point in time when the services are provided.

Telecommunications services

Revenue represents amounts earned for services rendered and for the sale of mobile and related devices. The Group recognises revenue for mobile devices when it transfers the control over the device to the customer which is usually the time the customer signs up to a contract. The Group recognises revenue for mobile telecommunication services as the services are rendered. Monthly recurring charges and additional airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each period is accrued, and unearned monthly access charges relating to periods after each accounting period are deferred. Products and services may be sold separately or in a bundled transaction. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

For bundled transactions under contract comprising the provision of telecommunications services and sale of a device (e.g. handsets), the elements are accounted for separately if they are distinct. A product or service is distinct if they are separately identifiable from other items in the bundled package and if the customer can benefit from it. The revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided.

Other service income is recognised when the service is rendered. Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income. Total revenue arising from telecommunications services comprises of service revenue, sale of device revenue and other service income.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

40 Significant accounting policies (continued)

(ad) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Hong Kong dollars unless otherwise stated.

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2018, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2015-2017 Cycle ⁽ⁱ⁾	Improvements to HKFRSS
HKAS 1 and HKAS 8 (Amendments) ⁽ⁱⁱ⁾	Definition of Material
HKAS 28 (Amendments) ⁽ⁱ⁾	Long-term Interests in Associates and Joint Ventures
HKAS 19 (Amendments) ⁽ⁱ⁾	Plan Amendment, Curtailment and Settlement
HKFRS 3 (Amendments) ⁽ⁱⁱ⁾	Definition of a Business
HKFRS 9 (Amendments) ⁽ⁱ⁾	Prepayment Features with Negative Compensation
HKFRS 16 ⁽ⁱ⁾	Leases
HKFRS 10 and HKAS 28 (Amendments) ⁽ⁱⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) Interpretation 23 ⁽ⁱ⁾	Uncertainty over Income Tax Treatments

(i) Effective for the Group for annual periods beginning on or after 1 January 2019.

(ii) Effective for the Group for annual periods beginning on or after 1 January 2020.

(iii) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

The Group is continuing to assess the implications of the adoption of these standards.

41 Changes in significant accounting policies

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised below. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

(a) HKFRS 9

The adoption of HKFRS 9 has resulted in changes in accounting policies. While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. In addition, changes to hedge accounting policies have been applied prospectively. Therefore, comparative balances have not been restated and continue to be reported under the accounting policies prevailing prior to 1 January 2018. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 January 2018.

HKFRS 9 largely retains the requirements in HKAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. However, HKFRS 9 eliminates the HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. From 1 January 2018, the Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to classify and measure financial assets in accordance with HKFRS 9 categories: as measured at amortised cost, at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL").

The adoption of HKFRS 9 has resulted in a HK\$36 million increase in the opening balance of total equity on 1 January 2018. The impact is attributable to changes in classification and measurement by certain of the Group's joint ventures and associated companies of their financial assets to HKFRS 9 categories.

Set out below are further details on the changes in significant accounting policies under HKFRS 9 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

(i) Measurement

Debt instrument financial assets subsequent to initial recognition are measured as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

41 Changes in significant accounting policies (continued)

(a) HKFRS 9 (continued)

(i) Measurement (continued)

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, unlike the previous policies under HKAS 39 there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. During the year, certain joint ventures have disposed of equity investments. Under the new guidance, the Group's share of the fair value gains accumulated in the investment revaluation reserve account of the joint ventures relating to the investments disposed of amounting to HK\$100 million is not reflected in the Group's income statement for the year ended 31 December 2018.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking expected credit loss model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items. The application of this new guidance represents a change in accounting policy. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of assets. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

(iii) Hedge accounting

The Group applies the new hedge accounting model prospectively from 1 January 2018, as no hedging relationships existed on or were designated after 1 January 2017 (the beginning of the comparative period) that would require retrospective application of the new hedge accounting treatment. Accordingly, no adjustment was made to the opening balance of retained profits and other reserves on 1 January 2018. All hedge accounting relationships designated under the previous HKAS 39 have continued to be valid hedge accounting relationships in accordance with HKFRS 9.

Previously under HKAS 39, entities can designate as hedging instrument only the change in the intrinsic value of an option or the spot element of a forward contract. Under these situations, the changes in the fair value of the time value of the option or the forward points, which can be considered as a cost of hedging, are accounted for in profit or loss in the period, therefore resulting in volatility. Under the HKFRS 9 hedging model when only the change in the intrinsic value of an option or the spot element of a forward contract is designated in the hedge relationship, all fluctuations in the fair value of the time value or forward points over time is recorded in other comprehensive income instead of affecting profit or loss immediately. The subsequent timing in the recognition in profit or loss of these amounts recognised in other comprehensive income depends on the nature of the hedged transaction, distinguishing between transaction related hedged items and time-period related hedged items. The amount accumulated in other comprehensive income will be included in the measurement of the hedged item or reclassified to profit or loss in the same periods during which the hedged item affects profit or loss (in the case of a transaction related hedged item), or be amortised to profit or loss on a rational basis, such as over the time periods during which the cost of hedging provides protection against risk, (in the case of a time-period related hedged item). This guidance also applies to foreign currency basis spreads.

41 Changes in significant accounting policies *(continued)*

(b) HKFRS 15

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of retained profits (or other component of equity, as appropriate) on 1 January 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

The Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to apply the new guidance from 1 January 2018. The application of the new guidance has resulted in a HK\$758 million increase in the opening balance of total equity on 1 January 2018, which is mainly attributable to the capitalisation of the incremental cost of obtaining a contract, as explained further below.

Set out below are details of the changes in significant accounting policies under HKFRS 15 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

Previously, under the Group's accounting policies the costs associated with obtaining a contract are expensed as incurred. The accounting for some of these costs has changed upon adoption of HKFRS 15. Under the new guidance, the incremental cost of obtaining a contract is now recognised as an asset when incurred, and expensed over the customer contract period. Incremental costs of obtaining a contract are those costs that would not have incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). This new policy applied to the Group from 1 January 2018 is similar to that applicable by a subsidiary acquired during the year prior to 1 January 2018 with respect to certain types of its contracts with customers, and for which this newly acquired subsidiary has recognised HK\$698 million as an asset and expensed HK\$146 million as depreciation and amortisation charge from the date of its acquisition to 31 December 2018. Accordingly, these amounts have been excluded from adoption impacts discussed below. The adoption of this guidance has resulted in an increase of HK\$830 million in the opening balance of the Group's total equity at 1 January 2018, and a HK\$982 million reduction in Expensed customer acquisition and retention costs and a HK\$1,042 million increase in Depreciation and amortisation for the year ended 31 December 2018.

Under HKFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The new revenue standard introduces specific criteria for determining when revenue is recognised. As a result of adopting this new guidance, the opening balance of the Group's total equity has been reduced by HK\$72 million and the Group's revenue for the year ended 31 December 2018 has been increased by HK\$19 million, reflecting the change in assessment in respect of the timing of satisfaction of the performance obligations related to certain revenue streams at the subsidiaries, joint ventures and associated companies levels.

In addition, HKFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. Prior to the adoption of HKFRS 15, based on the existence of credit risks and other factors, certain entities within the Retail and Finance & Investments and Others divisions of the Group concluded that they have an exposure to the significant risks and rewards associated with certain sale arrangements to their customers, and accounted for the contracts as if they were a principal. In applying the new guidance, they determined that they do not control the goods before they are transferring to customers, and hence, are an agent in these contracts. This change has no impact on the total equity on 1 January 2018 and 31 December 2018. However, the amounts for revenue and other operating expenses reported on the consolidated income statement for the year ended 31 December 2018 would have been both higher by HK\$1,442 million if these contracts were reported under the previous accounting policies where the same group entities would have accounted for the contracts as if they were a principal.

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15

- (i) on the opening consolidated statement of financial position on 1 January 2018

As explained above, HKFRS 9 and HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

	31 December 2017	Effect on adoption of		1 January 2018
	As previously reported HK\$ million	HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	As adjusted HK\$ million
Non-current assets				
Fixed assets	158,789	–	–	158,789
Investment properties *	360	–	–	360
Leasehold land	8,305	–	–	8,305
Telecommunications licences	27,271	–	–	27,271
Brand names and other rights	75,985	–	–	75,985
Goodwill	255,334	–	–	255,334
Associated companies	145,343	128	–	145,471
Interests in joint ventures	162,134	(92)	143	162,185
Deferred tax assets	20,195	–	(186)	20,009
Liquid funds and other listed investments	7,813	–	–	7,813
Other non-current assets	5,180	–	1,336	6,516
	866,709	36	1,293	868,038
Current assets				
Cash and cash equivalents	160,470	–	–	160,470
Inventories	21,708	–	–	21,708
Trade receivables and other current assets	51,368	–	(256)	51,112
	233,546	–	(256)	233,290
Current liabilities				
Bank and other debts	21,712	–	–	21,712
Current tax liabilities	2,948	–	–	2,948
Trade payables and other current liabilities	90,228	–	920	91,148
	114,888	–	920	115,808
Net current assets	118,658	–	(1,176)	117,482
Total assets less current liabilities	985,367	36	117	985,520
Non-current liabilities				
Bank and other debts	310,276	–	–	310,276
Interest bearing loans from non-controlling shareholders	3,143	–	–	3,143
Deferred tax liabilities	25,583	–	118	25,701
Pension obligations	3,770	–	–	3,770
Other non-current liabilities	51,048	–	(759)	50,289
	393,820	–	(641)	393,179
Net assets	591,547	36	758	592,341
Capital and reserves				
Share capital	3,858	–	–	3,858
Share premium	244,505	–	–	244,505
Reserves	181,693	14	416	182,123
Total ordinary shareholders' funds *	430,056	14	416	430,486
Perpetual capital securities	29,481	–	–	29,481
Non-controlling interests	132,010	22	342	132,374
Total equity	591,547	36	758	592,341

* With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. The balances presented above have reflected this new presentation.

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(ii) on the consolidated income statement for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK\$ million	Effect on adoption of		As presented under accounting policies from 1 January 2018 HK\$ million
		HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	
Revenue	278,552	–	(1,423)	277,129
Cost of inventories sold	(109,564)	–	–	(109,564)
Staff costs	(36,478)	–	–	(36,478)
Expensed customer acquisition and retention costs	(17,106)	–	982	(16,124)
Depreciation and amortisation	(18,697)	–	(1,042)	(19,739)
Other operating expenses	(50,985)	130	1,518	(49,337)
Share of profits less losses of:				
Associated companies	2,858	31	(1)	2,888
Joint ventures	10,384	(96)	(68)	10,220
	58,964	65	(34)	58,995
Interest expenses and other finance costs	(9,797)	–	–	(9,797)
Profit before tax	49,167	65	(34)	49,198
Current tax	(3,907)	–	(5)	(3,912)
Deferred tax	1,304	–	(10)	1,294
Profit after tax	46,564	65	(49)	46,580
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,573)	(12)	5	(7,580)
Profit attributable to ordinary shareholders	38,991	53	(44)	39,000
Earnings per share for profit attributable to ordinary shareholders	HK\$10.11	HK\$0.01	(HK\$0.01)	HK\$10.11

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iii) on the consolidated statement of comprehensive income for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018	Effect on adoption of		As presented under accounting policies from 1 January 2018
	HK\$ million	HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	HK\$ million
Profit after tax	46,564	65	(49)	46,580
Other comprehensive income (losses)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations recognised directly in reserves	615	–	–	615
Equity securities at FVOCI				
Valuation losses recognised directly in reserves	(1,637)	(15)	–	(1,652)
Valuation losses previously in reserves recognised in income statement	2	(2)	–	–
Share of other comprehensive income of associated companies	262	(38)	–	224
Share of other comprehensive income of joint ventures	463	83	–	546
Tax relating to items that will not be reclassified to profit or loss	(93)	–	–	(93)
	(388)	28	–	(360)
Items that have been reclassified or may be subsequently reclassified to profit or loss:				
Debt securities at FVOCI				
Valuation losses recognised directly in reserves	(20)	–	–	(20)
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)				
Gains recognised directly in reserves	363	–	–	363
Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	–	3,735
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	(9,294)	–	(11)	(9,305)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	(2,093)	–	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,844)	9	–	(2,835)
Share of other comprehensive income (losses) of joint ventures	(5,299)	–	(8)	(5,307)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(66)	(3)	–	(69)
	(15,518)	6	(19)	(15,531)
Other comprehensive income (losses), net of tax	(15,906)	34	(19)	(15,891)
Total comprehensive income	30,658	99	(68)	30,689
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(5,557)	(10)	21	(5,546)
Total comprehensive income attributable to ordinary shareholders	25,101	89	(47)	25,143

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iv) on the consolidated statement of financial position on 31 December 2018

	As at 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK\$ million	Effect on adoption of		As presented under accounting policies from 1 January 2018 HK\$ million
		HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	
Non-current assets				
Fixed assets	110,605	—	—	110,605
Leasehold land	7,702	—	—	7,702
Telecommunications licences	64,221	—	—	64,221
Brand names and other rights	88,761	—	—	88,761
Goodwill	323,160	—	—	323,160
Associated companies	136,161	127	(1)	136,287
Interests in joint ventures	118,007	4	42	118,053
Deferred tax assets	20,444	—	(184)	20,260
Liquid funds and other listed investments	9,292	—	—	9,292
Other non-current assets	9,148	—	1,569	10,717
	887,501	131	1,426	889,058
Current assets				
Cash and cash equivalents	135,411	—	—	135,411
Inventories	23,410	—	—	23,410
Trade receivables and other current assets	64,425	4	(603)	63,826
	223,246	4	(603)	222,647
Assets classified as held for sale	120,377	—	162	120,539
	343,623	4	(441)	343,186
Current liabilities				
Bank and other debts	25,986	—	—	25,986
Current tax liabilities	2,069	—	2	2,071
Trade payables and other current liabilities	115,559	—	713	116,272
	143,614	—	715	144,329
Liabilities directly associated with assets classified as held for sale	78,020	—	(420)	77,600
	221,634	—	295	221,929
Net current assets	121,989	4	(736)	121,257
Total assets less current liabilities	1,009,490	135	690	1,010,315
Non-current liabilities				
Bank and other debts	325,570	—	—	325,570
Interest bearing loans from non-controlling shareholders	752	—	—	752
Deferred tax liabilities	19,261	—	—	19,261
Pension obligations	2,443	—	—	2,443
Other non-current liabilities	71,466	—	—	71,466
	419,492	—	—	419,492
Net assets	589,998	135	690	590,823
Capital and reserves				
Share capital	3,856	—	—	3,856
Share premium	244,377	—	—	244,377
Reserves	197,446	103	369	197,918
Total ordinary shareholders' funds	445,679	103	369	446,151
Perpetual capital securities	12,326	—	—	12,326
Non-controlling interests	131,993	32	321	132,346
Total equity	589,998	135	690	590,823

41 Changes in significant accounting policies (continued)

(d) Standards issued but not yet effective and applied by the Group

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted these new or amended standards in preparing these financial statements. The Group is in the process of making an assessment of what the impact of these standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the Group's financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases" replaces HKAS 17 "Leases" and is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019.

As disclosed in note 40(w), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases which are currently classified as operating leases.

The new lease standard requires lessees to account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases over the lease term.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. With all other variables remaining constant the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year. In addition, leasing expenses will no longer be presented as operating cash outflows in the statement of cash flows, but will be included as part of the financing cash outflow. Interest expenses from the newly recognised lease liability may be presented in the cash flow from operating or from financing activities.

The Group plans to elect the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

Other than the impacts discussed above, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the actual impact upon the initial adoption of this standard may differ as the assessment carried out to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its elections on transition options, practical expedients and recognition exemptions, until the standard is initially applied in that financial report.

42 Critical accounting estimates and judgements

Note 40 includes a summary of the significant accounting policies used in the preparation of the financial statements. 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 financial statements. 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.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

(a) Basis of consolidation

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements.

(b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

42 Critical accounting estimates and judgements *(continued)*

(c) Depreciation and amortisation *(continued)*

(ii) Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to determine the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(iii) Customer acquisition and retention costs

From 1 January 2018, in accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred after 31 December 2017; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

Judgement is required to determine the amount of the provision and the amortisation period. The actual amount to be received from the customer and customer period may differ from the expected amount and the contract periods, which could impact the amount of expense charged to the income statement.

Prior to 1 January 2018, all customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(d) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

42 Critical accounting estimates and judgements (continued)

(e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

(f) Business combinations and goodwill

As disclosed in note 40(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(g) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that the Group has guaranteed, a provision is recognised. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

42 Critical accounting estimates and judgements (continued)

(h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 40(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 40(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

(j) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). Revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price, the consideration to which the Group expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the allocation may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the allocation of the elements as a result of changes in market conditions.

43 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earning and no derivative instruments to hedge the Group's earnings were entered during the year or remain outstanding at the end of the year. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$144,703 million at 31 December 2018 (2017 - HK\$168,283 million), mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, redemption of certain perpetual capital securities, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses, issuance of perpetual capital securities and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies (2017 - 23% were denominated in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies).

Cash and cash equivalents represented 94% (2017 - 95%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2017 - 4%) and listed equity securities 2% (2017 - 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56% (2017 - 56%), government and government guaranteed notes of 17% (2017 - 17%), notes issued by the Group's associated company, Husky Energy of 4% (2017 - 4%), notes issued by financial institutions of nil (2017 - 1%), and others of 23% (2017 - 22%). Of these US Treasury notes and listed / traded debt securities, 80% (2017 - 79%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.2 years (2017 - 2.4 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

43 Financial risk management (continued)

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2018, approximately 39% (2017 - approximately 36%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 61% (2017 - approximately 64%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$9,100 million (2017 - approximately HK\$9,600 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$50,613 million (2017 - HK\$27,950 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% (2017 - approximately 30%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% (2017 - approximately 70%) were at fixed rates at 31 December 2018. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2018, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK\$50,537 million (2017 - HK\$59,430 million).

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings.

As at 31 December 2018, the Group's total principal amount of bank and other debts are denominated as follows: 44% in US dollars, 42% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 42% in US dollars, 21% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$38,610 million (2017 - HK\$23,010 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in US dollars, 53% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 35% in US dollars, 28% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies).

43 Financial risk management (continued)

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 6% (2017 - approximately 5%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on 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 end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial 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 financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities 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 rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair values (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 20)
- some of the listed debt securities and managed funds (see note 17) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 17) that bear interest at floating rate
- some of the bank and other debts (see note 23) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 26)

Under these assumptions, the impact of a hypothetical 100 basis points (2017 - 100 basis points) increase in market interest rate at 31 December 2018, with all other variables held constant:

- profit for the year would increase by HK\$398 million due to increase in interest income (2017 - HK\$674 million);
- total equity would increase by HK\$398 million due to increase in interest income (2017 - HK\$674 million); and
- total equity would increase by HK\$1,828 million due to change in fair value of derivative financial instruments (2017 - HK\$728 million).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward foreign exchange contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

43 Financial risk management *(continued)*(f) Market risks sensitivity analyses *(continued)*(ii) Foreign currency exchange rate sensitivity analysis *(continued)*

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 20)
- some of the liquid funds and other listed investments (see note 17)
- some of the bank and other debts (see note 23)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2018		2017	
	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million
Euro	11	(473)	20	(340)
British Pounds	47	(1,106)	76	(1,248)
Australian dollars	63	(386)	64	(359)
Renminbi	14	14	12	12
US dollars	1,523	1,523	2,281	2,281
Japanese Yen	(106)	(106)	(104)	(104)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair values. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- FVOCI (see note 17)
- available-for-sale investments (see note 17)
- financial assets at fair value through profit or loss (see note 17)

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(iii) Other price sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's FVOCI, available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK\$5 million (2017 - HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$5 million (2017 - HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$456 million (2017 - HK\$383 million) due to increase in gains on FVOCI (2017 - available-for-sale investments) which are recognised in other comprehensive income.

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities			Total undiscounted cash flows HK\$ million	Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million			
At 31 December 2018						
Trade payables	29,233	–	–	29,233	–	29,233
Other payables and accruals	76,244	–	–	76,244	–	76,244
Interest free loans from non-controlling shareholders	385	–	–	385	–	385
Bank loans	5,943	111,235	–	117,178	(205)	116,973
Other loans	38	310	100	448	–	448
Notes and bonds	19,710	90,877	118,705	229,292	4,843	234,135
Interest bearing loans from non-controlling shareholders	752	–	–	752	–	752
Obligations for telecommunications licences and other rights	745	8,070	2,134	10,949	(1,336)	9,613
	133,050	210,492	120,939	464,481	3,302	467,783

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,729 million in "within 1 year" maturity band, HK\$27,399 million in "after 1 year, but within 5 years" maturity band, and HK\$13,001 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2018				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(45)	17	–	(28)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(166)	(438)	(25)	(629)
Cross currency interest rate swaps				
Net inflow (outflow)	622	(1,386)	–	(764)
Forward foreign exchange contracts				
Inflow	275	–	–	275
Outflow	(277)	–	–	(277)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	1,283	–	–	1,283
Outflow	(1,290)	–	–	(1,290)
Cross currency swaps				
Inflow	–	–	8,289	8,289
Outflow	(71)	(286)	(8,120)	(8,477)
Other derivative financial instruments				
Net outflow	(82)	(350)	–	(432)

Non-derivative financial liabilities:

	Contractual maturities				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 2017						
Trade payables	19,252	–	–	19,252	–	19,252
Other payables and accruals	69,144	–	–	69,144	–	69,144
Interest free loans from non-controlling shareholders	389	–	–	389	–	389
Bank loans	19,080	87,355	4,736	111,171	(291)	110,880
Other loans	249	668	611	1,528	(3)	1,525
Notes and bonds	2,377	84,391	123,349	210,117	9,466	219,583
Interest bearing loans from non-controlling shareholders	–	956	2,187	3,143	–	3,143
Obligations for telecommunications licences and other rights	836	3,402	1,877	6,115	(445)	5,670
	111,327	176,772	132,760	420,859	8,727	429,586

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,738 million in "within 1 year" maturity band, HK\$28,580 million in "after 1 year, but within 5 years" maturity band, and HK\$32,138 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			Total undiscounted cash flows HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	
At 31 December 2017				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(74)	50	–	(24)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(165)	(329)	(64)	(558)
Cross currency interest rate swaps				
Net inflow (outflow)	513	(2,347)	–	(1,834)
Forward foreign exchange contracts				
Inflow	380	9	–	389
Outflow	(380)	(9)	–	(389)
Other contracts				
Net outflow	(23)	(87)	(339)	(449)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	16,952	9,791	13,684	40,427
Outflow	(17,187)	(9,752)	(13,872)	(40,811)
Other derivative financial instruments				
Net outflow	(263)	(3,182)	(659)	(4,104)

43 Financial risk management (continued)

- (h) In accordance with the disclosure requirement of HKFRS 7, the group's financial instruments resulted in the following income, expenses and gains and losses recognised in the income statement:

	2018 HK\$ million	2017 HK\$ million
Dividends from equity securities at FVOCI		
Related to investments held at the end of the reporting period	103	–
Dividends from equity securities at AFS	–	88
Interest from debt securities at FVOCI	157	–
Interest from debt securities at AFS	–	120
Interest from assets held at amortised cost	2,475	1,562
Fair value gains (losses) on equity securities at FVPL	(2)	2
Fair value losses on debt securities at FVPL	(17)	–
Net impairment expense recognised on trade receivables	(1,560)	(980)
Losses arising on derivatives in a designated fair value hedge	(115)	(103)
Gains arising on adjustment for hedged items in a designated fair value hedge	115	103

(i) Hedge accounting

- (i) Fair value hedges

Hedging instruments	2018							
	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency	Notional Amount	Carrying amount of derivatives included in			
					Other current assets	Other non current assets	Other current liabilities	Other non current liabilities
Percentage	Percentage	million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.78%	HK\$1,300	1,300	–	19	–	–
2022	4.63%	4.92%	US\$1,000	7,800	–	–	–	(116)
				9,100	–	19	–	(116)

Hedged items	2018		
	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included
	HK\$ million	HK\$ million	
USD Fixed rate debts	7,977	(116)	Bank and other debts
HKD Fixed rate debts	1,319	19	Bank and other debts

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

Hedging instruments	2018							
	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non current assets HK\$ million	Other current liabilities HK\$ million	Other non current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2019	3.72%	5.19%	NZD 150	792	–	–	(8)	–
2022	1.40%	3.26%	GBP 300	2,976	–	–	–	(80)
2022	2.00%	2.40%	EUR 3,000	26,850	–	–	–	(192)
2025	2.82%	3.57%	AUD 509	2,835	–	–	–	(101)
				33,453	–	–	(8)	(373)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2020	1.73%	0.05%	US\$ 2,200	17,160	–	–	–	(821)
– receive fixed and pay fixed contracts maturing in								
2021 - 2022	4.15%	1.98%	US\$ 2,750	21,450	–	317	–	(107)
				38,610	–	317	–	(928)

Hedging instruments	2018							
	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in				
				Other current assets HK\$ million	Other non current assets HK\$ million	Other current liabilities HK\$ million	Other non current liabilities HK\$ million	
Forward foreign exchange contracts maturing in								
2019	8.89	EUR 30	268	–	–	(2)	–	

Hedged items	2018		
	Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in hedging reserve for continuing hedges HK\$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK\$ million
Interest rate risk	2	220	–
Cross currency interest rate risk	(1,485)	567	–
Foreign exchange risk	(1)	1	–

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

		2018					
		Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
Average exchange rate	Other current assets HK\$ million			Other non current assets HK\$ million	Other current liabilities HK\$ million	Other non current liabilities HK\$ million	
Hedging instruments							
Forward foreign exchange contracts maturing in							
2019	5.80	CAD 184	1,070	14	-	-	-
2019	5.55	AUD 159	887	5	-	-	-
2019	5.39	NZD 280	1,478	41	-	-	-
2019 - 2022	11.17	GBP 2,348	23,290	507	1,977	(6)	-
2020 - 2022	9.53	EUR 135	1,208	-	44	-	-
			27,933	567	2,021	(6)	-
Cross currency swaps maturing in							
2020 - 2024	9.23	EUR 1,030	9,219	-	112	-	-
2020 - 2025	6.12	CAD 947	5,505	-	315	-	-
2027	5.86	AUD 1,415	7,880	-	-	-	(45)
			22,604	-	427	-	(45)
		2018					
						Surplus (deficit) in hedging reserve / exchange reserves arising from hedging relationships for which hedge accounting is no longer applied	
Hedged items		Change in value used for calculating hedge ineffectiveness		Surplus (deficit) in hedging reserve / exchange reserves for continuing hedges		Surplus (deficit) in hedging reserve / exchange reserves arising from hedging relationships for which hedge accounting is no longer applied	
		HK\$ million		HK\$ million		HK\$ million	
Foreign investments				(3,735)		(5,602)	
						(2,841)	

43 Financial risk management (continued)

(j) The following table shows the classification category and carrying amount as at 31 December 2018 and 1 January 2018 (the date of initial application of HKFRS 9) under HKFRS 9 and as at 31 December 2017 under HKAS 39 for the Group's financial assets and financial liabilities.

	Note	Classification under HKFRS 9 *	31 December 2018 Carrying amount HK\$ million	1 January 2018 Carrying amount HK\$ million	Classification under HKAS 39 *	31 December 2017 Carrying amount HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	66	50	Loans and receivables	50
Listed equity securities, Hong Kong	17	FVOCI	2,909	1,546	AFS	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	208	25	AFS	25
Listed equity securities (included in Managed funds)	17	FVOCI	154	169	AFS	169
Listed debt securities (included in Managed funds)	17	FVOCI	4,770	4,697	AFS	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	1,089	1,168	AFS	1,168
Financial assets at fair value through profit or loss	17	FVPL	96	158	FVPL	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	170	179	Loans and receivables	179
Unlisted equity securities	18	FVOCI	1,953	2,044	AFS	2,649
Unlisted equity securities	18	FVPL	641	605		
Unlisted debt securities	18	FVPL	318	–		
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	19	54	Fair value - hedges	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	–	31	Fair value - hedges	31
Cross currency interest rate swaps	18	Fair value - hedges	317	–		
Forward foreign exchange contracts	18 & 21	Fair value - hedges	–	294	Fair value - hedges	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	2,588	1,791	Fair value - hedges	1,791
Cross currency swaps	18	Fair value - hedges	427	–		
Other derivative financial instruments	18	FVPL	167	192	FVPL	192
Cash and cash equivalents	20	Amortised cost	135,411	160,470	Loans and receivables	160,470
Trade receivables	21	Amortised cost	19,255	11,546	Loans and receivables	11,546
Other receivables	21	Amortised cost	18,682	29,461	Loans and receivables	29,461
			189,240	214,480		214,480

* see note 41.

43 Financial risk management (continued)

- (j) The following table shows the classification category and carrying amount as at 31 December 2018 and 1 January 2018 (the date of initial application of HKFRS 9) under HKFRS 9 and as at 31 December 2017 under HKAS 39 for the Group's financial assets and financial liabilities. (continued)

	Note	Classification under HKFRS 9*	31 December 2018 Carrying amount HK\$ million	1 January 2018 Carrying amount HK\$ million	Classification under HKAS 39*	31 December 2017 Carrying amount HK\$ million
Financial liabilities						
Bank and other debts	23	Amortised cost	351,556	331,988	Amortised cost	331,988
Trade payables	24	Amortised cost	29,233	19,252	Amortised cost	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	116	37	Fair value - hedges	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	381	543	Fair value - hedges	543
Cross currency interest rate swaps	28	Fair value - hedges	928	1,888	Fair value - hedges	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	2	3	Fair value - hedges	3
Other contracts	24 & 28	Fair value - hedges	–	384	Fair value - hedges	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	6	1,291	Fair value - hedges	1,291
Cross currency swaps	28	Fair value - hedges	45	–		
Other derivative financial instruments	24 & 28	FVPL	481	4,069	FVPL	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	385	389	Amortised cost	389
Other payables and accruals	24	Amortised cost	76,244	69,144	Amortised cost	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	752	3,143	Amortised cost	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	9,613	5,670	Amortised cost	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	14,308	–		
			484,050	437,801		437,801
Representing:						
Financial assets measured at						
Amortised cost (2017 - Loans and receivables)			173,584	201,706		201,706
FVOCI (2017 - AFS)			11,083	9,649		10,254
FVPL			1,222	955		350
Fair value - hedges			3,351	2,170		2,170
			189,240	214,480		214,480
Financial liabilities measured at						
Amortised cost			482,091	429,586		429,586
FVPL			481	4,069		4,069
Fair value - hedges			1,478	4,146		4,146
			484,050	437,801		437,801

* see note 41.

43 Financial risk management (continued)

(k) Carrying amounts and fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Note	Classification under HKFRS 9 *	2018		2017	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	66	66	50	50
Listed equity securities, Hong Kong	17	FVOCI	2,909	2,909	1,546	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	208	208	25	25
Listed equity securities (included in Managed funds)	17	FVOCI	154	154	169	169
Listed debt securities (included in Managed funds)	17	FVOCI	4,770	4,770	4,697	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	1,089	1,089	1,168	1,168
Financial assets at fair value through profit or loss	17	FVPL	96	96	158	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	170	170	179	179
Unlisted equity securities	18	FVOCI	1,953	1,953	2,649	2,649
Unlisted equity securities	18	FVPL	641	641	–	–
Unlisted debt securities	18	FVPL	318	318	–	–
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	19	19	54	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	–	–	31	31
Cross currency interest rate swaps	18	Fair value - hedges	317	317	–	–
Forward foreign exchange contracts	18 & 21	Fair value - hedges	–	–	294	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	2,588	2,588	1,791	1,791
Cross currency swaps	18	Fair value - hedges	427	427	–	–
Other derivative financial instruments	18	FVPL	167	167	192	192
Cash and cash equivalents	20	Amortised cost	135,411	135,411	160,470	160,470
Trade receivables	21	Amortised cost	19,255	19,255	11,546	11,546
Other receivables	21	Amortised cost	18,682	18,682	29,461	29,461
			189,240	189,240	214,480	214,480

* see note 41.

43 Financial risk management (continued)

(k) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	Note	Classification under HKFRS 9 *	2018		2017	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	23	Amortised cost	351,556	343,527	331,988	341,334
Trade payables	24	Amortised cost	29,233	29,233	19,252	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	116	116	37	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	381	381	543	543
Cross currency interest rate swaps	28	Fair value - hedges	928	928	1,888	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	2	2	3	3
Other contracts	24 & 28	Fair value - hedges	–	–	384	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	6	6	1,291	1,291
Cross currency swaps	28	Fair value - hedges	45	45	–	–
Other derivative financial instruments	24 & 28	FVPL	481	481	4,069	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	385	385	389	389
Other payables and accruals	24	Amortised cost	76,244	76,244	69,144	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	752	752	3,143	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	9,613	9,613	5,670	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	14,308	14,308	–	–
			484,050	476,021	437,801	447,147
Representing:						
Financial assets measured at						
Amortised cost (2017 - Loans and receivables)			173,584	173,584	201,706	201,706
FVOCI (2017 - AFS)			11,083	11,083	10,254	10,254
FVPL			1,222	1,222	350	350
Fair value - hedges			3,351	3,351	2,170	2,170
			189,240	189,240	214,480	214,480
Financial liabilities measured at						
Amortised cost			482,091	474,062	429,586	438,932
FVPL			481	481	4,069	4,069
Fair value - hedges			1,478	1,478	4,146	4,146
			484,050	476,021	437,801	447,147

* see note 41.

- (i) The fair value of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(1) Fair value measurements

- (i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Note	2018				2017			
		Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	17	2,909	–	–	2,909	1,546	–	–	1,546
Listed equity securities, outside Hong Kong	17	208	–	–	208	25	–	–	25
Listed equity securities (included in Managed funds)	17	154	–	–	154	169	–	–	169
Listed debt securities (included in Managed funds)	17	4,770	–	–	4,770	4,697	–	–	4,697
Listed / traded debt securities, outside Hong Kong	17	201	888	–	1,089	212	956	–	1,168
Financial assets at fair value through profit or loss	17	96	–	–	96	112	46	–	158
Unlisted investments									
Unlisted equity securities	18	–	–	1,953	1,953	–	–	2,649	2,649
Unlisted equity securities	18	–	46	595	641	–	–	–	–
Unlisted debt securities	18	–	143	175	318	–	–	–	–
Derivative financial instruments									
Fair value hedges – Interest rate swaps	18 & 21	–	19	–	19	–	54	–	54
Cash flow hedges									
Interest rate swaps	18	–	–	–	–	–	31	–	31
Cross currency interest rate swaps	18	–	317	–	317	–	–	–	–
Forward foreign exchange contracts	18 & 21	–	–	–	–	–	294	–	294
Net investment hedges									
Forward foreign exchange contracts	18 & 21	–	2,588	–	2,588	–	1,791	–	1,791
Cross currency swaps	18	–	427	–	427	–	–	–	–
Other derivative financial instruments	18	–	167	–	167	–	192	–	192
		8,338	4,595	2,723	15,656	6,761	3,364	2,649	12,774

43 Financial risk management (continued)

(1) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

	Note	2018				2017			
		Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial liabilities									
Derivative financial instruments									
Fair value hedges - Interest rate swaps	28	-	116	-	116	-	37	-	37
Cash flow hedges									
Interest rate swaps	24 & 28	-	381	-	381	-	543	-	543
Cross currency interest rate swaps	28	-	928	-	928	-	1,888	-	1,888
Forward foreign exchange contracts	24 & 28	-	2	-	2	-	3	-	3
Other contracts	24 & 28	-	-	-	-	-	384	-	384
Net investment hedges									
Forward foreign exchange contracts	24 & 28	-	6	-	6	-	1,291	-	1,291
Cross currency swaps	28	-	45	-	45	-	-	-	-
Other derivative financial instruments	24 & 28	-	481	-	481	-	4,069	-	4,069
		-	1,959	-	1,959	-	8,215	-	8,215

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2018 and 2017, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2018 HK\$ million	2017 HK\$ million
At 1 January	2,649	1,059
Total gains (losses) recognised in		
Income statement	29	-
Other comprehensive income	(510)	46
Additions	598	130
Relating to subsidiaries acquired	20	-
Relating to subsidiaries disposed	-	1,413
Disposals	(22)	(18)
Exchange translation differences	(41)	19
At 31 December	2,723	2,649
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	29	-

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

43 Financial risk management (continued)

(l) Fair value measurements (continued)

- (ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 43(k) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2018				
Bank and other debts	217,197	126,330	–	343,527
At 31 December 2017				
Bank and other debts	214,297	127,037	–	341,334

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(m) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2018						
Financial assets						
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	965	–	965	(6)	–	959
Other derivative financial instruments	159	–	159	(4)	–	155
Trade receivables	172	(127)	45	(25)	–	20
Other receivables and prepayments	602	(406)	196	–	–	196
	1,898	(533)	1,365	(35)	–	1,330
Financial liabilities						
Trade payables	(1,165)	278	(887)	–	–	(887)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(6)	–	(6)	6	–	–
Other derivative financial instruments	(4)	–	(4)	4	–	–
Other payables and accruals	(3,471)	255	(3,216)	25	–	(3,191)
	(4,646)	533	(4,113)	35	–	(4,078)
At 31 December 2017						
Financial assets						
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	2	–	2	(2)	–	–
Net investment hedges						
Forward foreign exchange contracts	487	–	487	(275)	–	212
Other derivative financial instruments	192	–	192	(82)	–	110
Trade receivables	57	(3)	54	(35)	–	19
Other receivables and prepayments	994	(568)	426	–	–	426
	1,732	(571)	1,161	(394)	–	767
Financial liabilities						
Trade payables	(4,355)	571	(3,784)	–	–	(3,784)
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	(2)	–	(2)	2	–	–
Net investment hedges						
Forward foreign exchange contracts	(275)	–	(275)	275	–	–
Other derivative financial instruments	(539)	–	(539)	82	–	(457)
Other payables and accruals	(43)	–	(43)	35	–	(8)
	(5,214)	571	(4,643)	394	–	(4,249)

44 Statement of financial position of the Company, as at 31 December 2018

	2018 HK\$ million	2017 HK\$ million
Non-current assets		
Subsidiary companies - Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	9,382	9,292
Other receivables	20	176
Cash	7	6
Current liabilities		
Other payables and accruals	60	47
Net current assets	9,349	9,427
Net assets	364,513	364,591
Capital and reserves		
Share capital (see note 29(a))	3,856	3,858
Share premium (see note 29(a))	244,377	244,505
Reserves - Retained profit ^(c)	116,280	116,228
Shareholders' funds	364,513	364,591

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

44 Statement of financial position of the Company, as at 31 December 2018 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 283 to 286.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves - Retained profit

	HK\$ million
At 1 January 2017	116,190
Profit for the year	10,550
Dividends paid relating to 2016	(7,503)
Dividends paid relating to 2017	(3,009)
At 31 December 2017	116,228
Profit for the year	11,394
Buy-back and cancellation of issued shares (see note 29(a)(i))	(1)
Dividends paid relating to 2017	(7,985)
Dividends paid relating to 2018	(3,356)
At 31 December 2018	116,280

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$11,394 million (2017 - HK\$10,550 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2018, the Company's share premium and retained profit amounted to HK\$244,377 million (2017 - HK\$244,505 million) and HK\$116,280 million (2017 - HK\$116,228 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

45 Approval of financial statements

The financial statements set out on pages 170 to 286 were approved and authorised for issue by the Board of Directors on 21 March 2019.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services				
Alexandria International Container Terminals Company S.A.E.	Egypt	USD 30,000,000	64	Container terminal operating
Amsterdam Port Holdings B.V.	Netherlands	EUR 170,704	80	Holding company
Brisbane Container Terminals Pty Limited	Australia	AUD 34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS 321,528,668	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR 18,000	71	Container terminal operating
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP 145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP 160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR 45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR 100,000	49	Container terminal operating
Freeport Container Port Limited	Bahamas	BSD 2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN 11,379,300	80	Container terminal operating and rental of port real estate
Harwich International Port Limited	United Kingdom	GBP 16,812,002	80	Container terminal operating
☆ Hongkong United Dockyards Limited	Hong Kong	HKD 76,000,000	50	Ship repairing, general engineering and tug operations
☆ 惠州港業股份有限公司	China	RMB 300,000,000	27	Container terminal operating
☆ 惠 惠州 Quanwan Port Development Co., Ltd.	China	RMB 359,300,000	40	Port related land development
Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED 60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD 26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON 4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB 1,000,000,000	64	Container terminal operating
☆ * # Hutchison Port Holdings Trust	Singapore / China	USD 8,797,780,935	30	Container port business trust
Hutchison Port Investments Limited	Cayman Islands / Hong Kong	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emirates	USD 10,000	48	Container terminal operating
Hutchison Ports UAQ Limited	British Virgin Islands / United Arab Emirates	USD 34,650	48	Container terminal operating
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
☆ 惠 惠州 Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services (continued)				
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 78,560,628	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ ☹ Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
NAWAH for Ports Management LLC	Iraq	IQD 10,000,000	41	Container terminal operating
✧ ☹ 寧波北侖國際集裝箱碼頭有限公司	China	RMB 700,000,000	39	Container terminal operating
Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S.A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating
✧ PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
✧ River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
✧ ☹ + 上海明東集裝箱碼頭有限公司	China	RMB 4,000,000,000	40	Container terminal operating
South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
Star Classic Investments Limited	British Virgin Islands	USD 2	80	Operation, management and development of ports and container terminals, and investment holding
Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 800,000,000	70	Container terminal operating
Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # + Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☹ Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ☹ Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
Retail				
A.S. Watson Holdings Limited	Cayman Islands	HKD 1,000,000	75	Holding company
A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✧ + Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☹ 廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✧ Rossmann Supermarkety Drogerijne Polska sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
✧ 武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Infrastructure and energy				
✧ Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
✧ + AVR-Afvalverwerking B.V.	Netherlands	EUR 1	61	Producing energy from waste
* + CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding Company
✧ + CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution
✧ + CKP (Canada) Holdings Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
+ Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # + Husky Energy Inc.	Canada	CAD 7,293,334,286	40	Investment in oil and gas
✧ + Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
+ Northumbrian Water Group Limited	United Kingdom	GBP 161	70	Water & sewerage businesses
* # + Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	29	Investment holding in energy and utility-related businesses
✧ + Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
✧ + UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
+ Eversholt UK Rails Limited	United Kingdom	GBP 102	88	Holding company in leasing of rolling stock
✧ + Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 29,027	53	Gas distribution
Telecommunications				
Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of mobile telecommunications services
Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
* Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,724,052	66	Holding company of mobile telecommunications services
Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	50	Mobile telecommunications services
PT. Hutchison 3 Indonesia	Indonesia	IDR 651,896,000,000	65	Mobile telecommunications services
Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
Wind Tre S.p.A.	Italy	EUR 474,303,795	100	Mobile telecommunications services
Finance & investments and others				
Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
CK Hutchison Global Investments Limited	British Virgin Islands	USD 2	100	Holding company
* Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
✧ + Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services
* # + CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
✧ ☞ Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD 65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands / China	USD 66,657,745	60	Holding company of healthcare business

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Finance & investments and others (continued)				
Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR 1,764,027,025	100	Holding company
Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
Marionnaud Parfumeries S.A.S.	France	EUR 351,575,833	100	Investment holding in perfume retailing businesses
# Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,452	24	Radio broadcasting
* # TOM Group Limited	Cayman Islands / Hong Kong	HKD 395,851,056	36	Technology and media

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on the Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

Associated companies

✧ Joint ventures

⌘ Equity joint venture registered under PRC law

♣ Wholly owned foreign enterprise (WOFE) registered under PRC law

↔ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and revenue (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 24% and 9% of the Group's respective items.

Independent Auditor's Report

To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 164 to 266, which comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter

How our audit addressed the Key Audit Matter

Goodwill and brand names with an indefinite useful life

Refer to notes 3, 16 and 17 to the consolidated financial statements

The Group has a significant amount of goodwill and brand names arising primarily from the acquisition of Hutchison Whampoa Limited's businesses in 2015. As at 31 December 2017, goodwill amounted to approximately HK\$255 billion and brand names with an indefinite useful life amounted to approximately HK\$63 billion.

Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of goodwill and brand names with an indefinite useful life. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets.

The significant assumptions are disclosed in notes 3, 16 and 17 to the consolidated financial statements.

The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included:

- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters (continued)

Key Audit Matter

Investments in associated companies and joint ventures

Refer to notes 3, 18 and 19 to the consolidated financial statements

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2017, investments in associated companies and joint ventures amounted to approximately HK\$307 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of the Group's investments in associated companies and joint ventures. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exist by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Performing sensitivity analyses on the key assumptions as stated above; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSS issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 March 2018

Consolidated Income Statement

for the year ended 31 December 2017

2017			2017	2016
US\$ million		Note	HK\$ million	HK\$ million
31,861	Revenue	4, 5	248,515	259,842
(12,991)	Cost of inventories sold		(101,328)	(101,943)
(4,304)	Staff costs		(33,572)	(32,792)
(2,121)	Telecommunications customer acquisition costs		(16,545)	(19,170)
(2,193)	Depreciation and amortisation	5	(17,105)	(16,014)
(5,714)	Other operating expenses	2 (af)	(44,570)	(52,955)
	Share of profits less losses of:			
871	Associated companies		6,797	6,362
1,603	Joint ventures		12,500	10,251
7,012			54,692	53,581
(1,061)	Interest expenses and other finance costs	7	(8,274)	(7,118)
5,951	Profit before tax		46,418	46,463
(694)	Current tax	8	(5,415)	(3,334)
333	Deferred tax	8	2,599	(1,217)
5,590	Profit after tax		43,602	41,912
(1,090)	Profit attributable to non-controlling interests and holders of perpetual capital securities		(8,502)	(8,904)
4,500	Profit attributable to ordinary shareholders		35,100	33,008
US\$ 1.17	Earnings per share for profit attributable to ordinary shareholders		HK\$ 9.10	HK\$ 8.55

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 10.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

2017 US\$ million	Note	2017 HK\$ million	2016 HK\$ million
5,590		43,602	41,912
	Profit after tax		
	Other comprehensive income (losses)		
	Items that will not be reclassified to profit or loss:		
222	Remeasurement of defined benefit obligations recognised directly in reserves	1,730	(2,239)
9	Share of other comprehensive income (losses) of associated companies	68	(563)
25	Share of other comprehensive income (losses) of joint ventures	199	(1,423)
(27)	Tax relating to items that will not be reclassified to profit or loss	(213)	328
229		1,784	(3,897)
	Items that have been reclassified or may be subsequently reclassified to profit or loss:		
	Available-for-sale investments		
19	Valuation gains (losses) recognised directly in reserves	149	(537)
(5)	Valuation losses (gains) previously in reserves recognised in income statement	(36)	541
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)		
(15)	Losses recognised directly in reserves	(114)	(1,411)
–	Losses (gains) previously in reserves recognised in initial cost of non-financial items	1	(13)
(600)	Gains (losses) on net investment hedges (forward foreign currency contracts) recognised directly in reserves	(4,683)	6,112
593	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	4,625	(18,423)
5	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	40	(209)
397	Share of other comprehensive income of associated companies	3,099	22
1,297	Share of other comprehensive income (losses) of joint ventures	10,116	(10,240)
(6)	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(50)	190
1,685		13,147	(23,968)
1,914	Other comprehensive income (losses), net of tax	14,931	(27,865)
7,504	Total comprehensive income	58,533	14,047
(1,502)	Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(11,718)	(3,467)
6,002	Total comprehensive income attributable to ordinary shareholders	46,815	10,580

Consolidated Statement of Financial Position

at 31 December 2017

2017 US\$ million		Note	2017 HK\$ million	2016 HK\$ million
	Non-current assets			
20,358	Fixed assets	12	158,789	145,598
46	Investment properties	13	360	344
1,065	Leasehold land	14	8,305	8,155
3,496	Telecommunications licences	15	27,271	23,936
9,742	Brand names and other rights	16	75,985	73,625
32,735	Goodwill	17	255,334	254,748
18,634	Associated companies	18	145,343	150,406
20,786	Interests in joint ventures	19	162,134	106,253
2,589	Deferred tax assets	20	20,195	15,856
664	Other non-current assets	21	5,180	5,096
1,002	Liquid funds and other listed investments	22	7,813	5,954
111,117			866,709	789,971
	Current assets			
20,573	Cash and cash equivalents	23	160,470	156,270
6,585	Trade and other receivables	24	51,368	48,372
2,783	Inventories		21,708	18,852
29,941			233,546	223,494
	Current liabilities			
11,568	Trade and other payables	25	90,228	83,098
2,783	Bank and other debts	27	21,712	71,880
378	Current tax liabilities		2,948	2,334
14,729			114,888	157,312
15,212	Net current assets		118,658	66,182
126,329	Total assets less current liabilities		985,367	856,153
	Non-current liabilities			
39,779	Bank and other debts	27	310,276	231,260
403	Interest bearing loans from non-controlling shareholders	28	3,143	4,283
3,280	Deferred tax liabilities	20	25,583	23,692
483	Pension obligations	29	3,770	5,369
6,545	Other non-current liabilities	30	51,048	47,359
50,490			393,820	311,963
75,839	Net assets		591,547	544,190

2017			2017	2016
US\$ million		Note	HK\$ million	HK\$ million
	Capital and reserves			
495	Share capital	31 (a)	3,858	3,858
31,347	Share premium	31 (a)	244,505	244,505
3,779	Perpetual capital securities	31 (b)	29,481	30,510
23,294	Reserves	32	181,693	145,806
58,915	Total ordinary shareholders' funds and perpetual capital securities		459,537	424,679
16,924	Non-controlling interests		132,010	119,511
75,839	Total equity		591,547	544,190

Fok Kin Ning, Canning

Director

Frank John Sixt

Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Total equity US\$ million		Attributable to							
		Ordinary shareholders			Holders of perpetual capital securities HK\$ million	Total ordinary shareholders' funds and perpetual capital securities HK\$ million		Non- controlling interests HK\$ million	Total equity HK\$ million
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million	Sub-total HK\$ million					
69,768	At 1 January 2017	248,363	145,806	394,169	30,510	424,679	119,511	544,190	
5,590	Profit for the year	–	35,100	35,100	1,163	36,263	7,339	43,602	
	Other comprehensive income (losses)								
	Available-for-sale investments								
19	Valuation gains recognised directly in reserves	–	145	145	–	145	4	149	
(5)	Valuation gains previously in reserves recognised in income statement	–	(36)	(36)	–	(36)	–	(36)	
222	Remeasurement of defined benefit obligations recognised directly in reserves	–	1,268	1,268	–	1,268	462	1,730	
(15)	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)	–	(134)	(134)	–	(134)	20	(114)	
–	Losses recognised directly in reserves	–	(134)	(134)	–	(134)	20	(114)	
–	Losses previously in reserves recognised in initial cost of non-financial items	–	1	1	–	1	–	1	
(600)	Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	(3,847)	–	(3,847)	(836)	(4,683)	
593	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	2,551	–	2,551	2,074	4,625	
5	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	22	22	–	22	18	40	
406	Share of other comprehensive income of associated companies	–	2,950	2,950	–	2,950	217	3,167	
1,322	Share of other comprehensive income of joint ventures	–	8,989	8,989	–	8,989	1,326	10,315	
(33)	Tax relating to components of other comprehensive income (losses)	–	(194)	(194)	–	(194)	(69)	(263)	
1,914	Other comprehensive income, net of tax	–	11,715	11,715	–	11,715	3,216	14,931	
7,504	Total comprehensive income	–	46,815	46,815	1,163	47,978	10,555	58,533	
(962)	Dividends paid relating to 2016	–	(7,503)	(7,503)	–	(7,503)	–	(7,503)	
(386)	Dividends paid relating to 2017	–	(3,009)	(3,009)	–	(3,009)	–	(3,009)	
(614)	Dividends paid to non-controlling interests	–	–	–	–	–	(4,790)	(4,790)	
(153)	Distribution paid on perpetual capital securities	–	–	–	(1,192)	(1,192)	–	(1,192)	
859	Equity contribution from non-controlling interests	–	–	–	–	–	6,700	6,700	
(1,128)	Redemption of perpetual capital securities (see note 31(b))	–	–	–	(8,800)	(8,800)	–	(8,800)	
1,000	Issuance of perpetual capital securities (see note 31(b))	–	–	–	7,800	7,800	–	7,800	
(8)	Transaction costs in relation to issuance of perpetual capital securities	–	(62)	(62)	–	(62)	–	(62)	
(9)	Transaction costs in relation to issuance of shares of a subsidiary	–	(41)	(41)	–	(41)	(27)	(68)	
(2)	Transaction costs in relation to equity contribution from non-controlling interests	–	(14)	(14)	–	(14)	(4)	(18)	
2	Share option schemes and long term incentive plans of subsidiary companies	–	9	9	–	9	6	15	
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	6	–	6	
13	Relating to acquisition of subsidiary companies	–	–	–	–	–	106	106	
(46)	Relating to purchase of non-controlling interests	–	(342)	(342)	–	(342)	(19)	(361)	
–	Relating to partial disposal of subsidiary companies	–	28	28	–	28	(28)	–	
(1,433)		–	(10,928)	(10,928)	(2,192)	(13,120)	1,944	(11,176)	
75,839	At 31 December 2017	248,363	181,693	430,056	29,481	459,537	132,010	591,547	

Total equity US\$ million		Attributable to						
		Ordinary shareholders			Holders of perpetual capital securities HK\$ million	Total ordinary shareholders' funds and perpetual capital securities HK\$ million	Non- controlling interests HK\$ million	Total equity HK\$ million
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million	Sub-total HK\$ million				
70,399	At 1 January 2016	248,551	144,884	393,435	35,153	428,588	120,523	549,111
5,373	Profit for the year	–	33,008	33,008	1,421	34,429	7,483	41,912
	Other comprehensive income (losses)							
	Available-for-sale investments							
(69)	Valuation losses recognised directly in reserves	–	(506)	(506)	–	(506)	(31)	(537)
69	Valuation losses previously in reserves recognised in income statement	–	462	462	–	462	79	541
(287)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(1,590)	(1,590)	–	(1,590)	(649)	(2,239)
	Cash flow hedges (forward foreign currency contracts and interest rate swap contracts)							
(181)	Losses recognised directly in reserves	–	(1,180)	(1,180)	–	(1,180)	(231)	(1,411)
(2)	Gains previously in reserves recognised in initial cost of non-financial items	–	(12)	(12)	–	(12)	(1)	(13)
784	Gains on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	5,128	5,128	–	5,128	984	6,112
(2,362)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(15,590)	(15,590)	–	(15,590)	(2,833)	(18,423)
	Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement							
(27)		–	(153)	(153)	–	(153)	(56)	(209)
(69)	Share of other comprehensive income (losses) of associated companies	–	31	31	–	31	(572)	(541)
(1,495)	Share of other comprehensive income (losses) of joint ventures	–	(9,403)	(9,403)	–	(9,403)	(2,260)	(11,663)
67	Tax relating to components of other comprehensive income (losses)	–	385	385	–	385	133	518
(3,572)	Other comprehensive income (losses), net of tax	–	(22,428)	(22,428)	–	(22,428)	(5,437)	(27,865)
1,801	Total comprehensive income	–	10,580	10,580	1,421	12,001	2,046	14,047
(915)	Dividends paid relating to 2015	–	(7,140)	(7,140)	–	(7,140)	–	(7,140)
(364)	Dividends paid relating to 2016	–	(2,837)	(2,837)	–	(2,837)	–	(2,837)
(610)	Dividends paid to non-controlling interests	–	–	–	–	–	(4,756)	(4,756)
(190)	Distribution paid on perpetual capital securities	–	–	–	(1,486)	(1,486)	–	(1,486)
1,340	Equity contribution from non-controlling interests	–	–	–	–	–	10,453	10,453
	Redemption of perpetual capital securities							
(1,000)	by a subsidiary	–	–	–	–	–	(7,800)	(7,800)
	Transaction costs in relation to equity contribution from non-controlling interests							
(15)		–	(87)	(87)	–	(87)	(28)	(115)
(24)	Buy-back and cancellation of issued shares (see note 31(a)(i))	(188)	(1)	(189)	–	(189)	–	(189)
	Redemption of perpetual capital securities							
(587)	(see note 31(b))	–	–	–	(4,578)	(4,578)	–	(4,578)
	Share option schemes and long term incentive plans of subsidiary companies							
1	Unclaimed dividends write back of a subsidiary	–	5	5	–	5	–	5
68	Relating to acquisition of subsidiary companies	–	–	–	–	–	531	531
(182)	Relating to purchase of non-controlling interests	–	(1,065)	(1,065)	–	(1,065)	(351)	(1,416)
45	Relating to partial disposal of subsidiary companies	–	1,462	1,462	–	1,462	(1,109)	353
(2,432)		(188)	(9,658)	(9,846)	(6,064)	(15,910)	(3,058)	(18,968)
69,768	At 31 December 2016	248,363	145,806	394,169	30,510	424,679	119,511	544,190

(a) See note 31(a) for further details on share capital and share premium.

(b) See note 32 for further details on reserves.

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

2017 US\$ million		Note	2017 HK\$ million	2016 HK\$ million
	Operating activities			
8,735	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	33 (a)	68,137	62,051
(1,202)	Interest expenses and other finance costs paid (net of capitalisation)		(9,375)	(9,499)
(624)	Tax paid		(4,870)	(3,364)
6,909	Funds from operations		53,892	49,188
(38)	Changes in working capital	33 (b)	(296)	(8,850)
6,871	Net cash from operating activities		53,596	40,338
	Investing activities			
(3,015)	Purchase of fixed assets		(23,521)	(20,046)
(19)	Additions to leasehold land		(149)	–
(28)	Additions to telecommunications licences		(216)	(4,013)
(4)	Additions to brand names and other rights		(29)	(487)
(477)	Purchase of subsidiary companies	33 (c)	(3,724)	(333)
(17)	Additions to other unlisted investments		(130)	(87)
103	Repayments from associated companies and joint ventures		804	2,024
(4,846)	Purchase of and advances to associated companies and joint ventures		(37,798)	(2,066)
286	Proceeds on disposal of fixed assets		2,231	393
1,821	Proceeds on disposal of subsidiary companies	33 (d)	14,201	2,847
173	Proceeds on partial disposal / disposal of associated companies and joint ventures		1,348	–
2	Proceeds on disposal of other unlisted investments		19	107
(6,021)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(46,964)	(21,661)
36	Disposal of liquid funds and other listed investments		278	4,446
(256)	Additions to liquid funds and other listed investments		(1,997)	(812)
(6,241)	Cash flows used in investing activities		(48,683)	(18,027)
630	Net cash inflow before financing activities		4,913	22,311
	Financing activities			
12,883	New borrowings	33 (e)	100,488	76,306
(11,240)	Repayment of borrowings	33 (e)	(87,674)	(45,365)
(274)	Net loans from (to) non-controlling shareholders	33 (e)	(2,139)	59
203	Issue of equity securities by subsidiary companies to non-controlling shareholders		1,584	1,093
649	Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs		5,063	9,245
–	Redemption of perpetual capital securities by a subsidiary		–	(7,800)
(9)	Transaction costs in relation to issuance of shares by a subsidiary		(68)	–
(46)	Payments to acquire additional interests in subsidiary companies		(356)	(339)
–	Proceeds on partial disposal of subsidiary companies		–	353
992	Proceeds on issue of perpetual capital securities, net of transaction costs		7,738	–
(1,128)	Redemption of perpetual capital securities		(8,800)	(4,210)
–	Payments for buy-back and cancellation of issued shares		–	(189)
(1,348)	Dividends paid to ordinary shareholders		(10,512)	(9,977)
(621)	Dividends paid to non-controlling interests		(4,845)	(4,902)
(153)	Distribution paid on perpetual capital securities		(1,192)	(1,486)
(92)	Cash flows from (used in) financing activities		(713)	12,788
538	Increase in cash and cash equivalents		4,200	35,099
20,035	Cash and cash equivalents at 1 January		156,270	121,171
20,573	Cash and cash equivalents at 31 December		160,470	156,270

2017 US\$ million		Note	2017 HK\$ million	2016 HK\$ million
	Analysis of cash, liquid funds and other listed investments			
20,573	Cash and cash equivalents, as above	23	160,470	156,270
1,002	Liquid funds and other listed investments	22	7,813	5,954
21,575	Total cash, liquid funds and other listed investments		168,283	162,224
42,712	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	27	333,155	304,030
403	Interest bearing loans from non-controlling shareholders	28	3,143	4,283
21,540	Net debt		168,015	146,089
(403)	Interest bearing loans from non-controlling shareholders		(3,143)	(4,283)
21,137	Net debt (excluding interest bearing loans from non-controlling shareholders)		164,872	141,806

Notes to the Financial Statements

1 Basis of preparation

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company" or "CK Hutchison") and its subsidiaries (the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These financial statements have been prepared under the historical cost convention except for defined benefit plans plan assets, certain properties and financial instruments which are measured at fair values, as explained in the significant accounting policies set out in note 2.

2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2017. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

(a) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2017 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(b) Subsidiary companies

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company 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. In the consolidated financial statements, subsidiary companies are accounted for as described in note 2(a) above.

(c) Associated companies

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and net assets of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 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.

(d) 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. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 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.

2 Significant accounting policies *(continued)*

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached. Aircrafts are depreciated on a straight-line basis, after taking into account a residual value of 10% of their costs, over an expected useful life of 25 years from their respective dates of first use.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 ¹ / ₃ - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 20%
Rolling stock and other railway assets	2.5 - 5%
Water and sewerage infrastructure assets	0.5 - 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

(h) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(i) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

2 Significant accounting policies (continued)

(j) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to seven years over the expected useful life of the customer relationship.

(l) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(m) Liquid funds and other listed investments, and other unlisted investments

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

2 Significant accounting policies *(continued)*

(m) Liquid funds and other listed investments, and other unlisted investments *(continued)*

Available-for-sale investments

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

(n) 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. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities or firm commitments may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement. At the same time, the carrying amount of the the hedged asset or liability or firm commitments in the statement of financial position is adjusted for the changes in fair value.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value relating to the effective portion of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures or is early terminated, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then they are included in the initial cost of the asset or liability.

Derivatives designated as hedging instruments to hedge the net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion is recognised in other comprehensive income and accumulated under the heading of exchange reserve. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated are removed from exchange reserve and recognised in the income statement in the periods when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

(o) Trade and other receivables

Trade and other 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 income statement when there is objective evidence that the asset is impaired.

2 Significant accounting policies *(continued)*

(p) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

(q) 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.

(r) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

(u) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

2 Significant accounting policies (continued)

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

2 Significant accounting policies (continued)

(aa) Foreign exchange (continued)

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

(ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

2 Significant accounting policies (continued)

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of returns, discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Ports and Related Services

Revenue from the provision of ports and related services is recognised when the service is rendered.

Retail

Revenue from the sale of retail goods is recognised at point of sale less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually settled in cash or by credit card and debit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Infrastructure

Income from contracts is recognised according to the stage of completion.

Aircraft leasing income are recognised on a straight-line basis over the period of the lease.

Energy

Revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products is recognised when the title passes to the customer.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is provided.

2 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Telecommunications services

Revenue from the provision of telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is deferred until such time as the customer uses the card or upon the expiry of the service period.

For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a device (e.g. handsets), the amount of revenue recognised upon the sale of the device is accrued as determined by considering the estimated fair values of each of the services element and device element of the contract.

Other service income is recognised when the service is rendered.

Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income.

Total revenue arising from telecommunications services comprises of service revenue, other service income and sale of device revenue.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(ad) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Hong Kong dollars unless otherwise stated.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2018, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2014-2016 Cycle ⁽ⁱ⁾	Improvements to HKFRSs in relation to HKAS 28 "Investments in Associates and Joint Ventures"
Annual Improvements 2015-2017 Cycle ⁽ⁱⁱ⁾	Improvements to HKFRSs
HKAS 28 (Amendments) ⁽ⁱⁱⁱ⁾	Long-term interests in Associates and Joint Ventures
HKAS 40 (Amendments) ⁽ⁱ⁾	Transfers of Investment Property
HKFRS 2 (Amendments) ⁽ⁱ⁾	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 ⁽ⁱ⁾	Financial Instruments
HKFRS 9 (Amendments) ⁽ⁱⁱ⁾	Prepayment Features with Negative Compensation
HKFRS 15 ⁽ⁱ⁾	Revenue from Contracts with Customers
HKFRS 15 (Amendments) ⁽ⁱ⁾	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16 ⁽ⁱⁱ⁾	Leases
HKFRS 10 and HKAS 28 (Amendments) ⁽ⁱⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) Interpretation 22 ⁽ⁱ⁾	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) Interpretation 23 ⁽ⁱⁱ⁾	Uncertainty over Income Tax Treatments

- (i) Effective for the Group for annual periods beginning on or after 1 January 2018.
- (ii) Effective for the Group for annual periods beginning on or after 1 January 2019.
- (iii) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

The Group is continuing to assess the implications of the adoption of these standards.

(i) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments 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. HKFRS 9 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group will adopt this new standard from 1 January 2018.

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The new financial instruments standard eliminates the existing HKAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available-for-sale ("AFS").

Certain financial assets that are currently classified as loans and receivables and measured at amortised cost will be classified and measured as FVOCI or as FVPL under the new standard and certain financial assets that are currently classified as AFS equity securities will be classified and measured as FVPL under the new standard. Other than these changes, the Group does not expect the new guidance to result in any significant change on the classification and measurement of its financial assets for these reasons: (i) debt securities currently classified as AFS financial assets will satisfy the conditions for classification as FVOCI and hence there will be no change to the accounting for these assets; (ii) a FVOCI election is available for the equity securities which are currently classified as AFS financial assets. Whilst this election has no impact on the measurement of these assets, once the election is made the fair value gains or losses accumulated in the investment revaluation reserve account will not be reclassified to profit or loss following the derecognition of the particular investment, which is different from the current accounting treatment; (iii) equity securities currently measured at FVPL will continue to be measured on the same basis under HKFRS 9; and (iv) other loans and receivables financial assets currently measured at amortised cost will meet the conditions for classification at amortised cost under HKFRS 9.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

(i) HKFRS 9 Financial Instruments (continued)

There will not be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model will apply to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects to apply the simplified approach to recognise lifetime expected losses for amounts due from customers. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are currently presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence expects to recognise 12-month expected credit losses for such items. The Group is continuing to assess the implications of applying the new impairment model. While the application of this new guidance represents a change in accounting, this is not expected to have a material impact on the Group's financial position and / or financial performance as, based on assessment today, the credit losses calculated pursuant to the new requirements for a number of the Group's operations are not expected to be significantly different from the amount recognised under their current credit loss provision practices.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's financial risk management practices. Generally, more hedge relationships might be eligible for hedge accounting under HKFRS 9, as the standard introduces a more principles-based approach. At this stage the Group does not expect to identify any new hedging relationships. The Group's current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9. As a consequence, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments when this new financial instruments standard is adopted in 2018.

Apart from providing more extensive disclosures on the Group's financial instruments transactions and introducing changes in the classification and measurement (including impairment) for financial assets, the Group does not expect the application of HKFRS 9 will have a significant impact on its financial position and / or financial performance.

Changes in accounting policies resulting from the adoption of HKFRS 9 will generally be applied retrospectively, except for hedge accounting and where the standard provides transition exemptions. The Group will elect to apply the transition exemptions, and comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will generally be recognised as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts, and the related Interpretations when it becomes effective. HKFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group will adopt this new standard from 1 January 2018.

The new revenue standard requires the transaction price of a contract to be allocated to individual performance obligation (or distinct good or service). Under HKFRS 15, the objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The Group does not expect the new guidance to have a significant impact on the Group's accounting with respect to the allocation of the transaction price to performance obligations identified as its current pricing practices are broadly consistent with this requirement. Currently, the Group allocates and recognises revenue among the different distinct elements of a contract separately. The Group apportions revenue earned from a contract, based on and in proportion to the respective amount of consideration that the Group expects to be entitled in exchanging for transferring the distinct promised goods or services. On this basis, the revenue attributed to the respective distinct elements arising from the application of the new guidance is not expected to be significantly different from the amount recognised under the Group's current pricing practices.

The new revenue standard introduces specific criteria for determining whether to capitalise certain costs, distinguishing between those costs associated with obtaining a contract and those costs associated with fulfilling a contract. Currently, the costs associated with obtaining a contract are expensed as incurred. The accounting for some of these costs will change upon adoption of HKFRS 15. The new standard requires the incremental costs of obtaining contracts to be recognised as an asset when incurred, and expensed over the contract period. Incremental costs of obtaining a contract are those costs that would not have incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). HKFRS 15 also requires some contract fulfillment costs, where they relate to performance obligation which is satisfied over time, to be recognised as an asset when incurred, and expensed on a systematic basis consistent with the pattern of satisfying the performance obligation.

The new revenue standard also introduces expanded disclosure requirements relating to revenue and new guidance on the presentation of contract assets and receivables in the statement of financial position. HKFRS 15 distinguishes between a contract asset and a receivable based on whether receipt of the consideration is conditional on something other than passage of time. Upfront unbilled revenues currently included in the consolidated statement of financial position as receivables will be recorded as contract assets if the receipt of the consideration is conditional upon fulfillment of another performance obligation.

Apart from providing more extensive disclosures on the Group's revenue transactions and introducing changes in accounting for the costs associated with obtaining a contract, the Group does not expect the application of HKFRS 15 will have a significant impact on its financial position and / or financial performance.

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group will elect to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group will elect to apply the new standard only to contracts that are not completed contracts at 1 January 2018.

2 Significant accounting policies *(continued)*

(ae) New standards and interpretations not yet adopted *(continued)*

(iii) HKFRS 16 Leases

HKFRS 16 specifies how an entity will recognise, measure, present and disclose leases. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard from 1 January 2019.

The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. With all other variables remain constant the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

The transition accounting under the full retrospective approach requires entities to retrospectively apply the new standard to each prior reporting period presented. Under this transition approach, an entity will require extensive information about its leasing transactions in order to apply the standard retrospectively. This will include historical information about lease payments and discount rates. It will also include the historical information that the entity would have used in order to make the various judgements and estimates that are necessary to apply the lessee accounting model. The information will be required as at lease commencement, and also as at each date on which an entity would have been required to recalculate lease assets and liabilities on a reassessment or modification of the lease.

In view of the costs and massive complexity involved of applying the full retrospective approach the Group is considering to elect the modified retrospective approach. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 16, i.e. 1 January 2019; and (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

The new standard will affect primarily the accounting for the Group's operating leases. The Group has not yet quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows on adoption of HKFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

2 Significant accounting policies *(continued)*

(ae) New standards and interpretations not yet adopted *(continued)*

The impact on adoption of these standards will be disclosed in the first set of consolidated financial statements issued by the Group following the initial application of the respective standard.

There are no other standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

(af) Presentation of consolidated income statement line items

In connection with the reorganisation completed in 2015, the Group recognised in its 2015 consolidated income statement a net gain of HK\$14,260 million on remeasurement of its previously held equity interest in former associated company Hutchison Whampoa Limited ("HWL") and certain interests in co-owned assets. The Group presented this material profit and loss item separately as "Profits on disposal of investments" and reported it under an additional line item titled "Profits on disposal of investments and others" for an aggregate amount of HK\$13,613 million in its 2015 consolidated income statement. The 2016 balance for the same consolidated income statement line item was a net loss of HK\$344 million. Irrespective that the 2016 balance was not sufficiently material to warrant a separate presentation, the Group maintained the same presentation as 2015 in its 2016 consolidated financial statements in order to assist users of the financial statements to understand the Group's 2015 financial performance.

If the same additional line item presentation is maintained, the current year consolidated income statement will show a net loss of HK\$11 million for this item, compared to 2016's balance of a net loss of HK\$344 million. As the amounts for both the current year and the comparative 2016 year are insignificant, an insertion of the same additional income statement line item as 2015 and 2016 in the current year financial statements is considered unnecessary. Accordingly, the Group has reclassified the 2016 balance (which is a loss of HK\$344 million) to "Other operating expenses" to conform to the current year presentation. While this reclassification impacted previously reported "Other operating expenses", there was no impact on profit before tax and profit after tax in the consolidated income statement, and any of the other primary financial statements.

3 Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the financial statements. 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 financial statements. 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.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

(a) Basis of consolidation

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements.

3 Critical accounting estimates and judgements *(continued)*

(b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to determine the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

3 Critical accounting estimates and judgements *(continued)*

(c) Depreciation and amortisation *(continued)*

(iii) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

Judgement is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

(d) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

(e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

3 Critical accounting estimates and judgements (continued)

(f) Business combinations and goodwill

As disclosed in note 2(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(g) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement and supply contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that the Group has guaranteed, a provision is recognised. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

(h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

3 Critical accounting estimates and judgements *(continued)*

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

(j) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price, the consideration to which the Group expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the elements as a result of changes in market conditions.

4 Revenue

An analysis of revenue of the Company and subsidiary companies is as follows:

	2017 HK\$ million	2016 HK\$ million
Sale of goods	152,235	152,606
Revenue from services	92,035	104,124
Interest	4,135	2,979
Dividend income	110	133
	248,515	259,842

5 Operating segment information

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items. Segments are reported in a manner consistent with internal reporting currently provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

Ports and Related Services:

This division had 287 operational berths as at 31 December 2017.

Retail:

The Retail division had 14,124 stores across 24 markets as at 31 December 2017.

Infrastructure:

The Infrastructure division comprises a 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), interests in certain co-owned infrastructure investments, and aircraft leasing business (which was disposed during 2016) are reported under this division.

Husky Energy:

This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the Stock Exchange, Hutchison Asia Telecommunications and a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

Following the completion in November 2016 of the formation of a 50 / 50 joint venture, VIP-CKH Luxembourg S.à r.l. (the "Italian Joint Venture"), to jointly own and operate the telecommunications businesses in Italy of 3 Italia S.p.A., a then indirect subsidiary of the Company, and WIND Acquisition Holdings Finance S.p.A., a then wholly-owned subsidiary of VEON Ltd., the Group's share of the results of the Italian Joint Venture is presented in the column headed as Associates and JV. Prior to the completion of the formation of the Italian Joint Venture, the results of the Group's telecommunications businesses in Italy was presented in the column headed as Company and Subsidiaries.

HTAL's share of VHA's results is presented within the line item titled "Finance & Investments and Others". See note 5(t).

5 Operating segment information (continued)

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group which are not presented separately and include Hutchison Whampoa (China), Hutchison E-Commerce, Hutchison Water (which was disposed during the year) and corporate head office operations, the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associates TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), and the returns earned on the Group's holdings of cash and liquid investments.

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$70 million (2016 - HK\$52 million), Hutchison Telecommunications Hong Kong Holdings of HK\$222 million (2016 - HK\$297 million) and Hutchison Asia Telecommunications of HK\$9 million (2016 - HK\$11 million).

(a) The following is an analysis of the Group's revenue by operating segments:

	Revenue							
	Company and Subsidiaries	Associates and JV	2017 Total		Company and Subsidiaries	Associates and JV	2016 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services #	25,762	8,384	34,146	8%	24,027	8,157	32,184	9%
Retail	123,834	32,329	156,163	38%	121,969	29,533	151,502	40%
Infrastructure	18,599	38,770	57,369	14%	19,569	33,642	53,211	14%
Husky Energy	–	44,948	44,948	11%	–	30,467	30,467	8%
3 Group Europe	46,548	24,186	70,734	17%	58,417	3,998	62,415	16%
Hutchison Telecommunications Hong Kong Holdings	9,685	–	9,685	2%	12,133	–	12,133	3%
Hutchison Asia Telecommunications	7,695	–	7,695	2%	8,200	–	8,200	2%
Finance & Investments and Others	16,392	17,705	34,097	8%	15,527	16,684	32,211	8%
	248,515	166,322	414,837	100%	259,842	122,481	382,323	100%
Non-controlling interests' share of HPH Trust's revenue	–	1,069	1,069		–	1,017	1,017	
	248,515	167,391	415,906		259,842	123,498	383,340	

includes the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2017. Revenue reduced by HK\$1,069 million for 2017 (2016 - HK\$1,017 million), being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

5 Operating segment information (continued)

- (b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA ^(m)							
	2017				2016			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2017 Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2016 Total HK\$ million	%
Ports and Related Services [#]	8,921	3,642	12,563	12%	7,705	3,934	11,639	12%
Retail	11,911	2,887	14,798	14%	11,949	2,618	14,567	16%
Infrastructure	10,451	22,582	33,033	32%	11,358	19,770	31,128	33%
Husky Energy	–	8,992	8,992	9%	–	9,284	9,284	10%
3 Group Europe	14,546	9,791	24,337	23%	17,242	1,702	18,944	20%
Hutchison Telecommunications Hong Kong Holdings ^(o)	4,272	65	4,337	4%	2,543	64	2,607	3%
Hutchison Asia Telecommunications	558	–	558	1%	2,298	–	2,298	2%
Finance & Investments and Others ^(p)	1,852	3,884	5,736	5%	258	3,800	4,058	4%
EBITDA	52,511	51,843	104,354	100%	53,353	41,172	94,525	100%
Non-controlling interests' share of HPH Trust's EBITDA	–	741	741		–	711	711	
EBITDA (see note 33(a))	52,511	52,584	105,095		53,353	41,883	95,236	
Depreciation and amortisation	(17,105)	(19,921)	(37,026)		(16,014)	(15,646)	(31,660)	
Interest expenses and other finance costs	(8,274)	(9,750)	(18,024)		(7,118)	(6,160)	(13,278)	
Current tax	(5,415)	(2,483)	(7,898)		(3,334)	(2,913)	(6,247)	
Deferred tax	2,599	(756)	1,843		(1,217)	(552)	(1,769)	
Non-controlling interests	(8,502)	(388)	(8,890)		(8,904)	(370)	(9,274)	
	15,814	19,286	35,100		16,766	16,242	33,008	

- # includes the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2017. EBITDA reduced by HK\$741 million for 2017 (2016 - HK\$711 million), being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

5 Operating segment information (continued)

(c) The following is an analysis of the Group's results by operating segments by EBIT:

	EBIT ^(a)							
	Company and Subsidiaries	Associates and JV	2017 Total		Company and Subsidiaries	Associates and JV	2016 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services [#]	6,008	2,211	8,219	12%	5,019	2,548	7,567	12%
Retail	9,821	2,268	12,089	18%	10,028	2,031	12,059	19%
Infrastructure	7,535	15,914	23,449	35%	7,547	14,615	22,162	35%
Husky Energy	–	2,703	2,703	4%	–	3,429	3,429	6%
3 Group Europe								
EBITDA before the following non-cash items:	14,546	9,791	24,337		17,242	1,702	18,944	
Depreciation	(3,968)	(1,103)	(5,071)		(4,208)	(161)	(4,369)	
Amortisation of licence fees and other rights	(1,164)	(1,535)	(2,699)		(1,567)	(170)	(1,737)	
EBIT – 3 Group Europe	9,414	7,153	16,567	25%	11,467	1,371	12,838	20%
Hutchison Telecommunications Hong Kong Holdings ^(a)	688	19	707	1%	1,036	19	1,055	2%
Hutchison Asia Telecommunications	226	–	226	–	2,130	–	2,130	3%
Finance & Investments and Others ^(a)	1,714	1,918	3,632	5%	112	1,767	1,879	3%
EBIT	35,406	32,186	67,592	100%	37,339	25,780	63,119	100%
Non-controlling interests' share of HPH Trust's EBIT	–	477	477		–	457	457	
Interest expenses and other finance costs	(8,274)	(9,750)	(18,024)		(7,118)	(6,160)	(13,278)	
Current tax	(5,415)	(2,483)	(7,898)		(3,334)	(2,913)	(6,247)	
Deferred tax	2,599	(756)	1,843		(1,217)	(552)	(1,769)	
Non-controlling interests	(8,502)	(388)	(8,890)		(8,904)	(370)	(9,274)	
	15,814	19,286	35,100		16,766	16,242	33,008	

includes the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2017. EBIT reduced by HK\$477 million for 2017 (2016 – HK\$457 million), being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

5 Operating segment information (continued)

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

	Depreciation and amortisation					
	Company and Subsidiaries	Associates and JV	2017 Total	Company and Subsidiaries	Associates and JV	2016 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services #	2,913	1,431	4,344	2,686	1,386	4,072
Retail	2,090	619	2,709	1,921	587	2,508
Infrastructure	2,916	6,668	9,584	3,811	5,155	8,966
Husky Energy	–	6,289	6,289	–	5,855	5,855
3 Group Europe	5,132	2,638	7,770	5,775	331	6,106
Hutchison Telecommunications Hong Kong Holdings ^(a)	3,584	46	3,630	1,507	45	1,552
Hutchison Asia Telecommunications	332	–	332	168	–	168
Finance & Investments and Others	138	1,966	2,104	146	2,033	2,179
	17,105	19,657	36,762	16,014	15,392	31,406
Non-controlling interests' share of HPH Trust's depreciation and amortisation	–	264	264	–	254	254
	17,105	19,921	37,026	16,014	15,646	31,660

includes the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2017. Depreciation and amortisation reduced by HK\$264 million for 2017 (2016 - HK\$254 million), being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

(e) The following is an analysis of the Group's capital expenditure by operating segments:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2017 Total	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2016 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,700	–	3	3,703	2,858	–	26	2,884
Retail	3,148	–	–	3,148	2,403	–	–	2,403
Infrastructure	5,543	–	6	5,549	5,532	–	18	5,550
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	7,880	197	3	8,080	7,449	427	376	8,252
Hutchison Telecommunications Hong Kong Holdings	1,018	–	9	1,027	1,131	1,779	40	2,950
Hutchison Asia Telecommunications	2,103	19	–	2,122	439	1,807	–	2,246
Finance & Investments and Others	278	–	8	286	234	–	27	261
	23,670	216	29	23,915	20,046	4,013	487	24,546

5 Operating segment information (continued)

(f) The following is an analysis of the Group's total assets by operating segments:

	Total assets							
	Company and Subsidiaries			2017 Total assets	Company and Subsidiaries			2016 Total assets
	Segment assets ^(a)	Deferred tax assets	Investments in associated companies and interests in joint ventures		Segment assets ^(a)	Deferred tax assets	Investments in associated companies and interests in joint ventures	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Ports and Related Services	75,531	184	26,242	101,957	72,286	151	25,982	98,419
Retail	196,903	1,140	13,707	211,750	191,458	871	11,181	203,510
Infrastructure	172,958	489	157,420	330,867	161,567	482	122,900	284,949
Husky Energy	–	–	62,976	62,976	–	–	58,709	58,709
3 Group Europe	114,415	18,015	32,723	165,153	93,493	14,270	24,365	132,128
Hutchison Telecommunications Hong Kong Holdings	23,500	338	434	24,272	26,628	53	459	27,140
Hutchison Asia Telecommunications	7,973	–	–	7,973	5,111	–	–	5,111
Finance & Investments and Others	181,303	29	13,975	195,307	190,407	29	13,063	203,499
	772,583	20,195	307,477	1,100,255	740,950	15,856	256,659	1,013,465

5 Operating segment information (continued)

(g) The following is an analysis of the Group's total liabilities by operating segments:

	Total liabilities							
	Segment liabilities ⁽¹⁾	Current & non-current borrowings and other non-current liabilities	Current & deferred tax liabilities	2017 Total liabilities	Segment liabilities ⁽¹⁾	Current & non-current borrowings and other non-current liabilities	Current & deferred tax liabilities	2016 Total liabilities
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	13,746	16,652	4,624	35,022	15,888	15,212	4,485	35,585
Retail	25,813	13,768	10,523	50,104	23,929	12,428	10,322	46,679
Infrastructure	15,305	102,354	7,165	124,824	14,448	72,881	6,120	93,449
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	23,866	14,759	460	39,085	17,954	12,223	32	30,209
Hutchison Telecommunications								
Hong Kong Holdings	2,229	4,286	3	6,518	3,615	4,926	579	9,120
Hutchison Asia Telecommunications	5,219	17,010	3	22,232	4,616	16,990	2	21,608
Finance & Investments and Others	7,820	217,350	5,753	230,923	8,017	220,122	4,486	232,625
	93,998	386,179	28,531	508,708	88,467	354,782	26,026	469,275

Additional information in respect of geographical locations

(h) Additional disclosures of the Group's revenue by geographical location are shown below:

	Revenue							
	Company and Subsidiaries	Associates and JV	2017 Total		Company and Subsidiaries	Associates and JV	2016 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	40,302	4,963	45,265	11%	44,859	5,107	49,966	13%
Mainland China	29,446	7,234	36,680	9%	29,178	6,585	35,763	9%
Europe	117,303	77,602	194,905	47%	127,743	52,906	180,649	48%
Canada ⁽¹⁾	469	43,852	44,321	11%	478	29,514	29,992	8%
Asia, Australia and Others	44,603	14,966	59,569	14%	42,057	11,685	53,742	14%
Finance & Investments and Others	16,392	17,705	34,097	8%	15,527	16,684	32,211	8%
	248,515	166,322	414,837 ⁽¹⁾	100%	259,842	122,481	382,323 ⁽¹⁾	100%

(1) see note 5(a) for reconciliation to total revenue included in the Group's income statement.

5 Operating segment information (continued)

(i) Additional disclosures of the Group's EBITDA by geographical location are shown below:

	EBITDA ^(m)							
	Company and Subsidiaries	Associates and JV	2017 Total		Company and Subsidiaries	Associates and JV	2016 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	3,864	2,506	6,370	6%	2,766	2,034	4,800	5%
Mainland China	4,873	4,806	9,679	9%	5,802	4,165	9,967	11%
Europe	31,424	24,867	56,291	54%	34,113	16,789	50,902	54%
Canada ^(s)	299	7,598	7,897	8%	347	8,200	8,547	9%
Asia, Australia and Others	10,199	8,182	18,381	18%	10,067	6,184	16,251	17%
Finance & Investments and Others ^(d)	1,852	3,884	5,736	5%	258	3,800	4,058	4%
EBITDA	52,511	51,843	104,354 ⁽²⁾	100%	53,353	41,172	94,525 ⁽²⁾	100%

(2) see note 5(b) for reconciliation to total EBITDA included in the Group's income statement.

(j) Additional disclosures of the Group's EBIT by geographical location are shown below:

	EBIT ⁽ⁿ⁾							
	Company and Subsidiaries	Associates and JV	2017 Total		Company and Subsidiaries	Associates and JV	2016 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	110	1,472	1,582	2%	927	991	1,918	3%
Mainland China	3,836	3,221	7,057	10%	4,831	2,662	7,493	12%
Europe	21,978	18,335	40,313	60%	23,669	13,094	36,763	58%
Canada ^(s)	276	1,932	2,208	4%	249	3,120	3,369	5%
Asia, Australia and Others	7,492	5,308	12,800	19%	7,551	4,146	11,697	19%
Finance & Investments and Others ^(d)	1,714	1,918	3,632	5%	112	1,767	1,879	3%
EBIT	35,406	32,186	67,592 ⁽³⁾	100%	37,339	25,780	63,119 ⁽³⁾	100%

(3) see note 5(c) for reconciliation to total EBIT included in the Group's income statement.

5 Operating segment information (continued)

(k) Additional disclosures of the Group's capital expenditure by geographical location are shown below:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2017 Total	Fixed assets, investment properties and leasehold land	Telecom- munications licences	Brand names and other rights	2016 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,569	–	9	1,578	1,575	1,779	40	3,394
Mainland China	1,239	–	–	1,239	952	–	–	952
Europe	14,545	197	3	14,745	13,876	427	376	14,679
Canada	182	–	–	182	27	–	–	27
Asia, Australia and Others	5,857	19	9	5,885	3,382	1,807	44	5,233
Finance & Investments and Others	278	–	8	286	234	–	27	261
	23,670	216	29	23,915	20,046	4,013	487	24,546

(l) Additional disclosures of the Group's total assets by geographical location are shown below:

	Total assets							
	Company and Subsidiaries	Investments in associated companies and interests in joint ventures	2017 Total assets	Company and Subsidiaries	Investments in associated companies and interests in joint ventures	2016 Total assets		
	Segment assets ⁽ⁱ⁾	Deferred tax assets	HK\$ million	Segment assets ⁽ⁱ⁾	Deferred tax assets	HK\$ million		
Hong Kong	55,423	366	22,521	78,310	66,608	94	38,123	104,825
Mainland China	48,697	726	27,190	76,613	48,818	479	29,014	78,311
Europe	370,864	18,830	120,642	510,336	335,587	15,022	87,365	437,974
Canada ⁽ⁱⁱ⁾	6,249	3	63,977	70,229	4,732	8	53,543	58,283
Asia, Australia and Others	110,047	241	59,172	169,460	94,798	224	35,551	130,573
Finance & Investments and Others	181,303	29	13,975	195,307	190,407	29	13,063	203,499
	772,583	20,195	307,477	1,100,255	740,950	15,856	256,659	1,013,465

5 Operating segment information (continued)

- (m) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation. EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.
- (n) EBIT represents the EBIT of the Company and subsidiary companies as well as the Group's share of the EBIT of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation. EBIT is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT is not a measure of financial performance under HKFRS and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.
- (o) During the year, HTHKH disposed of its fixed-line telecommunications business and reported a one-off gain of HK\$5,614 million. HTHKH also reported a one-off after tax and non-controlling interests accelerated depreciation charges of HK\$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau. The Group's share of this disposal gain is approximately HK\$2,034 million at the EBITDA (included in Other operating expenses) level and EBIT level. The Group's share of these accelerated depreciation charges is approximately HK\$2,182 million at the EBIT level (included in Depreciation and amortisation).
- (p) EBITDA and EBIT (included in Other operating expenses) of Finance & Investments and Others include a disposal gain of a manufacturing plant in Mainland China amounting to approximately HK\$1,922 million and hedging losses of approximately HK\$1,173 million on settlement of forward contracts against the Group's earnings in British Pounds, Euro and Renminbi.
- (q) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK\$81,118 million (2016 - HK\$116,283 million), HK\$84,307 million (2016 - HK\$85,976 million), HK\$443,138 million (2016 - HK\$383,148 million), HK\$68,789 million (2016 - HK\$58,432 million) and HK\$156,169 million (2016 - HK\$119,226 million) respectively.
- (r) Segment liabilities comprise trade and other payables and pension obligations.
- (s) Include contribution from the United States of America for Husky Energy.
- (t) In this Operating segment information note, HTAL's share of VHA's results is presented within the line item titled "Finance & Investments and Others". Previously, this item was presented within the line item titled "Profits on disposal of investments and others". This change in presentation is to reflect the effect of the change in consolidated income statement line items presentation disclosed under note 2(af). Accordingly, certain comparative figures in this Operating segment information note have been reclassified to conform to the presentation adopted for the current year. This reclassification impacted certain previously reported figures in the Operating segment information note for "Finance & Investments and Others", and also impacted certain previously reported figures under the columns headed "Associates and JV" and "Total" in respect of the sub-total and total figures for Revenue and Depreciation and amortisation, sub-total figures for EBITDA and EBIT, and Interest expenses and other finance costs.

6 Directors' emoluments

	2017 HK\$ million	2016 HK\$ million
Directors' emoluments	512	488

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses in the Group's income statement for 2017 and 2016.

Further details of the directors' emoluments of HK\$511.95 million (2016 - HK\$487.61 million) are set out in note 6(a).

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2016 - nil).

In 2017, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK\$4.73 million; provident fund contribution - HK\$0.3 million and discretionary bonus - HK\$28.34 million.

In 2016, the five individuals whose emoluments were the highest for the year were five directors of the Company.

(a) Directors' emolument expenses recognised in the Group's income statement:

Name of directors	2017					
	Director's fees HK\$ million	Basic salaries, allowances and benefits- in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ⁽¹⁾⁽⁷⁾	0.01	-	-	-	-	0.01
LI Tzar Kuoi, Victor	0.22	4.89	63.87	-	-	68.98
<i>Paid by the Company</i>	0.08	-	32.27	-	-	32.35
	0.30	4.89	96.14	-	-	101.33
FOK Kin Ning, Canning ⁽²⁾	0.22	11.59	197.68	1.04	-	210.53
Frank John SIXT ⁽²⁾	0.22	8.64	52.58	0.75	-	62.19
IP Tak Chuen, Edmond	0.22	1.62	10.07	-	-	11.91
<i>Paid by the Company</i>	0.08	1.80	11.35	-	-	13.23
	0.30	3.42	21.42	-	-	25.14
KAM Hing Lam	0.22	2.42	9.88	-	-	12.52
<i>Paid by the Company</i>	0.08	4.20	11.35	-	-	15.63
	0.30	6.62	21.23	-	-	28.15
LAI Kai Ming, Dominic ⁽²⁾	0.22	5.84	52.01	1.10	-	59.17
Edith SHIH ⁽³⁾	0.22	4.30	17.13	0.36	-	22.01
CHOW Kun Chee, Roland ⁽⁴⁾	0.22	-	-	-	-	0.22
CHOW WOO Mo Fong, Susan ⁽³⁾⁽⁴⁾	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles ⁽⁴⁾	0.22	-	-	-	-	0.22
LEUNG Siu Hon ⁽⁴⁾	0.22	-	-	-	-	0.22
George Colin MAGNUS ⁽⁴⁾	0.22	-	-	-	-	0.22
<i>Paid by the Company</i>	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley ⁽⁵⁾⁽⁶⁾	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent ⁽⁵⁾⁽⁶⁾⁽⁷⁾	0.41	-	-	-	-	0.41
Michael David KADOORIE ⁽⁵⁾	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose ⁽⁵⁾	0.22	-	-	-	-	0.22
William SHURNIAK ⁽⁵⁾⁽⁶⁾	0.35	-	-	-	-	0.35
WONG Chung Hin ⁽⁵⁾⁽⁶⁾⁽⁷⁾	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna ⁽⁵⁾⁽⁷⁾	0.28	-	-	-	-	0.28
Total	5.21	45.30	458.19	3.25	-	511.95

6 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement (continued):

Name of directors	2016						Total emoluments HK\$ million
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million		
LI Ka-shing ^{(1) (7)}	0.01	—	—	—	—	0.01	
LI Tzar Kuoi, Victor							
<i>Paid by the Company</i>	0.22	4.89	53.87	—	—	58.98	
<i>Paid by CKI</i>	0.08	—	30.44	—	—	30.52	
	0.30	4.89	84.31	—	—	89.50	
FOK Kin Ning, Canning ⁽²⁾	0.22	11.60	186.99	1.95	—	200.76	
CHOW WOO Mo Fong, Susan ^{(2) (8)}	0.13	5.08	34.83	1.00	—	41.04	
Frank John SIXT ⁽²⁾	0.22	8.55	42.58	0.75	—	52.10	
IP Tak Chuen, Edmond							
<i>Paid by the Company</i>	0.22	1.62	9.59	—	—	11.43	
<i>Paid by CKI</i>	0.08	1.80	11.02	—	—	12.90	
	0.30	3.42	20.61	—	—	24.33	
KAM Hing Lam							
<i>Paid by the Company</i>	0.22	2.42	9.59	—	—	12.23	
<i>Paid by CKI</i>	0.08	4.20	11.02	—	—	15.30	
	0.30	6.62	20.61	—	—	27.53	
LAI Kai Ming, Dominic ⁽²⁾	0.22	5.82	42.00	1.10	—	49.14	
CHOW Kun Chee, Roland ⁽⁴⁾	0.22	—	—	—	—	0.22	
LEE Yeh Kwong, Charles ⁽⁴⁾	0.22	—	—	—	—	0.22	
LEUNG Siu Hon ⁽⁴⁾	0.22	—	—	—	—	0.22	
George Colin MAGNUS ⁽⁴⁾							
<i>Paid by the Company</i>	0.22	—	—	—	—	0.22	
<i>Paid by CKI</i>	0.08	—	—	—	—	0.08	
	0.30	—	—	—	—	0.30	
KWOK Tun-li, Stanley ^{(5) (6)}	0.35	—	—	—	—	0.35	
CHENG Hoi Chuen, Vincent ^{(5) (6) (7)}	0.41	—	—	—	—	0.41	
Michael David KADOORIE ⁽⁵⁾	0.22	—	—	—	—	0.22	
LEE Wai Mun, Rose ⁽⁵⁾	0.22	—	—	—	—	0.22	
William SHURNIAK ^{(5) (6)}	0.35	—	—	—	—	0.35	
WONG Chung Hin ^{(5) (6) (7)}	0.41	—	—	—	—	0.41	
WONG Yick-ming, Rosanna ^{(5) (7)}	0.28	—	—	—	—	0.28	
Total	4.90	45.98	431.93	4.80	—	487.61	

- (1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK\$5,000 (2016 - HK\$5,000). The amount of director's fee shown above is a result of rounding.
- (2) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (3) Appointed on 1 January 2017.
- (4) Non-executive director.
- (5) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2016 - HK\$2.24 million).
- (6) Member of the Audit Committee.
- (7) Member of the Remuneration Committee.
- (8) Retired on 1 August 2016.

7 Interest expenses and other finance costs

	2017 HK\$ million	2016 HK\$ million
Bank loans and overdrafts	1,556	1,588
Other loans	264	200
Notes and bonds	7,605	7,759
Interest bearing loans from non-controlling shareholders	260	274
Other finance costs	60	4
	9,745	9,825
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	210	99
Other non-cash interest adjustments ^(a)	(1,311)	(2,480)
	8,644	7,444
Less: interest capitalised ^(b)	(370)	(326)
	8,274	7,118

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK\$1,725 million (2016 - HK\$2,741 million) net with notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future of HK\$414 million (2016 - HK\$261 million).

(b) Borrowing costs have been capitalised at various applicable rates ranging from 4.6% to 6.2% per annum (2016 - 0.4% to 6.2% per annum).

8 Tax

	2017 HK\$ million	2016 HK\$ million
Current tax charge		
Hong Kong	598	382
Outside Hong Kong	4,817	2,952
	5,415	3,334
Deferred tax charge (credit)		
Hong Kong	(255)	72
Outside Hong Kong	(2,344)	1,145
	(2,599)	1,217
	2,816	4,551

Hong Kong profits tax has been provided for at the rate of 16.5% (2016 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

8 Tax (continued)

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2017 HK\$ million	2016 HK\$ million
Tax calculated at the domestic rates applicable in the country concerned	7,101	6,950
Tax effect of:		
Tax losses not recognised	1,474	585
Income not subject to tax	(1,847)	(1,077)
Expenses not deductible for tax purposes	1,535	1,413
Recognition of previously unrecognised tax losses	(2,010)	(1,812)
Utilisation of previously unrecognised tax losses	(926)	(988)
Under provision in prior years	33	72
Other temporary differences	(2,456)	(454)
Effect of change in tax rate	(88)	(138)
Total tax for the year	2,816	4,551

9 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$35,100 million (2016 - HK\$33,008 million) and on 3,857,678,500 shares in issue during 2017 (2016 - weighted average number of shares outstanding during 2016 - 3,859,441,388 shares).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2017 and 2016. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2017 and 2016 did not have a dilutive effect on earnings per share.

10 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2017 HK\$ million	2016 HK\$ million
Distribution paid on perpetual capital securities	1,192	1,486

(b) Dividends

	2017 HK\$ million	2016 HK\$ million
Interim dividend, paid of HK\$0.78 per share (2016 - HK\$0.735 per share)	3,009	2,837
Final dividend, proposed of HK\$2.07 per share (2016 - HK\$1.945 per share)	7,985	7,503
	10,994	10,340

In 2017, the calculation of the interim dividend and final dividend is based on 3,857,678,500 shares (2016 - 3,859,678,500 shares for interim dividend and 3,857,678,500 shares for final dividend) in issue.

11 Other comprehensive income (losses)

	2017		
	Before-tax amount	Tax effect	Net-of-tax amount
	HK\$ million	HK\$ million	HK\$ million
Available-for-sale investments			
Valuation gains recognised directly in reserves	149	–	149
Valuation gains previously in reserves recognised in income statement	(36)	–	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,730	(213)	1,517
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(114)	(50)	(164)
Losses previously in reserves recognised in initial cost of non-financial items	1	–	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	(4,683)	–	(4,683)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	4,625	–	4,625
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	40	–	40
Share of other comprehensive income of associated companies	3,167	–	3,167
Share of other comprehensive income of joint ventures	10,315	–	10,315
	15,194	(263)	14,931

	2016		
	Before-tax amount	Tax effect	Net-of-tax amount
	HK\$ million	HK\$ million	HK\$ million
Available-for-sale investments			
Valuation losses recognised directly in reserves	(537)	–	(537)
Valuation losses previously in reserves recognised in income statement	541	–	541
Remeasurement of defined benefit obligations recognised directly in reserves	(2,239)	328	(1,911)
Cash flow hedges (forward foreign currency contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(1,411)	188	(1,223)
Gains previously in reserves recognised in initial cost of non-financial items	(13)	2	(11)
Gains on net investment hedges (forward foreign currency contracts) recognised directly in reserves	6,112	–	6,112
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(18,423)	–	(18,423)
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	(209)	–	(209)
Share of other comprehensive income (losses) of associated companies	(541)	–	(541)
Share of other comprehensive income (losses) of joint ventures	(11,663)	–	(11,663)
	(28,383)	518	(27,865)

12 Fixed assets

	Land and buildings HK\$ million	Telecom- munications network assets HK\$ million	Aircraft HK\$ million	Other assets ^(a) HK\$ million	Total HK\$ million
Cost					
At 1 January 2016	26,294	30,091	14,274	117,203	187,862
Additions	1,125	1,113	1	17,807	20,046
Relating to subsidiaries acquired (see note 33(c))	26	1,690	–	400	2,116
Disposals	(4)	(92)	(188)	(442)	(726)
Relating to subsidiaries disposed (see note 33(d))	(1,391)	(4,854)	(14,087)	(4,496)	(24,828)
Transfer from (to) other assets	32	–	–	(2,394)	(2,362)
Transfer between categories	219	6,088	–	(6,097)	210
Exchange translation differences	(1,934)	(1,975)	–	(15,074)	(18,983)
At 31 December 2016 and 1 January 2017	24,367	32,061	–	106,907	163,335
Additions	1,632	3,336	–	18,553	23,521
Relating to subsidiaries acquired (see note 33(c))	4	334	–	107	445
Disposals	(71)	(2,797)	–	(959)	(3,827)
Relating to subsidiaries disposed (see note 33(d))	(35)	(7,618)	–	(625)	(8,278)
Transfer between categories	(44)	5,244	–	(4,935)	265
Exchange translation differences	1,396	2,393	–	9,102	12,891
At 31 December 2017	27,249	32,953	–	128,150	188,352
Accumulated depreciation and impairment					
At 1 January 2016	442	1,997	623	4,945	8,007
Charge for the year	1,114	4,041	642	7,465	13,262
Disposals	(2)	(42)	(7)	(172)	(223)
Relating to subsidiaries disposed (see note 33(d))	(22)	(760)	(1,258)	(56)	(2,096)
Transfer from (to) other assets	3	–	–	(410)	(407)
Transfer between categories	18	334	–	(142)	210
Exchange translation differences	(106)	(258)	–	(652)	(1,016)
At 31 December 2016 and 1 January 2017	1,447	5,312	–	10,978	17,737
Charge for the year	1,015	5,848	–	7,816	14,679
Disposals	(23)	(2,753)	–	(696)	(3,472)
Relating to subsidiaries disposed (see note 33(d))	(5)	(1,406)	–	(134)	(1,545)
Transfer between categories	(177)	165	–	277	265
Exchange translation differences	146	727	–	1,026	1,899
At 31 December 2017	2,403	7,893	–	19,267	29,563
Net book value					
At 31 December 2017	24,846	25,060	–	108,883	158,789
At 31 December 2016	22,920	26,749	–	95,929	145,598
At 1 January 2016	25,852	28,094	13,651	112,258	179,855

- (a) Cost and net book value of other assets include HK\$22,937 million (2016 - HK\$19,303 million) and HK\$19,287 million (2016 - HK\$17,306 million) respectively relate to the business of Ports and Related Services, and HK\$80,475 million (2016 - HK\$68,749 million) and HK\$72,599 million (2016 - HK\$64,421 million) respectively relate to the business of Infrastructure.

12 Fixed assets (continued)

The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is as follows:

	2017 HK\$ million	2016 HK\$ million
Within 1 year	3,317	3,744
After 1 year, but within 5 years	5,199	7,194
After 5 years	1,468	1,909

13 Investment properties

	2017 HK\$ million	2016 HK\$ million
Valuation		
At 1 January	344	334
Increase in fair value of investment properties	16	10
At 31 December	360	344

Investment properties have been fair valued as at 31 December 2017 and 31 December 2016 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2017 and 2016, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2017 and 2016, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

14 Leasehold land

	2017 HK\$ million	2016 HK\$ million
Net book value		
At 1 January	8,155	7,215
Additions	149	–
Relating to subsidiaries acquired (see note 33(c))	105	1,877
Amortisation for the year	(428)	(416)
Relating to subsidiaries disposed (see note 33(d))	–	(257)
Exchange translation differences	324	(264)
At 31 December	8,305	8,155

15 Telecommunications licences

	2017 HK\$ million	2016 HK\$ million
Net book value		
At 1 January	23,936	32,608
Additions	216	4,013
Relating to subsidiaries acquired (see note 33(c))	1,962	–
Amortisation for the year	(998)	(823)
Relating to subsidiaries disposed (see note 33(d))	–	(8,899)
Exchange translation differences	2,155	(2,963)
At 31 December	27,271	23,936
Cost	29,507	25,027
Accumulated amortisation and impairment	(2,236)	(1,091)
	27,271	23,936

The carrying amount of telecommunications licences primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015.

The Group's telecommunications licences in the UK are considered to have an indefinite useful life and their carrying amount at 31 December 2017 is £1,555 million (2016 - £1,359 million).

16 Brand names and other rights

	Brand names HK\$ million	Other rights HK\$ million	Total HK\$ million
Net book value			
At 1 January 2016	66,172	16,061	82,233
Additions	–	487	487
Transfer from other assets	–	2,304	2,304
Amortisation for the year	(12)	(1,501)	(1,513)
Relating to subsidiaries disposed (see note 33(d))	(2,099)	(2,234)	(4,333)
Exchange translation differences	(3,941)	(1,612)	(5,553)
At 31 December 2016 and 1 January 2017	60,120	13,505	73,625
Additions	–	29	29
Relating to subsidiaries acquired (see note 33(c))	–	134	134
Amortisation for the year	(12)	(988)	(1,000)
Relating to subsidiaries disposed (see note 33(d))	–	(503)	(503)
Exchange translation differences	2,677	1,023	3,700
At 31 December 2017	62,785	13,200	75,985
Cost	62,817	15,625	78,442
Accumulated amortisation	(32)	(2,425)	(2,457)
	62,785	13,200	75,985

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. At 31 December 2017,

- brand names relate to Retail of approximately HK\$51 billion (2016 - HK\$49 billion) and Telecommunications of approximately HK\$12 billion (2016 - HK\$11 billion) are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK\$711 million (2016 - HK\$750 million), operating and service content rights of HK\$9,903 million (2016 - HK\$10,000 million), resource consents and customer lists of HK\$2,586 million (2016 - HK\$2,755 million) are amortised over their finite useful lives.

17 Goodwill

	2017 HK\$ million	2016 HK\$ million
Cost		
At 1 January	254,748	261,449
Relating to subsidiaries acquired (see note 33(c))	1,271	27
Relating to subsidiaries disposed (see note 33(d))	(5,929)	–
Exchange translation differences	5,244	(6,728)
At 31 December	255,334	254,748

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. As at 31 December 2017, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (2016 - HK\$114 billion) and CKI of approximately HK\$39 billion (2016 - HK\$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 15, 16 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 3% to 8% (2016 - 3% to 9%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1% to 4% (2016 - 1% to 4%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2017 and 2016 indicated no impairment charge was necessary.

18 Associated companies

	2017 HK\$ million	2016 HK\$ million
Unlisted shares	8,917	8,553
Listed shares, Hong Kong	64,408	65,803
Listed shares, outside Hong Kong	78,202	78,095
Share of undistributed post acquisition reserves	(10,341)	(6,636)
	141,186	145,815
Amounts due from (net with amounts due to) associated companies ^(a)	4,157	4,591
	145,343	150,406

The market value of the above listed investments at 31 December 2017 was HK\$116,870 million (2016 - HK\$114,919 million), inclusive of HK\$43,574 million (2016 - HK\$38,080 million) and HK\$53,505 million (2016 - HK\$56,703 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

(a) Amounts due from (net with amounts due to) associated companies

	2017 HK\$ million	2016 HK\$ million
Amounts due from associated companies ⁽ⁱ⁾		
Interest free	340	148
Interest bearing at fixed rates ⁽ⁱⁱ⁾	3,444	3,667
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	907	1,310
	4,691	5,125
Amount due to an associated company ^(iv)		
Interest free	534	534
Amounts due from (net with amounts due to) associated companies	4,157	4,591

- (i) At 31 December 2017 and 2016, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$592 million which are repayable within one to four years (2016 - HK\$982 million which are repayable within one to five years).
- (ii) At 31 December 2017, HK\$3,444 million (2016 - HK\$3,667 million) bear interests at fixed rates ranging from approximately 10.9% to 11.2% (2016 - 6.5% to 11.2%) per annum.
- (iii) At 31 December 2017, HK\$907 million (2016 - HK\$1,310 million) bear interests at floating rates ranging from approximately 2.0% to 2.3% (2016 - 1.9% to 8.5%) per annum with reference to Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate and London Interbank Offered Rate, as applicable.
- (iv) At 31 December 2017 and 2016, the amount due to an associated company is unsecured and has no fixed terms of repayment.

18 Associated companies (continued)

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 37.

Set out below are additional information in respect of the Group's material associated companies in 2017:

	2017	
	Material associated companies	
	Husky Energy HK\$ million	Power Assets HK\$ million
Dividends received from associated companies	–	12,685
Gross amount of the following items of the associated companies ^(b) :		
Total revenue	111,858	1,420
EBITDA	22,378	19,243
EBIT	6,726	14,121
Other comprehensive income	4,780	1,482
Total comprehensive income	10,547	9,801
Current assets	34,145	25,574
Non-current assets	228,164	118,935
Current liabilities	21,323	6,832
Non-current liabilities	79,853	4,589
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	156,695	133,088
Reconciliation to the carrying amount of the Group's interests in associated companies:		
Group's interest	40.2%	38.0%
Group's share of net assets, and its carrying amount	62,976	50,591

	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	2017 Total HK\$ million
Group's share of the following items of the associated companies ^(b) :				
Profits less losses after tax	2,345	3,214	1,238	6,797
Other comprehensive income	1,922	586	659	3,167
Total comprehensive income	4,267	3,800	1,897	9,964

18 Associated companies (continued)

Set out below are additional information in respect of the Group's material associated companies in 2016:

	2016			
	Material associated companies			
	Husky Energy HK\$ million	Power Assets HK\$ million		
Dividends received from associated companies	690 ^(c)	2,257		
Gross amount of the following items of the associated companies ^(b) :				
Total revenue	75,827	1,288		
EBITDA	23,106	15,290		
EBIT	8,534	11,168		
Other comprehensive income (losses)	4,395	(5,798)		
Total comprehensive income	10,565	619		
Current assets	25,001	61,871		
Non-current assets	219,245	105,083		
Current liabilities	18,487	2,641		
Non-current liabilities	75,210	8,725		
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	146,125	155,588		
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	38.9%		
Group's share of net assets, and its carrying amount	58,709	60,479		
	Husky Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	2016 Total HK\$ million
Group's share of the following items of the associated companies ^(b) :				
Profits less losses after tax	2,479	2,494	1,389	6,362
Other comprehensive income (losses)	1,766	(2,253)	(54)	(541)
Total comprehensive income	4,245	241	1,335	5,821

(b) After translation into Hong Kong dollars and consolidation adjustments.

(c) Represented stock dividends received from Husky Energy in January 2016.

Particulars regarding the principal associated companies are set forth on pages 263 to 266.

19 Interests in joint ventures

	2017 HK\$ million	2016 HK\$ million
Unlisted shares	113,091	100,255
Share of undistributed post acquisition reserves	9,491	(7,302)
	122,582	92,953
Amounts due from (net with amounts due to) joint ventures ^(a)	39,552	13,300
	162,134	106,253

(a) Amounts due from (net with amounts due to) joint ventures

	2017 HK\$ million	2016 HK\$ million
Amounts due from joint ventures ⁽ⁱ⁾		
Interest free	2,137	2,409
Interest bearing at fixed rates ⁽ⁱⁱ⁾	20,101	8,235
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	17,699	2,733
	39,937	13,377
Amounts due to joint ventures ^(iv)		
Interest free	385	77
Amounts due from (net with amounts due to) joint ventures	39,552	13,300

- (i) At 31 December 2017 and 2016, the amounts due from joint ventures are unsecured except for HK\$133 million (2016 - HK\$104 million) and have no fixed terms of repayment except for HK\$1,807 million which are repayable within one to two years (2016 - HK\$460 million) which are repayable within one to three years) and HK\$164 million (2016 - nil) which is repayable in 2027.
- (ii) At 31 December 2017, HK\$20,101 million (2016 - HK\$8,235 million) bear interests at fixed rates ranging from approximately 4.9% to 16.0% (2016 - 8.0% to 11.0%) per annum.
- (iii) At 31 December 2017, HK\$17,699 million (2016 - HK\$2,733 million) bear interests at floating rates ranging from approximately 1.7% to 6.5% (2016 - 1.8% to 6.6%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime rate and London Interbank Offered Rate, as applicable.
- (iv) At 31 December 2017 and 2016, the amounts due to joint ventures are unsecured and have no fixed terms of repayment.

19 Interests in joint ventures *(continued)*

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 37.

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2017 HK\$ million	2016 HK\$ million
Profits less losses after tax ^(b)	12,500	10,251
Other comprehensive income (losses)	10,315	(11,663)
Total comprehensive income (losses)	22,815	(1,412)
Capital commitments	2,247	1,862

- (b) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK\$11 million (2016: a loss of HK\$371 million). This item is presented within the consolidated income statement line item titled other operating expenses (see note 2(a)) to separately identify it.

Particulars regarding the principal joint ventures are set forth on pages 263 to 266.

20 Deferred tax

	2017 HK\$ million	2016 HK\$ million
Deferred tax assets	20,195	15,856
Deferred tax liabilities	25,583	23,692
Net deferred tax liabilities	(5,388)	(7,836)

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2017 HK\$ million	2016 HK\$ million
At 1 January	(7,836)	(5,076)
Relating to subsidiaries acquired (see note 33(c))	249	2
Relating to subsidiaries disposed (see note 33(d))	657	(2,004)
Transfer to current tax	(235)	175
Net credit (charge) to other comprehensive income	(263)	518
Net credit (charge) to the income statement		
Unused tax losses	1,218	(653)
Accelerated depreciation allowances	(181)	161
Fair value adjustments arising from acquisitions	732	(194)
Withholding tax on undistributed profits	89	(116)
Other temporary differences	741	(415)
Exchange translation differences	(559)	(234)
At 31 December	(5,388)	(7,836)

20 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

	2017 HK\$ million	2016 HK\$ million
Unused tax losses	16,687	13,846
Accelerated depreciation allowances	(9,588)	(9,181)
Fair value adjustments arising from acquisitions	(8,905)	(9,582)
Revaluation of investment properties and other investments	119	126
Withholding tax on undistributed profits	(461)	(587)
Other temporary differences	(3,240)	(2,458)
	(5,388)	(7,836)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2017, the Group has recognised accumulated deferred tax assets amounting to HK\$20,195 million (2016 - HK\$15,856 million) of which HK\$18,015 million (2016 - HK\$14,270 million) relates to 3 Group Europe.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$13,354 million at 31 December 2017 (2016 - HK\$13,837 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$55,385 million (2016 - HK\$53,193 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$31,053 million (2016 - HK\$32,464 million) can be carried forward indefinitely and the balances expire in the following years:

	2017 HK\$ million	2016 HK\$ million
In the first year	6,677	2,404
In the second year	4,414	6,525
In the third year	6,015	3,947
In the fourth year	2,097	4,610
After the fourth year	5,129	3,243
	24,332	20,729

21 Other non-current assets

	2017 HK\$ million	2016 HK\$ million
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	179	165
Available-for-sale investments		
Unlisted equity securities	2,649	1,059
Fair value hedges		
Interest rate swaps	45	119
Cash flow hedges		
Interest rate swaps	31	–
Forward foreign exchange contracts	293	196
Other contracts	–	2
Net investment hedges	1,791	3,199
Other derivative financial instruments	192	356
	5,180	5,096

The carrying values of the unlisted debt securities approximate the fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

22 Liquid funds and other listed investments

	2017 HK\$ million	2016 HK\$ million
Available-for-sale investments		
Managed funds, outside Hong Kong	4,916	2,932
Listed / traded debt securities, outside Hong Kong	1,168	1,184
Listed equity securities, Hong Kong	1,546	1,621
Listed equity securities, outside Hong Kong	25	58
	7,655	5,795
Financial assets at fair value through profit or loss	158	159
	7,813	5,954

Components of managed funds, outside Hong Kong are as follows:

	2017 HK\$ million	2016 HK\$ million
Listed debt securities	4,697	2,765
Listed equity securities	169	151
Cash and cash equivalents	50	16
	4,916	2,932

Included in listed / traded debt securities outside Hong Kong as at 31 December 2017 and 2016 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million mature in 2019.

The fair values of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices.

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2017		2016	
	Available- for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage	Available- for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	20%	–	28%	–
US dollars	65%	71%	54%	69%
Other currencies	15%	29%	18%	31%
	100%	100%	100%	100%

22 Liquid funds and other listed investments *(continued)*

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2017 Percentage	2016 Percentage
Credit ratings		
Aaa / AAA	19%	12%
Aa1 / AA+	60%	58%
Aa3 / AA-	–	2%
Other investment grades	4%	6%
Unrated	17%	22%
	100%	100%
Sectorial		
US Treasury notes	56%	58%
Government and government guaranteed notes	17%	4%
Husky Energy notes	4%	6%
Financial institutions notes	1%	3%
Others	22%	29%
	100%	100%
Weighted average maturity	2.4 years	2 years
Weighted average effective yield	1.42%	2.35%

23 Cash and cash equivalents

	2017 HK\$ million	2016 HK\$ million
Cash at bank and in hand	27,356	25,461
Short term bank deposits	133,114	130,809
	160,470	156,270

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

24 Trade and other receivables

	2017 HK\$ million	2016 HK\$ million
Trade receivables	14,132	13,202
Less: provision for estimated impairment losses for bad debts	(2,586)	(2,615)
Trade receivables – net	11,546	10,587
Other receivables and prepayments	39,812	34,470
Fair value hedges		
Interest rate swaps	9	2
Cash flow hedges		
Forward foreign exchange contracts	1	8
Net investment hedges	–	3,282
Other derivative financial instruments	–	23
	51,368	48,372

Trade and other receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's revenue for the year ended 31 December 2017 (2016 - less than 4%).

(a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2017 HK\$ million	2016 HK\$ million
Less than 31 days	8,271	7,260
Within 31 to 60 days	1,779	1,889
Within 61 to 90 days	797	771
Over 90 days	3,285	3,282
	14,132	13,202

24 Trade and other receivables (continued)

- (b) As at 31 December 2017, out of the trade receivables of HK\$14,132 million (2016 - HK\$13,202 million), HK\$8,628 million (2016 - HK\$8,665 million) are impaired and it is assessed that portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK\$2,586 million (2016 - HK\$2,615 million). The ageing analysis of these trade receivables is as follows:

	2017 HK\$ million	2016 HK\$ million
Not past due	3,825	3,878
Past due less than 31 days	742	985
Past due within 31 to 60 days	575	636
Past due within 61 to 90 days	420	504
Past due over 90 days	3,066	2,662
	8,628	8,665

Movements on the provision for estimated impairment losses for bad debts are as follows:

	2017 HK\$ million	2016 HK\$ million
At 1 January	2,615	3,767
Additions	1,283	1,845
Utilisations	(1,133)	(782)
Write back	(303)	(255)
Relating to subsidiaries disposed	(62)	(1,410)
Exchange translation differences	186	(550)
At 31 December	2,586	2,615

The ageing analysis of trade receivables not impaired is as follows:

	2017 HK\$ million	2016 HK\$ million
Not past due	3,002	2,887
Past due less than 31 days	1,704	989
Past due within 31 to 60 days	343	273
Past due within 61 to 90 days	137	129
Past due over 90 days	318	259
	5,504	4,537

25 Trade and other payables

	2017 HK\$ million	2016 HK\$ million
Trade payables	19,252	17,380
Other payables and accruals	69,144	64,002
Provisions (see note 26)	1,014	744
Interest free loans from non-controlling shareholders	389	927
Cash flow hedges		
Interest rate swaps	11	–
Forward foreign exchange contracts	2	1
Other contracts	10	–
Net investment hedges	396	3
Other derivative financial instruments	10	41
	90,228	83,098

The Group's five largest suppliers accounted for less than 18% of the Group's cost of purchases for the year ended 31 December 2017 (2016 - less than 22%).

At 31 December, the ageing analysis of the trade payables is as follows:

	2017 HK\$ million	2016 HK\$ million
Less than 31 days	12,994	11,648
Within 31 to 60 days	3,623	3,015
Within 61 to 90 days	1,500	1,327
Over 90 days	1,135	1,390
	19,252	17,380

26 Provisions

	Provision for commitments, onerous contracts and other guarantees HK\$ million	Closure obligation HK\$ million	Assets retirement obligation HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2016	34,233	493	817	524	36,067
Additions	–	15	6	104	125
Interest accretion	–	6	24	–	30
Utilisations	(1,767)	(80)	(107)	(24)	(1,978)
Write back	–	(46)	–	(69)	(115)
Relating to subsidiaries disposed	–	–	(62)	(95)	(157)
Exchange translation differences	26	(77)	(67)	(7)	(125)
At 31 December 2016 and 1 January 2017	32,492	311	611	433	33,847
Additions	–	12	20	636	668
Interest accretion	–	–	29	–	29
Utilisations	(5,486)	(98)	–	(1)	(5,585)
Write back	–	(75)	–	(256)	(331)
Relating to subsidiaries acquired	–	–	34	–	34
Relating to subsidiaries disposed	–	–	(34)	–	(34)
Exchange translation differences	314	33	32	19	398
At 31 December 2017	27,320	183	692	831	29,026

Provisions are analysed as:

	2017 HK\$ million	2016 HK\$ million
Current portion (see note 25)	1,014	744
Non-current portion (see note 30)	28,012	33,103
	29,026	33,847

The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located. The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value.

27 Bank and other debts

The carrying amount of bank and other debts comprises items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2017			2016		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans	19,080	92,091	111,171	20,612	64,371	84,983
Other loans	249	1,279	1,528	669	1,569	2,238
Notes and bonds	2,377	207,740	210,117	50,312	154,514	204,826
Total principal amount of bank and other debts	21,706	301,110	322,816	71,593	220,454	292,047
Unamortised fair value adjustments arising from acquisitions	2	10,337	10,339	336	11,647	11,983
Total bank and other debts before the following items ⁽ⁱ⁾	21,708	311,447	333,155	71,929	232,101	304,030
Unamortised loan facilities fees and premiums or discounts related to debts	(5)	(822)	(827)	–	(603)	(603)
Adjustments to bank and other debts pursuant to unrealised gains (losses) on interest rate swap contracts	9	(349)	(340)	(49)	(238)	(287)
	21,712	310,276	331,988	71,880	231,260	303,140

(i) See note 31(c)(i).

27 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2017			2016		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans	19,080	92,091	111,171	20,612	64,371	84,983
Other loans	249	1,279	1,528	669	1,569	2,238
Notes and bonds						
HK\$500 million notes, 4.88% due 2018	500	–	500	–	500	500
HK\$500 million notes, 4.3% due 2020	–	500	500	–	500	500
HK\$500 million notes, 4.35% due 2020	–	500	500	–	500	500
HK\$300 million notes, 3.9% due 2020	–	300	300	–	300	300
HK\$400 million notes, 3.45% due 2021	–	400	400	–	400	400
HK\$300 million notes, 3.35% due 2021	–	300	300	–	300	300
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$300 million notes, LIBOR* + 0.7% due 2017	–	–	–	2,340	–	2,340
US\$492 million notes - Series B, 7.45% due 2017	–	–	–	3,837	–	3,837
US\$1,000 million notes, 2% due 2017	–	–	–	7,800	–	7,800
US\$1,000 million notes, 3.5% due 2017	–	–	–	7,800	–	7,800
US\$2,000 million notes, 1.625% due 2017	–	–	–	15,600	–	15,600
US\$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	7,800	7,800
US\$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	11,700	11,700
US\$1,000 million notes, 2.25% due 2020	–	7,800	7,800	–	–	–
US\$750 million notes, 1.875% due 2021	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 4.625% due 2022	–	11,700	11,700	–	11,700	11,700
US\$1,000 million notes, 2.875% due 2022	–	7,800	7,800	–	–	–
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$750 million notes, 2.75% due 2023	–	5,850	5,850	–	–	–
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 2.75% due 2026	–	3,900	3,900	–	3,900	3,900
US\$309 million notes - Series C, 7.5% due 2027	–	2,410	2,410	–	2,410	2,410
US\$500 million notes, 3.25% due 2027	–	3,900	3,900	–	–	–
US\$800 million notes, 3.5% due 2027	–	6,240	6,240	–	–	–
US\$1,039 million notes, 7.45% due 2033	–	8,107	8,107	–	8,107	8,107
US\$25 million notes - Series D, 6.988% due 2037	–	196	196	–	196	196
SGD320 million notes, 3.408% due 2018	1,859	–	1,859	–	1,718	1,718
EUR1,250 million notes, 2.5% due 2017	–	–	–	10,100	–	10,100
EUR1,500 million notes, 1.375% due 2021	–	13,890	13,890	–	12,120	12,120
EUR750 million notes, 3.625% due 2022	–	6,945	6,945	–	6,060	6,060
EUR1,350 million notes, 1.25% due 2023	–	12,501	12,501	–	10,908	10,908
EUR600 million bonds, 1% due 2024	–	5,556	5,556	–	–	–

27 Bank and other debts (continued)

Analysis of principal amount of bank and other debts (continued):

	2017			2016		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
EUR1,000 million notes, 0.875% due 2024	–	9,260	9,260	–	8,080	8,080
EUR650 million notes, 2% due 2028	–	6,019	6,019	–	5,252	5,252
GBP113 million bonds, 5.625% due 2017	–	–	–	1,088	–	1,088
GBP180 million bonds, 6% due 2017	–	–	–	1,732	–	1,732
GBP300 million bonds, 5.831% due 2020	–	3,144	3,144	–	2,886	2,886
GBP100 million notes, 5.82% due 2021	–	1,048	1,048	–	962	962
GBP350 million bonds, 6.875% due 2023	–	3,668	3,668	–	3,367	3,367
GBP400 million bonds, 6.359% due 2025	–	4,192	4,192	–	3,848	3,848
GBP33 million notes, 2.56% due 2026	–	346	346	–	317	317
GBP300 million bonds, 1.625% due 2026	–	3,144	3,144	–	2,886	2,886
GBP303 million bonds, 5.625% due 2026	–	3,175	3,175	–	2,914	2,914
GBP300 million bonds, 2.375% due 2027	–	3,144	3,144	–	–	–
GBP45 million notes, 2.56% due 2028	–	471	471	–	433	433
GBP90 million notes, 3.54% due 2030	–	943	943	–	866	866
GBP22 million notes, 2.83% due 2031	–	230	230	–	212	212
GBP350 million bonds, 5.625% due 2033	–	3,668	3,668	–	3,367	3,367
GBP246 million (2016 - GBP247 million) bonds, 5.87526% due 2034	17	2,558	2,575	11	2,364	2,375
GBP400 million bonds, 6.697% due 2035	–	4,192	4,192	–	3,848	3,848
GBP50 million notes, 5.01% due 2036	–	524	524	–	481	481
GBP100 million notes, LIBOR* + 2.33% due 2036	–	1,048	1,048	–	962	962
GBP215 million (2016 - GBP207 million) bonds, RPI# + 2.033% due 2036	–	2,252	2,252	–	1,997	1,997
GBP58 million (2016 - GBP59 million) bonds, 6.627% due 2037	1	612	613	4	562	566
GBP100 million notes, 3.19% due 2037	–	1,048	1,048	–	–	–
GBP84 million (2016 - GBP82 million) bonds, RPI# + 1.6274% due 2041	–	886	886	–	786	786
GBP360 million bonds, 5.125% due 2042	–	3,773	3,773	–	3,463	3,463
GBP400 million bonds, 3.529% due 2042	–	4,192	4,192	–	–	–
GBP140 million (2016 - GBP135 million) bonds, RPI# + 1.7118% due 2049	–	1,467	1,467	–	1,301	1,301
GBP140 million (2016 - GBP135 million) bonds, RPI# + 1.7484% due 2053	–	1,467	1,467	–	1,301	1,301
JPY3,000 million notes, 1.75% due 2019	–	211	211	–	205	205
JPY15,000 million notes, 2.6% due 2027	–	1,053	1,053	–	1,025	1,025
	2,377	207,740	210,117	50,312	154,514	204,826
	21,706	301,110	322,816	71,593	220,454	292,047

* LIBOR represents the London Interbank Offered Rate

RPI represents UK Retail Price Index

27 Bank and other debts (continued)

Bank and other debts at principal amount are repayable as follows:

	2017			2016		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans						
Current portion	19,080	–	19,080	20,612	–	20,612
After 1 year, but within 2 years	–	7,937	7,937	–	8,097	8,097
After 2 years, but within 5 years	–	79,418	79,418	–	52,669	52,669
After 5 years	–	4,736	4,736	–	3,605	3,605
	19,080	92,091	111,171	20,612	64,371	84,983
Other loans						
Current portion	249	–	249	669	–	669
After 1 year, but within 2 years	–	256	256	–	218	218
After 2 years, but within 5 years	–	412	412	–	528	528
After 5 years	–	611	611	–	823	823
	249	1,279	1,528	669	1,569	2,238
Notes and bonds						
Current portion	2,377	–	2,377	50,312	–	50,312
After 1 year, but within 2 years	–	19,736	19,736	–	2,235	2,235
After 2 years, but within 5 years	–	64,655	64,655	–	43,761	43,761
After 5 years	–	123,349	123,349	–	108,518	108,518
	2,377	207,740	210,117	50,312	154,514	204,826
	21,706	301,110	322,816	71,593	220,454	292,047

The bank and other debts of the Group as at 31 December 2017 are secured to the extent of HK\$25,986 million (2016 - HK\$19,920 million).

Borrowings with principal amount of HK\$116,333 million (2016 - HK\$91,799 million) bear interest at floating interest rates and borrowings with principal amount of HK\$206,483 million (2016 - HK\$200,248 million) bear interest at fixed interest rates.

27 Bank and other debts (continued)

Borrowings at principal amount are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2017 Percentage	2016 Percentage
US dollars	35%	41%
Euro	28%	27%
HK dollars	5%	5%
British Pounds	22%	21%
Other currencies	10%	6%
	100%	100%

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2017, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK\$9,600 million (2016 - HK\$25,200 million).

In addition, interest rate swap agreements with notional amount of HK\$27,950 million (2016 - HK\$8,678 million) were entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2017, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$23,010 million (2016 - nil) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

27 Bank and other debts (continued)

- (a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	2017			2016		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see notes 21 and 24)	9	45	54	2	119	121
Derivative financial liabilities						
Interest rate swaps (see note 30)	–	(37)	(37)	–	–	–
	9	8	17	2	119	121
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 21)	–	31	31	–	–	–
Forward foreign exchange contracts (see notes 21 and 24)	1	293	294	8	196	204
Other contracts (see note 21)	–	–	–	–	2	2
	1	324	325	8	198	206
Derivative financial liabilities						
Interest rate swaps (see notes 25 and 30)	(11)	(532)	(543)	–	(550)	(550)
Cross currency interest rate swaps (see note 30)	–	(1,888)	(1,888)	–	–	–
Forward foreign exchange contracts (see notes 25 and 30)	(2)	(1)	(3)	(1)	–	(1)
Other contracts (see notes 25 and 30)	(10)	(374)	(384)	–	(402)	(402)
	(23)	(2,795)	(2,818)	(1)	(952)	(953)
	(22)	(2,471)	(2,493)	7	(754)	(747)
Net investment hedges						
Derivative financial assets (see notes 21 and 24)	–	1,791	1,791	3,282	3,199	6,481
Derivative financial liabilities (see notes 25 and 30)	(396)	(895)	(1,291)	(3)	–	(3)
	(396)	896	500	3,279	3,199	6,478

28 Interest bearing loans from non-controlling shareholders

	2017 HK\$ million	2016 HK\$ million
Interest bearing loans from non-controlling shareholders	3,143	4,283

At 31 December 2017, these loans bear interest at rates ranging from 2.3% to 11% per annum (2016 - Stockholm Interbank Offered Rate +1.73% to 11%). The carrying amounts of the borrowings approximate their fair values.

29 Pension plans

	2017 HK\$ million	2016 HK\$ million
Defined benefit assets	–	–
Defined benefit liabilities	3,770	5,369
Net defined benefit liabilities	3,770	5,369

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2017	2016
Discount rates	0.15% - 2.55%	0.29% - 2.80%
Future salary increases	1.0% - 4.0%	0.5% - 4.0%
Interest credited on two principal plans in Hong Kong	5.0% - 6.0%	5.0% - 6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2017 HK\$ million	2016 HK\$ million
Present value of defined benefit obligations	31,528	29,392
Fair value of plan assets	27,761	24,026
	3,767	5,366
Restrictions on assets recognised	3	3
Net defined benefit liabilities	3,770	5,369

29 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2017	29,392	(24,026)	3	5,369
Net charge (credit) to the income statement				
Current service cost	724	40	–	764
Past service cost and gains and losses on settlements	(115)	–	–	(115)
Interest cost (income)	745	(614)	–	131
	1,354	(574)	–	780
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(434)	–	–	(434)
Actuarial loss arising from change in financial assumptions	233	–	–	233
Actuarial gain arising from experience adjustment	(139)	–	–	(139)
Return on plan assets excluding interest income	–	(1,548)	–	(1,548)
Exchange translation differences	2,622	(2,171)	–	451
	2,282	(3,719)	–	(1,437)
Contributions paid by the employer	–	(886)	–	(886)
Contributions paid by the employee	112	(112)	–	–
Benefits paid	(1,552)	1,552	–	–
Relating to subsidiaries acquired (see note 33(c))	11	–	–	11
Transfer from (to) other liabilities	(71)	4	–	(67)
At 31 December 2017	31,528	(27,761)	3	3,770

29 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2016	28,823	(24,760)	3	4,066
Net charge (credit) to the income statement				
Current service cost	624	44	–	668
Past service cost and gains and losses on settlements	(331)	–	–	(331)
Interest cost (income)	830	(741)	–	89
	1,123	(697)	–	426
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(49)	–	–	(49)
Actuarial loss arising from change in financial assumptions	4,721	–	–	4,721
Actuarial gain arising from experience adjustment	(425)	–	–	(425)
Return on plan assets excluding interest income	–	(1,962)	–	(1,962)
Exchange translation differences	(3,473)	3,077	–	(396)
	774	1,115	–	1,889
Contributions paid by the employer	–	(862)	–	(862)
Contributions paid by the employee	100	(100)	–	–
Benefits paid	(1,266)	1,266	–	–
Relating to subsidiaries disposed (see note 33(d))	(146)	–	–	(146)
Transfer from (to) other liabilities	(16)	12	–	(4)
At 31 December 2016	29,392	(24,026)	3	5,369

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2017, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$20 million (2016 - HK\$15 million) were used to reduce the current year's level of contributions and HK\$2 million forfeited contribution was available at 31 December 2017 (2016 - HK\$1 million) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2015 reported a funding level of 75% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP5.4 million in 2016 and GBP11 million in 2017 (included a GBP5.5 million additional voluntary contribution), with further contribution of GBP11 million (included a GBP5.5 million additional voluntary contribution) expected to be paid in 2018 and agreed to make additional contributions of GBP5.5 million per annum until 31 December 2023, to eliminate the shortfall by 31 December 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 2.85% to 4.7% per annum and pension increases of 2.05% to 3.25% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

In addition, the Group operates three defined benefit pension plans for certain of its infrastructure operation in the United Kingdom. Of the three plans, the Northumbrian Water Pension Scheme ("NWPS") is the principal plan and it closed to new entrants on 1 January 2008. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2016 reported a funding level of 76.7% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employer has since made additional contributions to fund the deficit of GBP11.1 million per annum until 31 March 2017, GBP11.4 million per annum from 1 April 2017 until 31 March 2031, increasing in line with RPI, with the first increase in April 2018. In addition, the sponsoring employer will pay GBP2.6 million per annum from 1 April 2021 to 31 March 2031, increasing in line with RPI, with the first increase in April 2022 until 31 March 2031. These contributions, together with additional investment returns of 0.6% per annum above the discount rate, are expected to eliminate the shortfall by 31 March 2022. The valuation used the projected unit credit method and the main assumptions in the valuation are pre-retirement discount rate of 3.3% per annum; post-retirement discount rate of 2.4% per annum; RPI inflation of 3.5% per annum; CPI inflation of 2.5%; and pension increases of 2% to 3.5% per annum. The valuation was prepared by Gavin Hamill, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2017 Percentage	2016 Percentage
Equity instruments		
Consumer markets and manufacturing	8%	8%
Energy and utilities	3%	3%
Financial institutions and insurance	7%	7%
Telecommunications and information technology	4%	3%
Units trust and equity instrument funds	4%	4%
Others	10%	10%
	36%	35%
Debt instruments		
US Treasury notes	–	1%
Government and government guaranteed notes	14%	15%
Financial institutions notes	1%	2%
Others	7%	8%
	22%	26%
Qualifying insurance policies	20%	20%
Properties	8%	9%
Other assets	14%	10%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2017 Percentage	2016 Percentage
Aaa / AAA	5%	8%
Aa1 / AA+	4%	8%
Aa2 / AA	61%	49%
Aa3 / AA-	–	1%
A1 / A+	1%	1%
A2 / A	8%	10%
Other investment grades	13%	19%
No investment grades	8%	4%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK\$27,761 million (2016 - HK\$24,026 million) includes investments in the Company's shares with a fair value of HK\$36 million (2016 - HK\$27 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2017 is 18 years (2016 - 18 years).

The Group expects to make contributions of HK\$980 million (2016 - HK\$924 million) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), 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 actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.7% or increase by 3.9% respectively (2016 - decrease by 3.9% or increase by 3.8% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.3% respectively (2016 - increase by 0.5% or decrease by 0.4% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,197 million (2016 - HK\$1,039 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$15 million (2016 - HK\$9 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2017 (2016 - nil) to reduce future years' contributions.

30 Other non-current liabilities

	2017 HK\$ million	2016 HK\$ million
Fair value hedges		
Interest rate swaps	37	–
Cash flow hedges		
Interest rate swaps	532	550
Cross currency interest rate swaps	1,888	–
Forward foreign exchange contracts	1	–
Other contracts	374	402
Net investment hedges	895	–
Other derivative financial instruments	4,059	1,810
Obligations for telecommunications licences and other rights	5,670	5,850
Other non-current liabilities	9,580	5,644
Provisions (see note 26)	28,012	33,103
	51,048	47,359

31 Share capital, share premium, perpetual capital securities and capital management

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
At 1 January 2016	3,859,678,500	3,860	244,691	248,551
Buy-back and cancellation of issued shares ⁽ⁱ⁾	(2,000,000)	(2)	(186)	(188)
At 31 December 2016, 1 January and 31 December 2017	3,857,678,500	3,858	244,505	248,363

- (i) The Company acquired a total of 2,000,000 of its own shares through purchases on the Stock Exchange on 17 and 18 November 2016. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK\$189 million and had been deducted from share capital, share premium and retained profit of HK\$2 million, HK\$186 million and HK\$1 million, respectively.

31 Share capital, share premium, perpetual capital securities and capital management (continued)

(b) Perpetual capital securities

	2017 HK\$ million	2016 HK\$ million
US\$1,000 million issued in 2012	–	7,870
HK\$1,000 million issued in 2012	–	1,025
US\$425.3 million issued in 2013*	3,373	3,373
EUR1,750 million issued in 2013	18,266	18,242
US\$1,000 million issued in 2017	7,842	–
	29,481	30,510

In May 2012, July 2012, January 2013, May 2013 and May 2017, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$1,000 million (approximately HK\$7,800 million), HK\$1,000 million, US\$500 million (approximately HK\$3,875 million), EUR1,750 million (approximately HK\$17,879 million) and US\$1,000 million (approximately HK\$7,800 million) respectively for cash.

During the year, the Group had redeemed US\$1,000 million (approximately HK\$7,800 million) and HK\$1,000 million nominal amount of perpetual capital securities that were originally issued in May 2012 and July 2012 respectively. During the year ended 31 December 2016, the Group had redeemed SGD730 million nominal amount of perpetual capital securities that were originally issued in September 2011.

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

* US\$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.

31 Share capital, share premium, perpetual capital securities and capital management (continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2017, total equity amounted to HK\$591,547 million (2016 - HK\$544,190 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$164,872 million (2016 - HK\$141,806 million). The Group's net debt to net total capital ratio increased to 21.7% from 20.5% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios ⁽ⁱ⁾ at 31 December:

	2017	2016
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	21.7%	20.5%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	22.1%	21.7%
B1 – including interest-bearing loans from non-controlling shareholders as debt	22.1%	21.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	22.5%	22.3%

(i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

32 Reserves

	Attributable to ordinary shareholders			Total HK\$ million
	Retained profit HK\$ million	Exchange reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2017	520,616	(30,832)	(343,978)	145,806
Profit for the year	35,100	–	–	35,100
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation gains recognised directly in reserves	–	–	145	145
Valuation gains previously in reserves recognised in income statement	–	–	(36)	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,268	–	–	1,268
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)				
Losses recognised directly in reserves	–	–	(134)	(134)
Losses previously in reserves recognised in initial cost of non-financial items	–	–	1	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	–	(3,847)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	–	2,551
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	20	2	22
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	9	–	(9)	–
Share of other comprehensive income (losses) of associated companies	101	2,897	(48)	2,950
Share of other comprehensive income of joint ventures	178	8,569	242	8,989
Tax relating to components of other comprehensive income (losses)	(151)	–	(43)	(194)
Other comprehensive income, net of tax	1,405	10,190	120	11,715
Dividends paid relating to 2016	(7,503)	–	–	(7,503)
Dividends paid relating to 2017	(3,009)	–	–	(3,009)
Transaction costs in relation to issuance of perpetual capital securities	(62)	–	–	(62)
Transaction costs in relation to issuance of shares of a subsidiary	(41)	–	–	(41)
Transaction costs in relation to equity contribution from non-controlling interests	(14)	–	–	(14)
Share option schemes and long term incentive plans of subsidiary companies	–	–	9	9
Unclaimed dividends write back of a subsidiary	6	–	–	6
Relating to purchase of non-controlling interests	–	–	(342)	(342)
Relating to partial disposal of subsidiary companies	–	–	28	28
At 31 December 2017	546,498	(20,642)	(344,163)	181,693

32 Reserves (continued)

	Attributable to ordinary shareholders			Total HK\$ million
	Retained profit HK\$ million	Exchange reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2016	500,909	(13,986)	(342,039)	144,884
Profit for the year	33,008	–	–	33,008
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation losses recognised directly in reserves	–	–	(506)	(506)
Valuation losses previously in reserves recognised in income statement	–	–	462	462
Remeasurement of defined benefit obligations recognised directly in reserves	(1,590)	–	–	(1,590)
Cash flow hedges (forward foreign currency contracts and interest rate swap contracts)				
Losses recognised directly in reserves	–	–	(1,180)	(1,180)
Gains previously in reserves recognised in initial cost of non-financial items	–	–	(12)	(12)
Gains on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	5,128	–	5,128
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(15,590)	–	(15,590)
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	(323)	(24)	194	(153)
Share of other comprehensive income (losses) of associated companies	(453)	659	(175)	31
Share of other comprehensive income (losses) of joint ventures	(1,101)	(7,021)	(1,281)	(9,403)
Tax relating to components of other comprehensive income (losses)	232	–	153	385
Other comprehensive income (losses), net of tax	(3,235)	(16,848)	(2,345)	(22,428)
Dividends paid relating to 2015	(7,140)	–	–	(7,140)
Dividends paid relating to 2016	(2,837)	–	–	(2,837)
Transaction costs in relation to equity contribution from non-controlling interests	(87)	–	–	(87)
Buy-back and cancellation of issued shares (see note 31(a)(i))	(1)	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	–	–	5	5
Unclaimed dividends write back of a subsidiary	5	–	–	5
Relating to purchase of non-controlling interests	–	–	(1,065)	(1,065)
Relating to partial disposal of subsidiary companies	(6)	2	1,466	1,462
At 31 December 2016	520,616	(30,832)	(343,978)	145,806

- (a) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2017, revaluation reserve deficit amounted to HK\$503 million (1 January 2017 – HK\$792 million and 1 January 2016 – HK\$763 million), hedging reserve deficit amounted to HK\$2,094 million (1 January 2017 – HK\$1,982 million and 1 January 2016 – surplus of HK\$673 million) and other capital reserves deficit amounted to HK\$341,566 million (1 January 2017 – HK\$341,204 million and 1 January 2016 – HK\$341,949 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

33 Notes to consolidated statement of cash flows

- (a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2017 HK\$ million	2016 HK\$ million
Profit after tax	43,602	41,912
Less: share of profits less losses of		
Associated companies	(6,797)	(6,362)
Joint ventures	(12,500)	(10,251)
	24,305	25,299
Adjustments for:		
Current tax charge	5,415	3,334
Deferred tax (credit) charge	(2,599)	1,217
Interest expenses and other finance costs	8,274	7,118
Depreciation and amortisation	17,105	16,014
Others	11	371
EBITDA of Company and subsidiaries^(a)	52,511	53,353
Loss on disposal of other unlisted investments	–	25
Loss (profit) on disposal of fixed assets	(1,943)	116
Dividends received from associated companies and joint ventures	19,029	8,747
Profit on disposal of subsidiaries, associated companies and joint ventures	(2,829)	(401)
Other non-cash items	1,369	211
	68,137	62,051

33 Notes to consolidated statement of cash flows (continued)

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital (continued)

(i) Reconciliation of EBITDA:

	2017 HK\$ million	2016 HK\$ million
EBITDA of Company and subsidiaries	52,511	53,353
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	6,797	6,362
Joint ventures	12,500	10,251
Adjustments for:		
Depreciation and amortisation	19,921	15,646
Interest expenses and other finance costs	9,750	6,160
Current tax charge	2,483	2,913
Deferred tax charge	756	552
Non-controlling interests	388	370
Others	(11)	(371)
	52,584	41,883
EBITDA (see notes 5(b) and 5(m))	105,095	95,236

(b) Changes in working capital

	2017 HK\$ million	2016 HK\$ million
Increase in inventories	(1,825)	(581)
Increase in debtors and prepayments	(5,320)	(3,046)
Increase (decrease) in creditors	2,771	(605)
Other non-cash items	4,078	(4,618)
	(296)	(8,850)

33 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	2017 HK\$ million	2016 HK\$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	3,925	874
Fair value of investments held by the Company prior to acquisition	–	1,350
	3,925	2,224
Fair value		
Fixed assets	445	2,116
Leasehold land	105	1,877
Telecommunications licences	1,962	–
Brand names and other rights	134	–
Deferred tax assets	249	2
Cash and cash equivalents	201	541
Trade and other receivables	195	2,473
Inventories	4	72
Creditors and current tax liabilities	(504)	(4,314)
Bank and other debts	(20)	(39)
Pension obligations	(11)	–
Net identifiable assets acquired	2,760	2,728
Non-controlling interests	(106)	(531)
	2,654	2,197
Goodwill	1,271	27
Total consideration	3,925	2,224
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	3,925	874
Cash and cash equivalents acquired	(201)	(541)
Total net cash outflow	3,724	333

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

Acquisition related costs of approximately HK\$58 million (2016 - HK\$4 million) had been charged to income statement during the year and included in the line item titled other operating expenses.

The contribution to the Group's revenue and profit before tax from these subsidiaries acquired during the year ended 31 December 2017 and 2016 since the respective date of acquisition are not material.

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2017 HK\$ million	2016 HK\$ million
Consideration received or receivable		
Cash and cash equivalents	14,556	6,995
Non-cash consideration	1,920	24,224
Total disposal consideration	16,476	31,219
Carrying amount of net assets disposed	(13,764)	(30,971)
Cumulative exchange gain in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	4	153
Gain on disposal*	2,716	401
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	14,556	6,995
Less: Cash and cash equivalents disposed	(355)	(4,148)
Total net cash consideration	14,201	2,847
Analysis of assets and liabilities over which control was lost		
Fixed assets	6,733	22,732
Leasehold land	–	257
Telecommunications licences	–	8,899
Goodwill	5,929	–
Brand names and other rights	503	4,333
Associated companies	673	–
Interests in joint ventures	(1)	1,450
Deferred tax assets	–	2,033
Liquid funds and other listed investments	4	–
Trade and other receivables	1,850	7,229
Inventories	5	268
Creditors and current tax liabilities	(1,630)	(9,919)
Bank and other debts	(9)	(10,228)
Deferred tax liabilities	(657)	(29)
Pension obligations	–	(146)
Non-controlling interests	9	(56)
Net assets (excluding cash and cash equivalents) disposed	13,409	26,823
Cash and cash equivalents disposed	355	4,148
Net assets disposed	13,764	30,971

* The gains on disposal for the years ended 31 December 2017 and 2016 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed are not material for the years ended 31 December 2017 and 2016.

33 Notes to consolidated statement of cash flows (continued)

(e) Reconciliation of liabilities arising from financing activities

	Bank and other debt	Interest bearing loans from non-controlling shareholders	Interest free loans from non-controlling shareholders	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2016	303,552	4,827	951	309,330
Financing cash flows				
New borrowings	76,306	–	–	76,306
Repayment of borrowings	(45,365)	–	–	(45,365)
Net loans from (to) non-controlling shareholders	–	62	(3)	59
Non-cash changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	99	–	–	99
Gain arising on adjustment for hedged items in a designated fair value hedge (see note 35(h))	(690)	–	–	(690)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 7(a))	(2,741)	–	–	(2,741)
Relating to subsidiaries acquired (see note 33(c))	39	–	–	39
Relating to subsidiaries disposed (see note 33(d))	(10,228)	–	–	(10,228)
Exchange translation differences	(17,832)	(606)	(21)	(18,459)
At 31 December 2016 and 1 January 2017	303,140	4,283	927	308,350
Financing cash flows				
New borrowings	100,488	–	–	100,488
Repayment of borrowings	(87,674)	–	–	(87,674)
Net loans to non-controlling shareholders	–	(1,523)	(616)	(2,139)
Non-cash changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	210	–	–	210
Gain arising on adjustment for hedged items in a designated fair value hedges (see note 35(h))	(103)	–	–	(103)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 7(a))	(1,725)	–	–	(1,725)
Relating to subsidiaries acquired (see note 33(c))	20	–	–	20
Relating to subsidiaries disposed (see note 33(d))	(9)	–	–	(9)
Exchange translation differences	17,641	383	78	18,102
At 31 December 2017	331,988	3,143	389	335,520

34 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

35 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. In limited circumstances, the Group also enters into swaps and forward contracts relating to oil and gas prices to hedge earnings and cash flow in Husky Energy. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$168,283 million at 31 December 2017 (2016 - HK\$162,224 million), mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including floating rate loans of AUD1,550 million (approximately HK\$9,207 million), floating rate loans of US\$700 million (approximately HK\$5,460 million) and guaranteed bonds of EUR600 million (approximately HK\$5,516 million) by listed subsidiary CKI and proceeds from HTHKH's disposal of its fixed-line telecommunication business of HK\$14,244 million, partly offset by the acquisitions of DUET Group of AUD2,976 million (approximately HK\$17,275 million), Ista of EUR1,543 million (approximately HK\$14,236 million), Reliance of CAD715 million (approximately HK\$4,458 million) and UK Broadband Limited of GBP292 million (approximately HK\$2,952 million), dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 23% in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies (2016 - 18% were denominated in HK dollars, 54% in US dollars, 6% in Renminbi, 8% in Euro, 6% in British Pounds and 8% in other currencies).

Cash and cash equivalents represented 95% (2016 - 96%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2016 - 3%) and listed equity securities 1% (2016 - 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56% (2016 - 58%), government and government guaranteed notes of 17% (2016 - 4%), notes issued by the Group's associated company, Husky Energy of 4% (2016 - 6%), notes issued by financial institutions of 1% (2016 - 3%), and others of 22% (2016 - 29%). Of these US Treasury notes and listed / traded debt securities, 79% (2016 - 70%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.4 years (2016 - 2.0 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

35 Financial risk management (continued)

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 31 December 2017, approximately 36% (2016 - approximately 31%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 64% (2016 - approximately 69%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$9,600 million (2016 - approximately HK\$25,200 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$27,950 million (2016 - HK\$8,678 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 30% (2016 - approximately 37%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 70% (2016 - approximately 63%) were at fixed rates at 31 December 2017. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2017, the Group had foreign exchange forward contracts with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK\$59,430 million (2016 - HK\$41,929 million).

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings. In 2017, the Group entered into hedges which are accounted for as fair value through profit or loss by ways of forward contracts against British Pounds, Euro and Renminbi currency risks. These contracts resulted in realised hedging losses of HK\$1,173 million during the year which were fully offset by translation gains against the hedged rates on the Group's attributable earnings in those currencies in 2017. All forward contracts for hedging earnings have been fully settled and no foreign currency hedge have been entered into in respect of expected 2018 foreign currency earnings.

As at 31 December 2017, the Group's total principal amount of bank and other debts are denominated as follows: 42% in US dollars, 21% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies (2016 - 41% in US dollars, 27% in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$23,010 million (2016 - nil) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 35% in US dollars, 28% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies (2016 - 41% in US dollars, 27% in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies).

35 Financial risk management (continued)

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 5% (2016 - approximately 4%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on 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 end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial 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 financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities 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 rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

35 Financial risk management *(continued)*

(f) Market risks sensitivity analyses *(continued)*

(i) Interest rate sensitivity analysis *(continued)*

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair values (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 23)
- some of the listed debt securities and managed funds (see note 22) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 22) that bear interest at floating rate
- some of the bank and other debts (see note 27) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 28)

Under these assumptions, the impact of a hypothetical 100 basis points (2016 - 100 basis points) increase in market interest rate at 31 December 2017, with all other variables held constant:

- profit for the year would increase by HK\$674 million due to increase in interest income (2016 - HK\$366 million);
- total equity would increase by HK\$674 million due to increase in interest income (2016 - HK\$366 million); and
- total equity would increase by HK\$728 million due to change in fair value of derivative financial instruments (2016 - nil).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward foreign exchange contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

35 Financial risk management *(continued)*

(f) Market risks sensitivity analyses *(continued)*

(ii) Foreign currency exchange rate sensitivity analysis *(continued)*

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 23)
- some of the liquid funds and other listed investments (see note 22)
- some of the bank and other debts (see note 27)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2017		2016	
	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million
Euro	20	(340)	(191)	(213)
British Pounds	76	(1,248)	(41)	(1,647)
Australian dollars	64	(359)	151	(39)
Renminbi	12	12	(44)	(44)
US dollars	2,281	2,281	1,367	1,367
Japanese Yen	(104)	(104)	(103)	(103)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair values. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 22)
- financial assets at fair value through profit or loss (see note 22)

35 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(iii) Other price sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK\$8 million (2016 - HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$8 million (2016 - HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$383 million (2016 - HK\$290 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amounts	Carrying amounts
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2017						
Trade payables	19,252	–	–	19,252	–	19,252
Other payables and accruals	69,144	–	–	69,144	–	69,144
Interest free loans from non-controlling shareholders	389	–	–	389	–	389
Bank loans	19,080	87,355	4,736	111,171	(291)	110,880
Other loans	249	668	611	1,528	(3)	1,525
Notes and bonds	2,377	84,391	123,349	210,117	9,466	219,583
Interest bearing loans from non-controlling shareholders	–	956	2,187	3,143	–	3,143
Obligations for telecommunications licences and other rights	836	3,402	1,877	6,115	(445)	5,670
	111,327	176,772	132,760	420,859	8,727	429,586

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,738 million in "within 1 year" maturity band, HK\$28,580 million in "after 1 year, but within 5 years" maturity band, and HK\$32,138 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

35 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2017				
Fair value hedges:				
Interest rate swaps				
Net inflow (outflow)	(74)	50	–	(24)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(165)	(329)	(64)	(558)
Cross currency interest rate swaps				
Net inflow (outflow)	513	(2,347)	–	(1,834)
Forward foreign exchange contracts				
Inflow	380	9	–	389
Outflow	(380)	(9)	–	(389)
Other contracts				
Net outflow	(23)	(87)	(339)	(449)
Net investment hedges				
Inflow	16,952	9,791	13,684	40,427
Outflow	(17,187)	(9,752)	(13,872)	(40,811)
Other derivative financial instruments				
Net outflow	(263)	(3,182)	(659)	(4,104)

Non-derivative financial liabilities:

	Contractual maturities				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 2016						
Trade payables	17,380	–	–	17,380	–	17,380
Other payables and accruals	64,002	–	–	64,002	–	64,002
Interest free loans from non-controlling shareholders	927	–	–	927	–	927
Bank loans	20,612	60,766	3,605	84,983	(362)	84,621
Other loans	669	746	823	2,238	–	2,238
Notes and bonds	50,312	45,996	108,518	204,826	11,455	216,281
Interest bearing loans from non-controlling shareholders	–	1,593	2,690	4,283	–	4,283
Obligations for telecommunications licences and other rights	610	3,179	2,871	6,660	(810)	5,850
	154,512	112,280	118,507	385,299	10,283	395,582

35 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$8,665 million in "within 1 year" maturity band, HK\$25,348 million in "after 1 year, but within 5 years" maturity band, and HK\$31,882 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			Total undiscouted cash flows HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	
At 31 December 2016				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(118)	(277)	(264)	(659)
Forward foreign exchange contracts				
Inflow	127	–	–	127
Outflow	(131)	–	–	(131)
Other contracts				
Net outflow	(9)	(119)	(376)	(504)
Net investment hedges				
Inflow	786	–	–	786
Outflow	(792)	–	–	(792)
Other derivative financial instruments				
Net outflow	(254)	(968)	(1,132)	(2,354)

(h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement include the following items:

	2017 HK\$ million	2016 HK\$ million
Change in fair value of financial assets at fair value through profit or loss	2	64
Losses arising on derivatives in a designated fair value hedge	(103)	(690)
Gains arising on adjustment for hedged items in a designated fair value hedge	103	690
Interest income on available-for-sale financial assets	62	85

35 Financial risk management *(continued)*

(i) Carrying amounts and fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	2017		2016	
	Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Financial assets				
Loans and receivables *				
Trade receivables (see note 24)	11,546	11,546	10,587	10,587
Other receivables and prepayments (see note 24)	39,812	39,812	34,470	34,470
Unlisted debt securities (see note 21)	179	179	165	165
	51,537	51,537	45,222	45,222
Available-for-sale investments #				
Unlisted equity securities (see note 21)	2,649	2,649	1,059	1,059
Managed funds, outside Hong Kong (see note 22)	4,916	4,916	2,932	2,932
Listed / traded debt securities, outside Hong Kong (see note 22)	1,168	1,168	1,184	1,184
Listed equity securities, Hong Kong (see note 22)	1,546	1,546	1,621	1,621
Listed equity securities, outside Hong Kong (see note 22)	25	25	58	58
Financial assets at fair value through profit or loss # (see note 22)	158	158	159	159
	10,462	10,462	7,013	7,013
Fair value hedges #				
Interest rate swaps (see notes 21 and 24)	54	54	121	121
Cash flow hedges #				
Interest rate swaps (see note 21)	31	31	–	–
Forward foreign exchange contracts (see notes 21 and 24)	294	294	204	204
Other contracts (see note 21)	–	–	2	2
Net investment hedges # (see notes 21 and 24)	1,791	1,791	6,481	6,481
Other derivative financial instruments # (see notes 21 and 24)	192	192	379	379
	2,362	2,362	7,187	7,187
	64,361	64,361	59,422	59,422

35 Financial risk management (continued)

(i) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2017		2016	
	Carrying amounts	Fair values	Carrying amounts	Fair values
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial liabilities				
Financial liabilities *				
Trade payables (see note 25)	19,252	19,252	17,380	17,380
Other payables and accruals (see note 25)	69,144	69,144	64,002	64,002
Bank and other debts (see note 27)	331,988	341,334	303,140	311,083
Interest free loans from non-controlling shareholders (see note 25)	389	389	927	927
Interest bearing loans from non-controlling shareholders (see note 28)	3,143	3,143	4,283	4,283
Obligations for telecommunications licences and other rights (see note 30)	5,670	5,670	5,850	5,850
	429,586	438,932	395,582	403,525
Fair value hedges #				
Interest rate swaps (see note 30)	37	37	–	–
Cash flow hedges #				
Interest rate swaps (see notes 25 and 30)	543	543	550	550
Cross currency interest rate swaps (see note 30)	1,888	1,888	–	–
Forward foreign exchange contracts (see notes 25 and 30)	3	3	1	1
Other contracts (see notes 25 and 30)	384	384	402	402
Net investment hedges # (see notes 25 and 30)	1,291	1,291	3	3
Other derivative financial instruments # (see notes 25 and 30)	4,069	4,069	1,851	1,851
	8,215	8,215	2,807	2,807
	437,801	447,147	398,389	406,332

* carried at amortised cost (see note 35(j)(ii) below)

carried at fair value (see note 35(j)(i) below)

35 Financial risk management (continued)

(j) Fair value measurements

- (i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2017				
Financial assets				
Available-for-sale investments				
Unlisted equity securities (see note 21)	–	–	2,649	2,649
Managed funds, outside Hong Kong (see note 22)	4,916	–	–	4,916
Listed / traded debt securities, outside Hong Kong (see note 22)	212	956	–	1,168
Listed equity securities, Hong Kong (see note 22)	1,546	–	–	1,546
Listed equity securities, outside Hong Kong (see note 22)	25	–	–	25
Financial assets at fair value through profit or loss (see note 22)	112	46	–	158
	6,811	1,002	2,649	10,462
Fair value hedges				
Interest rate swaps (see notes 21 and 24)	–	54	–	54
Cash flow hedges				
Interest rate swaps (see note 21)	–	31	–	31
Forward foreign exchange contracts (see notes 21 and 24)	–	294	–	294
Net investment hedges (see note 21)	–	1,791	–	1,791
Other derivative financial instruments (see note 21)	–	192	–	192
	–	2,362	–	2,362
Financial liabilities				
Fair value hedges				
Interest rate swaps (see note 30)	–	(37)	–	(37)
Cash flow hedges				
Interest rate swaps (see notes 25 and 30)	–	(543)	–	(543)
Cross currency interest rate swaps (see note 30)	–	(1,888)	–	(1,888)
Forward foreign exchange contracts (see notes 25 and 30)	–	(3)	–	(3)
Other contracts (see notes 25 and 30)	–	(384)	–	(384)
Net investment hedges (see notes 25 and 30)	–	(1,291)	–	(1,291)
Other derivative financial instruments (see notes 25 and 30)	–	(4,069)	–	(4,069)
	–	(8,215)	–	(8,215)

35 Financial risk management (continued)

(j) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2016				
Financial assets				
Available-for-sale investments				
Unlisted equity securities (see note 21)	–	–	1,059	1,059
Managed funds, outside Hong Kong (see note 22)	2,932	–	–	2,932
Listed / traded debt securities, outside Hong Kong (see note 22)	326	858	–	1,184
Listed equity securities, Hong Kong (see note 22)	1,621	–	–	1,621
Listed equity securities, outside Hong Kong (see note 22)	58	–	–	58
Financial assets at fair value through profit or loss (see note 22)	110	49	–	159
	5,047	907	1,059	7,013
Fair value hedges				
Interest rate swaps (see notes 21 and 24)	–	121	–	121
Cash flow hedges				
Forward foreign exchange contracts (see notes 21 and 24)	–	204	–	204
Other contracts (see note 21)	–	2	–	2
Net investment hedges (see notes 21 and 24)	–	6,481	–	6,481
Other derivative financial instruments (see notes 21 and 24)	–	379	–	379
	–	7,187	–	7,187
Financial liabilities				
Cash flow hedges				
Interest rate swaps (see note 30)	–	(550)	–	(550)
Forward foreign exchange contracts (see note 25)	–	(1)	–	(1)
Other contracts (see note 30)	–	(402)	–	(402)
Net investment hedges (see note 25)	–	(3)	–	(3)
Other derivative financial instruments (see notes 25 and 30)	–	(1,851)	–	(1,851)
	–	(2,807)	–	(2,807)

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2017 and 2016, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

35 Financial risk management *(continued)*

(j) Fair value measurements *(continued)*

(i) Financial assets and financial liabilities measured at fair value *(continued)*

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2017 HK\$ million	2016 HK\$ million
At 1 January	1,059	1,518
Total gains (losses) recognised in		
Income statement	–	(26)
Other comprehensive income	46	(388)
Additions	130	75
Relating to subsidiaries disposed	1,413	–
Disposals	(18)	(43)
Exchange translation differences	19	(77)
At 31 December	2,649	1,059
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	–	(26)

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

(ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 35(i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2017				
Bank and other debts	214,297	127,037	–	341,334
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2016				
Bank and other debts	214,108	96,975	–	311,083

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

35 Financial risk management (continued)

(k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2017						
Financial assets						
Trade receivables	57	(3)	54	(35)	–	19
Other receivables and prepayments	994	(568)	426	–	–	426
Cash flow hedges						
Forward foreign exchange contracts	2	–	2	(2)	–	–
Net investment hedges	487	–	487	(275)	–	212
Other derivative financial instruments	192	–	192	(82)	–	110
	1,732	(571)	1,161	(394)	–	767
Financial liabilities						
Trade payables	(4,355)	571	(3,784)	–	–	(3,784)
Other payables and accruals	(43)	–	(43)	35	–	(8)
Cash flow hedges						
Forward foreign exchange contracts	(2)	–	(2)	2	–	–
Net investment hedges	(275)	–	(275)	275	–	–
Other derivative financial instruments	(539)	–	(539)	82	–	(457)
	(5,214)	571	(4,643)	394	–	(4,249)
At 31 December 2016						
Financial assets						
Trade receivables	42	(3)	39	(27)	–	12
Other receivables and prepayments	696	(386)	310	–	–	310
Cash flow hedges						
Forward foreign exchange contracts	196	–	196	(1)	–	195
Net investment hedges	1,144	–	1,144	(3)	–	1,141
Other derivative financial instruments	301	–	301	(299)	–	2
	2,379	(389)	1,990	(330)	–	1,660
Financial liabilities						
Trade payables	(3,648)	389	(3,259)	–	–	(3,259)
Other payables and accruals	(41)	–	(41)	27	–	(14)
Cash flow hedges						
Forward foreign exchange contracts	(1)	–	(1)	1	–	–
Net investment hedges	(3)	–	(3)	3	–	–
Other derivative financial instruments	(299)	–	(299)	299	–	–
	(3,992)	389	(3,603)	330	–	(3,273)

36 Pledge of assets

At 31 December 2017, assets of the Group totalling HK\$27,990 million (2016 - HK\$24,994 million) were pledged as security for bank and other debts.

37 Contingent liabilities

At 31 December 2017, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$3,911 million (2016 - HK\$3,797 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2017 HK\$ million	2016 HK\$ million
To associated companies	2,687	2,470
To joint ventures	623	593

At 31 December 2017, the Group had provided performance and other guarantees of HK\$3,307 million (2016 - HK\$3,950 million).

38 Commitments

The Group's outstanding commitments contracted for at 31 December 2017, where material, not provided for in the financial statements at 31 December 2017 are as follows:

Capital commitments

- (a) Ports and Related Services – HK\$73 million (2016 - HK\$674 million)
- (b) 3 Group Europe – HK\$3,271 million (2016 - HK\$3,038 million)
- (c) Telecommunications, Hong Kong and Asia – HK\$1,836 million (2016 - HK\$699 million)
- (d) Other fixed assets – HK\$187 million (2016 - HK\$184 million)

Operating lease commitments — future aggregate minimum lease payments for land and buildings leases

- (a) In the first year – HK\$11,494 million (2016 - HK\$9,888 million)
- (b) In the second to fifth years inclusive – HK\$21,947 million (2016 - HK\$17,614 million)
- (c) After the fifth year – HK\$41,343 million (2016 - HK\$29,938 million)

Operating lease commitments — future aggregate minimum lease payments for other assets

- (a) In the first year – HK\$1,041 million (2016 - HK\$1,290 million)
- (b) In the second to fifth years inclusive – HK\$2,528 million (2016 - HK\$3,351 million)
- (c) After the fifth year – HK\$400 million (2016 - HK\$377 million)

39 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 18 and 19. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US\$25 million which will mature in 2019.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

40 Legal proceedings

As at 31 December 2017, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

41 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2017, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Profit before tax

Profit before tax is shown after crediting and charging the following items:

	2017 HK\$ million	2016 HK\$ million
<i>Credits:</i>		
Share of profits less losses of associated companies		
Listed	6,042	5,735
Unlisted	755	627
	6,797	6,362
Dividend and interest income from managed funds and other investments		
Listed	91	126
Unlisted	141	144
<i>Charges:</i>		
Depreciation and amortisation		
Fixed assets	14,679	13,262
Leasehold land	428	416
Telecommunications licences	998	823
Brand names and other rights	1,000	1,513
	17,105	16,014
Inventories write-off	1,181	1,114
Operating leases		
Properties	17,081	18,129
Hire of plant and machinery	2,023	1,939
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	163	210
- other auditors	17	19
Non-audit work - PricewaterhouseCoopers	35	26
- other auditors	63	46

43 Statement of financial position of the Company, as at 31 December 2017

	2017 HK\$ million	2016 HK\$ million
Non-current assets		
Subsidiary companies – Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	9,292	9,397
Other receivables	176	28
Cash	6	7
Current liabilities		
Other payables and accruals	47	43
Net current assets	9,427	9,389
Net assets	364,591	364,553
Capital and reserves		
Share capital (see note 31(a))	3,858	3,858
Share premium (see note 31(a))	244,505	244,505
Reserves – Retained profit ^(c)	116,228	116,190
Shareholders' funds	364,591	364,553

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

43 Statement of financial position of the Company, as at 31 December 2017 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 263 to 266.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves – Retained profit

	HK\$ million
At 1 January 2016	115,973
Profit for the year	10,195
Buy-back and cancellation of issued shares (see note 31(a)(i))	(1)
Dividends paid relating to 2015	(7,140)
Dividends paid relating to 2016	(2,837)
At 31 December 2016	116,190
Profit for the year	10,550
Dividends paid relating to 2016	(7,503)
Dividends paid relating to 2017	(3,009)
At 31 December 2017	116,228

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$10,550 million (2016 - HK\$10,195 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2017, the Company's share premium and retained profit amounted to HK\$244,505 million (2016 - HK\$244,505 million) and HK\$116,228 million (2016 - HK\$116,190 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

44 Approval of financial statements

The financial statements set out on pages 164 to 266 were approved and authorised for issue by the Board of Directors on 16 March 2018.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2017

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services				
Alexandria International Container Terminals Company S.A.E.	Egypt	USD 30,000,000	64	Container terminal operating
Amsterdam Port Holdings B.V.	Netherlands	EUR 170,704	80	Holding company
Brisbane Container Terminals Pty Limited	Australia	AUD 34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS 321,528,668	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR 18,000	71	Stevedoring activities
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP 145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP 160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR 45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR 100,000	49	Stevedoring activities
Freeport Container Port Limited	Bahamas	BSD 2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN 11,379,300	80	Container terminal operating and rental of port real estate
Harwich International Port Limited	United Kingdom	GBP 16,812,002	80	Container terminal operating
☆ Hongkong United Dockyards Limited	Hong Kong	HKD 76,000,000	50	Ship repairing, general engineering and tug operations
☆ 惠州港業股份有限公司	China	RMB 300,000,000	27	Container terminal operating
☆ ㊔ Huizhou Quanwan Port Development Co., Ltd.	China	RMB 359,300,000	40	Port related land development
Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED 60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD 26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON 4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB 1,000,000,000	64	Container terminal operating
◆ * # Hutchison Port Holdings Trust	Singapore / China	USD 8,797,780,935	30	Container port business trust
Hutchison Port Investments Limited	Cayman Islands	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emirates	USD 10,000	48	Container terminal operating
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
☆ ㊔ Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2017

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services (continued)				
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 78,560,628	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ ☹ Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
NAWAH for Ports Management Company, LLC	Iraq	IQD 10,000,000	41	Container terminal operating
✧ ☹ 寧波北侖國際集裝箱碼頭有限公司	China	RMB 700,000,000	39	Container terminal operating
Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S.A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating
✧ PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
✧ River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
✧ ☹ + 上海明東集裝箱碼頭有限公司	China	RMB 4,000,000,000	40	Container terminal operating
☹ Shantou International Container Terminals Limited	China	USD 88,000,000	56	Container terminal operating
South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 800,000,000	70	Container terminal operating
Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # + Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☹ Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ☹ Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
Retail				
A.S. Watson Holdings Limited	Cayman Islands	HKD 1,000,000	75	Holding company
A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
A.S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✧ + Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☹ 廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✧ Rossmann Supermarkety Drogerijne Polska Sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
✧ 武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Infrastructure and energy				
✧ Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
✧ + AVR-Afvalverwerking B.V.	Netherlands	EUR 1	61	Producing energy from waste
* + CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding Company
✧ + CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution businesses
✧ + CKP (Canada) Holdings Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
+ Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # + Husky Energy Inc.	Canada	CAD 7,293,299,861	40	Investment in oil and gas
✧ + Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
+ Northumbrian Water Group Limited	United Kingdom	GBP 161	70	Water & sewerage businesses
* # + Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	29	Investment holdings in energy and utility-related businesses
✧ + Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
✧ + UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
+ Eversholt UK Rails Limited	United Kingdom	GBP 102	88	Holding company in leasing of rolling stock
✧ + Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 290,272,506	53	Gas distribution
Telecommunications				
Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of mobile telecommunications services
Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
* Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
* Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,724,052	66	Holding company of mobile telecommunications services
Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	50	Mobile telecommunications services
PT. Hutchison 3 Indonesia	Indonesia	IDR 651,156,000,000	65	Mobile telecommunications services
Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
✧ VIP - CKH Luxembourg S.à r.l.	Luxembourg	EUR 50,000	50	Mobile telecommunications services
✧ + Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2017

Subsidiary and associated companies and joint ventures	Place of incorporation/ principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Finance & investments and others				
Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
CK Hutchison Global Investments Limited	British Virgin Islands	USD 2	100	Holding company
* # + CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
✧ ✂ Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD 65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands / China	USD 66,447,037	60	Holding company of healthcare businesses
Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR 1,764,026,975	100	Holding company
Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
Marionnaud Parfumeries S.A.S.	France	EUR 351,575,833	100	Investment holding in perfume retailing businesses
# Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,452	24	Radio broadcasting
* # TOM Group Limited	Cayman Islands / Hong Kong	HKD 389,327,056	37	Media and technology

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the AIM of the London Stock Exchange and in the form of American Depositary Shares on the Nasdaq Stock Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

Associated companies

✧ Joint ventures

✂ Equity joint venture registered under PRC law

✦ Wholly owned foreign enterprise (WOFE) registered under PRC law

✧ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and revenue (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 22% and 9% of the Group's respective items.

Financial Performance Summary

	Pre-IFRS 16 ⁽¹⁾		2018		Change	Local currencies	
	2019					change	
	HK\$ million	%	HK\$ million	%	%		%
Revenue⁽²⁾							
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%		5%
Retail	169,225	38%	168,991	37%	—		4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%		-17%
<i>CK Infrastructure</i>	49,818	11%	53,274	12%	-6%		-2%
<i>Co-owned infrastructure investments⁽³⁾</i>	1,373	1%	11,450	2%	-88%		-87%
Husky Energy	47,618	11%	54,251	12%	-12%		-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%		12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%		9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%		1%
Total Revenue	439,856	100%	453,230	100%	-3%		1%
EBITDA⁽²⁾							
Ports and Related Services ⁽²⁾	13,405	12%	13,392	12%	—		3%
Retail	16,891	15%	16,164	14%	4%		8%
Infrastructure ⁽³⁾	28,488	25%	35,422	31%	-20%		-15%
<i>CK Infrastructure</i>	27,855	25%	29,406	26%	-5%		—
<i>Co-owned infrastructure investments⁽³⁾</i>	633	—	6,016	5%	-89%		-89%
Husky Energy	3,139	3%	12,106	11%	-74%		-72%
<i>Underlying</i>	9,122	8%	12,106	11%	-25%		-23%
<i>One-off impairment and other charges⁽⁴⁾</i>	(5,983)	-5%	—	—	—		—
CKH Group Telecom ⁽⁵⁾	35,341	32%	30,357	27%	16%		21%
Hutchison Asia Telecommunications	2,167	2%	1,028	1%	111%		108%
Finance & Investments and Others ⁽⁵⁾	12,637	11%	5,111	4%	147%		152%
Total EBITDA	112,068	100%	113,580	100%	-1%		2%
EBIT⁽²⁾							
Ports and Related Services ⁽²⁾	9,061	13%	8,726	12%	4%		7%
Retail	13,671	19%	13,078	18%	5%		8%
Infrastructure ⁽³⁾	19,220	27%	24,038	33%	-20%		-16%
<i>CK Infrastructure</i>	18,829	26%	20,076	28%	-6%		-1%
<i>Co-owned infrastructure investments⁽³⁾</i>	391	1%	3,962	5%	-90%		-90%
Husky Energy	(3,004)	-4%	5,742	8%	-152%		-151%
<i>Underlying</i>	2,979	4%	5,742	8%	-48%		-47%
<i>One-off impairment and other charges⁽⁴⁾</i>	(5,983)	-8%	—	—	—		—
CKH Group Telecom ⁽⁵⁾	21,131	30%	18,409	25%	15%		19%
Hutchison Asia Telecommunications	1,055	1%	321	—	229%		218%
Finance & Investments and Others ⁽⁵⁾	9,974	14%	2,571	4%	288%		289%
Total EBIT	71,108	100%	72,885	100%	-2%		1%
Interest expenses and other finance costs ⁽²⁾	(15,657)		(18,025)		13%		
Profit Before Tax	55,451		54,860		1%		
Tax ⁽²⁾							
Current tax	(7,814)		(7,795)		—		
Deferred tax	113		(283)		140%		
	(7,701)		(8,078)		5%		
Profit after tax	47,750		46,782		2%		
Non-controlling interests and perpetual capital securities holders' interests	(7,862)		(7,782)		-1%		
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,888		39,000		2%		6%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this Annual Report interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on a IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior period results, and better reflects management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and perpetual capital securities holders' interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended 31 December 2019. Unless otherwise specified, the discussion of the Group's operating results in this Annual Report is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Co-owned infrastructure investments with CKI P&L figures for the year ended 31 December 2019 represent the Group's share of results on the remaining 10% direct interest in these investments. The P&L figures for year ended 31 December 2018 represent 10 months of the Group's direct interest in these investments and remaining 10% direct interest in these investments from November 2018 onwards.

Note 4: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

Note 5: Revenue of HK\$410 million, EBITDA of HK\$225 million and EBIT of HK\$193 million in 2018 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

	Post-IFRS 16 ⁽¹⁾ 2019		2018		Change %	Local currencies change %
	HK\$ million	%	HK\$ million	%		
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%	5%
Retail	169,225	38%	168,991	37%	—	4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%	-17%
<i>CK Infrastructure</i>	49,818	11%	53,274	12%	-6%	-2%
<i>Co-owned infrastructure investments⁽³⁾</i>	1,373	1%	11,450	2%	-88%	-87%
Husky Energy	47,618	11%	54,251	12%	-12%	-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%	12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%	9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%	1%
Total Revenue	439,856	100%	453,230	100%	-3%	1%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	16,092	12%	13,392	12%	20%	23%
Retail	27,023	20%	16,164	14%	67%	71%
Infrastructure ⁽³⁾	28,751	21%	35,422	31%	-19%	-15%
<i>CK Infrastructure</i>	28,118	21%	29,406	26%	-4%	1%
<i>Co-owned infrastructure investments⁽³⁾</i>	633	—	6,016	5%	-89%	-89%
Husky Energy	3,480	3%	12,106	11%	-71%	-69%
<i>Underlying</i>	9,463	7%	12,106	11%	-22%	-20%
<i>One-off impairment and other charges⁽⁴⁾</i>	(5,983)	-4%	—	—	—	—
CKH Group Telecom ⁽⁵⁾	42,417	31%	30,357	27%	40%	44%
Hutchison Asia Telecommunications	4,328	3%	1,028	1%	321%	318%
Finance & Investments and Others ⁽⁵⁾	13,958	10%	5,111	4%	173%	177%
Total EBITDA	136,049	100%	113,580	100%	20%	24%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	10,216	14%	8,726	12%	17%	20%
Retail	14,705	19%	13,078	18%	12%	16%
Infrastructure ⁽³⁾	19,259	26%	24,038	33%	-20%	-16%
<i>CK Infrastructure</i>	18,868	25%	20,076	28%	-6%	-1%
<i>Co-owned infrastructure investments⁽³⁾</i>	391	1%	3,962	5%	-90%	-90%
Husky Energy	(2,974)	-4%	5,742	8%	-152%	-150%
<i>Underlying</i>	3,009	4%	5,742	8%	-48%	-46%
<i>One-off impairment and other charges⁽⁴⁾</i>	(5,983)	-8%	—	—	—	—
CKH Group Telecom ⁽⁵⁾	21,987	29%	18,409	25%	19%	24%
Hutchison Asia Telecommunications	2,032	3%	321	—	533%	522%
Finance & Investments and Others ⁽⁵⁾	10,119	13%	2,571	4%	294%	295%
Total EBIT	75,344	100%	72,885	100%	3%	7%
Interest expenses and other finance costs ⁽²⁾	(20,117)		(18,025)		-12%	
Profit Before Tax	55,227		54,860		1%	
Tax ⁽²⁾						
Current tax	(7,834)		(7,795)		-1%	
Deferred tax	215		(283)		176%	
	(7,619)		(8,078)		6%	
Profit after tax	47,608		46,782		2%	
Non-controlling interests and perpetual capital securities holders' interests	(7,778)		(7,782)		—	
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,830		39,000		2%	6%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this Annual Report interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on a IAS 17 basis.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Co-owned infrastructure investments with CKI P&L figures for the year ended 31 December 2019 represent the Group's share of results on the remaining 10% direct interest in these investments. The P&L figures for year ended 31 December 2018 represent 10 months of the Group's direct interest in these investments and remaining 10% direct interest in these investments from November 2018 onwards.

Note 4: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

Note 5: Revenue of HK\$410 million, EBITDA of HK\$225 million and EBIT of HK\$193 million in 2018 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

Financial Performance Summary

	2018		2017		Change %
	HK\$ million	%	HK\$ million	%	
Revenue ⁽¹⁾					
Ports and Related Services ⁽¹⁾	35,175	8%	34,146	8%	3%
Retail	168,991	37%	156,163	38%	8%
Infrastructure ⁽¹⁾	64,724	14%	57,369	14%	13%
Husky Energy	54,251	12%	44,948	11%	21%
3 Group Europe	78,411	17%	70,734	17%	11%
Hutchison Telecommunications Hong Kong Holdings	7,912	2%	9,685	2%	-18%
Hutchison Asia Telecommunications	8,220	2%	7,695	2%	7%
Finance & Investments and Others	35,546	8%	34,097	8%	4%
Total Revenue	453,230	100%	414,837	100%	9%
EBITDA ⁽¹⁾					
Ports and Related Services ⁽¹⁾	13,392	12%	12,563	12%	7%
Retail	16,164	14%	14,798	14%	9%
Infrastructure ⁽¹⁾	35,422	31%	33,033	32%	7%
Husky Energy	12,106	11%	8,992	9%	35%
3 Group Europe	28,761	25%	24,337	23%	18%
Hutchison Telecommunications Hong Kong Holdings	1,371	1%	4,337	4%	-68%
Hutchison Asia Telecommunications	1,028	1%	558	1%	84%
Finance & Investments and Others	5,336	5%	5,736	5%	-7%
Total EBITDA	113,580	100%	104,354	100%	9%
EBIT ⁽¹⁾					
Ports and Related Services ⁽¹⁾	8,726	12%	8,219	12%	6%
Retail	13,078	18%	12,089	18%	8%
Infrastructure ⁽¹⁾	24,038	33%	23,449	35%	3%
Husky Energy	5,742	8%	2,703	4%	112%
3 Group Europe	17,663	24%	16,567	25%	7%
Hutchison Telecommunications Hong Kong Holdings	553	1%	707	1%	-22%
Hutchison Asia Telecommunications	321	–	226	–	42%
Finance & Investments and Others	2,764	4%	3,632	5%	-24%
Total EBIT	72,885	100%	67,592	100%	8%
Interest expenses and other finance costs ⁽¹⁾	(18,025)		(18,024)		–
Profit before tax	54,860		49,568		11%
Tax ⁽¹⁾					
Current tax	(7,795)		(7,898)		1%
Deferred tax	(283)		1,843		-115%
	(8,078)		(6,055)		-33%
Profit after tax	46,782		43,513		8%
Non-controlling interests and perpetual capital securities holders' interests	(7,782)		(8,413)		8%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,000		35,100		11%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust, as well as reflecting the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure investments with CK Infrastructure Holdings Limited ("CKI") after the divestment of 90% of the direct economic benefits in October 2018.

Financial Performance Summary

	2017		2016 ⁽²⁾		Change %
	HK\$ million	%	HK\$ million	%	
Revenue ⁽¹⁾					
Ports and Related Services ⁽¹⁾	34,146	8%	32,184	9%	6%
Retail	156,163	38%	151,502	40%	3%
Infrastructure	57,369	14%	53,211	14%	8%
Husky Energy	44,948	11%	30,467	8%	48%
3 Group Europe	70,734	17%	62,415	16%	13%
Hutchison Telecommunications Hong Kong Holdings	9,685	2%	12,133	3%	-20%
Hutchison Asia Telecommunications	7,695	2%	8,200	2%	-6%
Finance & Investments and Others	34,097	8%	32,211	8%	6%
Total Revenue	414,837	100%	382,323	100%	9%
EBITDA ⁽¹⁾					
Ports and Related Services ⁽¹⁾	12,563	12%	11,639	12%	8%
Retail	14,798	14%	14,567	16%	2%
Infrastructure	33,033	32%	31,128	33%	6%
Husky Energy	8,992	9%	9,284	10%	-3%
3 Group Europe	24,337	23%	18,944	20%	28%
Hutchison Telecommunications Hong Kong Holdings	4,337	4%	2,607	3%	66%
Hutchison Asia Telecommunications	558	1%	2,298	2%	-76%
Finance & Investments and Others	5,736	5%	4,058	4%	41%
Total EBITDA	104,354	100%	94,525	100%	10%
EBIT ⁽¹⁾					
Ports and Related Services ⁽¹⁾	8,219	12%	7,567	12%	9%
Retail	12,089	18%	12,059	19%	–
Infrastructure	23,449	35%	22,162	35%	6%
Husky Energy	2,703	4%	3,429	6%	-21%
3 Group Europe	16,567	25%	12,838	20%	29%
Hutchison Telecommunications Hong Kong Holdings	707	1%	1,055	2%	-33%
Hutchison Asia Telecommunications	226	–	2,130	3%	-89%
Finance & Investments and Others	3,632	5%	1,879	3%	93%
Total EBIT	67,592	100%	63,119	100%	7%
Interest expenses and other finance costs ⁽¹⁾	(18,024)		(13,278)		-36%
Profit Before Tax	49,568		49,841		-1%
Tax ⁽¹⁾					
Current tax	(7,898)		(6,247)		-26%
Deferred tax	1,843		(1,769)		204%
	(6,055)		(8,016)		24%
Profit after tax	43,513		41,825		4%
Non-controlling interests and perpetual capital securities holders' interests	(8,413)		(8,817)		5%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	35,100		33,008		6%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 2: The 2016 comparative has been reclassified to enable a better comparison of performance. The items in "profits on disposal of investments & others" in 2016 have been reclassified to the respective lines under revenue, EBITDA and EBIT to conform with 2017 presentation.

GLOSSARY OF CERTAIN TERMS

Aggregates — rock, generally granite, which has been crushed into different sizes for use in the construction industry.

CDMA — Code Division Multiple Access cellular telephone technology.

DVB-H — Digital Video Broadcast to Handheld is a technical specification for bringing broadcast services to handheld receivers.

GHz — gigahertz.

GPRS — General Packet Radio System is a mobile data service available to users of GSM mobile phones.

GSM — Global System for Mobile Communications cellular telephone technology.

HSDPA — High Speed Downlink Packet Access is a new mobile telephony protocol, provides a smooth evolutionary path for Universal Mobile Telecommunications System (UMTS) networks allowing for higher data capacity.

IDD — International Direct Dial.

km — kilometer.

Mbps — Megabits per second.

MHz — megahertz.

MW — megawatt, equal to 1,000 kilowatts.

NPC — the National People's Congress of China.

Panamax — ships that are of the maximum dimensions that will fit through the locks of the Panama Canal, each of which is 1,000 feet long by 110 feet wide and 85 feet deep.

PCS — Personal Communications Service, System or Network cellular telephone technology.

Post Panamax — a vessel whose size does not allow it to transit the Panama Canal.

SAR — Special Administrative Region of the PRC.

square meter — equivalent to approximately 10.764 square feet.

TEU — Twenty foot equivalent unit, which is the amount of cargo that can be shipped in a container 20 feet long by 8 feet wide by 8 feet 6 inches high with a maximum load of 24 tons.

UMTS — Universal Mobile Telecommunications Systems.

U.S. — United States.

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