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.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

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 (21) 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 (21) 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.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING MEMORANDUM **CONFIDENTIAL**

CK HUTCHISON INTERNATIONAL (21) LIMITED

(incorporated in the Cayman Islands with limited liability)

US$500,000,000 1.500% Guaranteed Notes due 2026
US$850,000,000 2.500% Guaranteed Notes due 2031
US$650,000,000 3.125% Guaranteed Notes due 2041
unconditionally and irrevocably guaranteed by

CK Hutchison Holdings Limited

(incorporated in Cayman Islands with limited liability)

Offer Price for Notes Due 2026: 99.808% plus accrued interest, if any
Offer Price for Notes Due 2031: 98.907% plus accrued interest, if any
Offer Price for Notes Due 2041: 98.346% plus accrued interest, if any

CK Hutchison International (21) Limited (the "Issuer") will issue US$500,000,000 principal amount of 1.500% guaranteed notes due 2026 (the "Notes Due 2026"), US$850,000,000 principal amount of 2.500% guaranteed notes due 2031 (the "Notes Due 2031") and US$650,000,000 principal amount of 3.125% guaranteed notes due 2041 (the "Notes Due 2041" and, together with the Notes Due 2026 and the Notes Due 2031, 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 April 15, 2021 at the rates set forth above, payable semi-annually in arrears on April 15 and October 15 of each year (commencing October 15, 2021) for the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041, and at maturity, being April 15, 2026 for the Notes Due 2026, April 15, 2031 for the Notes Due 2031, and April 15, 2041 for the Notes Due 2041. The notes will not be redeemable by the Issuer prior to maturity, except (i) upon the occurrence of certain changes in Cayman Islands tax law requiring the payment of Additional Amounts as described herein, (ii) at any time before (in relation to the Notes Due 2026), March 15, 2026, (in relation to the Notes Due 2031), January 15, 2031 and (in relation to the Notes Due 2041), October 15, 2040, notes may be redeemed, at the option of the Issuer or the Guarantor, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus an applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date, as described in "Description of the Notes and the Guarantee" and (iii) at any time on or after March 15, 2026, Notes Due 2026 may be redeemed, at any time on or after January 15, 2031, Notes Due 2031 may be redeemed and at any time on or after October 15, 2040, Notes Due 2041 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole or 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 23 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 April 15, 2021.

Joint Global Coordinators

BofA Securities **Citigroup** **Deutsche Bank** **Goldman Sachs (Asia) L.L.C.**

Joint Bookrunners

DBS Bank Ltd. **Scotiabank** **SMBC Nikko**

The date of this offering memorandum is April 12, 2021

TABLE OF CONTENTS

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 (21) 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. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE Notes IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE Notes. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON THEIR BEHALF).

Prohibition of sales to EEA retail investors – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the product approval process of Deutsche Bank AG, Hong Kong Branch (the "EU Manufacturer"), the target market assessment by the EU Manufacturer (and for which the EU Manufacturer solely is responsible) in respect of the notes has led to the conclusion by the EU Manufacturer that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the EU Manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the EU Manufacturer's target market assessment) and determining appropriate distribution channels.

Prohibition of sales to UK retail investors – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the product approval process of SMBC Nikko Capital Markets Limited (the "UK Manufacturer"), the target market assessment by the UK Manufacturer (and for which the UK Manufacturer solely is responsible) in respect of the notes has led to the conclusion that: (i) the target market for the notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR") and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the UK Manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the UK Manufacturer's target market assessment) and determining appropriate distribution channels.

In connection with the offering, any Initial Purchaser established in the EEA or in the UK is not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing advice in relation to the offering.

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 41(a), 41(b) and 41(c), respectively, to the consolidated financial statements of CKHH for the year ended December 31, 2020 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 2, 2021, 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$7.7759 = 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 divesture and on a net of divesture basis after the divesture 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 divesture and on a net of divesture basis after the divesture 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 February 1, 2021. Its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-371283.

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. Further details of the Reorganization can be found in the section "Management's Discussion and Analysis of Results of Operations and Financial Condition of CKHH – The Reorganization" below.

CKHH is a Hong Kong-based multinational conglomerate whose shares are listed on the SEHK. As of December 31, 2020, CKHH operates five core business divisions in about 50 countries: ports and related services; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations. From January 2021 onwards, CKHH's 15.71% share of Cenovus Energy Inc. results will be reported under finance & investments and others segment after the completion of merger between Cenovus Energy Inc. and Husky Energy. See also "Summary – Recent Developments – Energy" for details. Significant developments in CKHH's business since December 31, 2020 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. As of December 31, 2020, CKHH had interests in 52 ports comprising 283 operational berths[(1)] in 26 countries in Asia, the Middle East, Africa, Europe, the Americas and Australasia. In 2019 and 2020, CKHH's ports and related services division handled combined container throughput of 86.0 million TEU and 83.7 million TEU, respectively.

CKHH has interests in various locations including:

(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.

- the Mainland, where Hutchison Ports holds interests in Shanghai Mingdong Container Terminals ("SMCT"), Shanghai Pudong International Container Terminals ("SPICT"), Shanghai Container Terminals ("SCT"), 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 ninth busiest container port in the world in 2020 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 and Gdynia Container Terminal ("GCT") in Poland, as well as Hutchison Ports Sweden which has container-handling facilities at the Port of Nynäshamn ("CTN", which commenced operations at the end of May 2020), Norvikudden, and had the right to operate Container Terminal Frihamnen ("CTF", which was closed and returned to the port authority in June 2020) 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 held interests in International Ports Services ("IPS") at Dammam. The concession expired at the end of September 2020. In February 2021, Hutchison Ports agreed with the Royal Commission in Jubail and Yanbu, to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases;

- Egypt, where Hutchison Ports holds interests in Alexandria International Container Terminals ("AICT"), which operates terminals at Alexandria and El Dekheila Ports. In August 2020, Hutchison Ports entered into a long-term agreement with the Egyptian Navy to develop and operate a new container terminal in Abu Qir;
- 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 139 million loyalty member base, and an operator of major chains of supermarkets and consumer electronics and electrical appliances stores. As of December 31, 2020, A.S. Watson had 16,167 stores in 27 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

CK Infrastructure Holdings Limited ("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, 2020, CKI's major interests include:

- a 35.96% interest in Power Assets Holdings Limited ("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 Limited ("Northumbrian Water"), a group comprising one of the ten regulated water and sewerage companies in England and Wales, which provides water and waste water services in the North East of England and water services in the South East of England. In addition, Northumbrian Water's operations include 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 a gas distribution network that serves 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 major rolling stock owning companies that were established at the time of privatization of the UK rail industry. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, on long term contracts to train and freight 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 located near Bristol, England;

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

- 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 sustainable 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. Disposal of CKI's and Power Assets' respective 50% interest in Portugal Renewable Energy was completed in October 2020;

- a 35% interest in ista, a fully integrated energy management services provider that runs submetering businesses across 22 countries, for heat and water consumption. 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"), the largest electricity distributor 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 owns and operates 71 kilometers of transmission lines and terminal stations in Victoria, Australia that connect Mount Mercer, Lal Lal, Moorabool and Ararat wind farms to the national power 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, 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 approximately half a million commercial and household customers via collection services, 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% interest in the Meridian Cogeneration Plant and a 49.99% 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 three natural gas-fired cogeneration plants in Alberta and Ontario, Canada and a power generation plant in Alberta, Canada undergoing coal-to-gas conversion;

- 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, oil storage capacity of 5.9 million barrels at the Hardisty and Lloydminster terminals, and other ancillary assets in Alberta and Saskatchewan. The remaining 35% interest in HMLP is held by Husky Energy, an associated company in which CKHH owned a 40.19% interest as of December 31, 2020;

- 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 149.8 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 of December 31, 2020 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 divesture 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.

Energy

In January 2021, Cenovus Energy Inc. ("Cenovus Energy"), a Canadian integrated oil and nature natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy Inc. ("Husky" or "Husky Energy"). With the completion of the merger transaction, Husky Energy has become a wholly owned subsidiary of Cenovus Energy. Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[(3)]. The results of the energy division up to December 31, 2020 represent CKHH's 40.19% share of Husky Energy's results. From January 2021 onwards, CKHH's share of Cenovus Energy results will be reported under finance & investments and others segment. See also "Summary – Recent Developments – Energy" for details.

Prior to the above transaction, Husky Energy was a CKHH's 40.19% owned associated company. It was an international integrated energy company incorporated in Canada and was listed on the Toronto Stock Exchange. Husky Energy had two business segments: (i) an Integrated Canada-US Upstream and Downstream corridor ("Integrated Corridor"); and (ii) production located offshore the east coast of Canada ("Atlantic") and offshore China and Indonesia ("Asia Pacific" and collectively with Atlantic, "Offshore").

- Integrated Corridor: Husky Energy's business in the Integrated Corridor included: crude oil, bitumen, conventional natural gas, NGL and ethanol production from Western Canada; marketing and transportation of Husky Energy's and other producers' production; the Upgrader and Asphalt Refinery; Husky Midstream Limited Partnership (35% working interest and operatorship); the Lima Refinery, the BP-Husky Toledo Refinery (50% working interest) and the Superior Refinery in the U.S. Midwest; and the marketing of refined petroleum products including gasoline, diesel and ethanol blended fuels. Conventional 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.

- Offshore: Husky Energy's Offshore business included operations, development and exploration in Asia Pacific and Atlantic.

Telecommunications

CKHH is a leading worldwide operator of mobile telecommunications networks with CK Hutchison Group Telecom ("CKHGT") consolidating (i) unlisted mobile telecommunications businesses in Europe ("**3** Group Europe"); (ii) an approximate 66.09% interest in HTHKH which is listed on the main board of SEHK; (iii) Hutchison Asia Telecommunications ("HAT") consists of telecommunications operations in Indonesia, Vietnam and Sri Lanka; and (iv) 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. As of December 31, 2020, CKHH's **3** Group Europe operations had approximately 44.5 million registered customers.

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(3) On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by CKHH.

- In the UK, Hutchison 3G UK Limited ("**3** UK") serviced a registered customer base of approximately 13.1 million as of December 31, 2020.
- In Italy, Wind Tre serviced a registered customer base of approximately 21.5 million as well as 2.8 million fixed line customers as of December 31, 2020.
- In Sweden, Hi3G Access AB ("Hi3G Access"), in which CKHH holds a 60% interest, serviced a registered customer base of approximately 2.2 million as of December 31, 2020.
- 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, 2020.
- In Austria, Hutchison Drei Austria GmbH ("**3** Austria") serviced a registered customer base of approximately 3.5 million as of December 31, 2020.
- In Ireland, Three Ireland (Hutchison) Limited ("**3** Ireland") serviced a registered customer base of approximately 2.6 million as of December 31, 2020.

In November 2020, CKHH entered into an agreement to dispose of its European telecommunications tower assets for an aggregate consideration of €10 billion. The disposals of tower assets in Denmark, Austria and Ireland, pursuant to this agreement, were completed in December 2020. Disposal of the remaining tower assets in Sweden was completed in January 2021, with the disposal of the tower assets in Italy and in the UK expected to complete in the first half and second half of 2021 respectively.

- 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**, MO and MO+ Brands. HTHKH has a combined active mobile customer base of approximately 3.3 million in Hong Kong and Macau as of December 31, 2020.
- HAT holds interests in mobile operations in Indonesia, Vietnam and Sri Lanka. HAT has an active mobile customer base of approximately 57.0 million as of December 31, 2020.
- HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange ("ASX"), has a 25.05% interest in TPG Telecom Limited (formerly known as Vodafone Hutchison Australia or "VHA", a 50-50 joint venture with Vodafone Group Plc before its merger with TPG Corporation Limited (formerly named TPG Telecom Limited) which became effective on June 26, 2020). Post-merger, TPG Telecom Limited was listed on the ASX on June 30, 2020 and is 25.05% held by HTAL. CKHH's share of TPG Telecom Limited's results is included under finance & investments and others segment.

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, listed associate TOM Group, the Marionnaud Group, AlipayHK (deconsolidated in 2020), listed associate CK Life Sciences Int'l., (Holdings) Inc. ("CKLS") and listed subsidiary HTAL, which has a 25.05% interest in TPG Telecom Limited are reported under this division.

- HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK, and also owns 45.69% of Hutchison China MediTech Ltd ("HUTCHMED", formerly known as "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. HUTCHMED is an innovative, commercial-stage, biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases. During 2019, CKHH partially disposed of its interest in HUTCHMED, reducing CKHH's shareholding from 60.15% to 49.86%. Subsequent to the follow-on offering of HUTCHMED's ADS in January 2020 and private placements in July and November 2020, CKHH's shareholding was further diluted from 49.85% to 45.69%;

- 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 as well as 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 had a 50% interest in AlipayHK, a consumer-oriented digital app, which integrates online and offline payments in Hong Kong. In 2020, CKHH's interest in AlipayHK was reduced to 19.9% and is currently an unlisted investment.

Recent Developments

Ports and Related Services

- In February 2021, Hutchison Ports agreed with the Royal Commission in Jubail and Yanbu to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases. Commercial operations of general cargo and dry-bulk terminal are expected to be launched in 2021 with the container terminal expected to launch in early 2022, offering a combined total of 1,270 meters of berth length in Phase 1.

Energy

- In January 2021, Cenovus Energy, a Canadian integrated oil and natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy. The merger creates Canada's third largest oil and natural gas producer, based on total company production, with about 750,000 barrels of oil equivalent per day ("boe/day") of low-cost oil and natural gas production. The combined company also becomes the second largest Canadian-based refiner and upgrader, with total North American refining and upgrading capacity of approximately 660,000 barrels per day ("bbls/day"). With the completion of the merger transaction, Husky Energy has become a wholly owned subsidiary of Cenovus Energy. Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[4]. The results of the energy division reported up to December 31, 2020 represent CKHH's 40.19% share of Husky Energy's results. From January 2021 onwards, CKHH's share of Cenovus Energy results will be reported under finance & investments and others segment. As a result of the merger transaction, CKHH will recognize an exchange reserve reclassification adjustment charge of approximately HK$3.5 billion (US$0.4 billion) under the finance & investments and others segment in CKHH's 2021 results.

Telecommunication

- In January 2021, **3** Sweden acquired 100MHz in 3.5GHz spectrum band for approximately SEK491 million.

- In January 2021, the disposal of tower assets in Sweden to Cellnex was completed and resulted in a gain attributable to shareholders of approximately HK$6.6 billion (US$0.8 billion) to be reported in CKHH's 2021 results.

- In March 2021, **3** UK acquired 20MHz in 700MHz spectrum band for a base price of £280 million.

Finance & Investments and Others

- In January 2021, CK Hutchison Group Telecom prepaid EUR1,650 million (approximately HK$15,527 million) of a floating rate term loan facility of EUR2,100 million maturing in October 2022.

- In March 2021, US$1,200 million (approximately HK$9,360 million) aggregate principal amount of Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI were redeemed in full.

- In March 2021, CKHH repurchased 200,000 of its own shares for approximately HK$12.2 million (US$1.6 million).

- In March 2021, Hutchison China MediTech Limited ("HUTCHMED", formerly known as "Chi-Med") announced that it has reached an agreement to sell its entire indirect interest in Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), a non-core and non-consolidated over-the-counter ("OTC") drug joint venture business, for US$169 million. The transaction is subject to regulatory approval in China and is expected to close in mid-2021.

- In April 2021, HUTCHMED announced to issue shares amounting to US$100 million at a price equivalent to US$30.5 per American Depositary Share ("ADS") via a private placement to Baring Private Equity Asia. The share issuance is expected to become effective on April 14, 2021, and CKHH's shareholding will be further diluted to 44.66%.

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[4] On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants heldby CKHH.

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 (21) Limited
Guarantor	CK Hutchison Holdings Limited
Notes Offered	US$500,000,000 principal amount of 1.500% guaranteed notes due 2026 (the "Notes Due 2026"), US$850,000,000 principal amount of 2.500% guaranteed notes due 2031 (the "Notes Due 2031") and US$650,000,000 principal amount of 3.125% guaranteed notes due 2041 (the "Notes Due 2041"). The Notes Due 2026, the Notes Due 2031 and the Notes Due 2041 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".
Guarantee	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.
Status of Notes and Guarantee	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.
Issue Prices	99.808% of principal amount plus accrued interest, if any, from April 15, 2021 with respect to the Notes Due 2026.

	98.907% of principal amount plus accrued interest, if any, from April 15, 2021 with respect to the Notes Due 2031.
	98.346% of principal amount plus accrued interest, if any, from April 15, 2021 with respect to the Notes Due 2041.
Maturity Dates	April 15, 2026 with respect to the Notes Due 2026.
	April 15, 2031 with respect to the Notes Due 2031.
	April 15, 2041 with respect to the Notes Due 2041.
Interest	The Notes Due 2026, the Notes Due 2031 and the Notes Due 2041 will bear interest at 1.500%, 2.500% and 3.125%, respectively, from April 15, 2021 and be payable semi-annually in arrears. Interest will be calculated on the basis of a 360-day year and twelve 30-day months.
Interest Payment Dates	April 15 and October 15 of each year, commencing October 15, 2021, with respect to the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041, and at maturity, being April 15, 2026 for the Notes Due 2026, April 15, 2031 for the Notes Due 2031 and April 15, 2041 for the Notes Due 2041.
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; (ii) at any time before (in relation to the Notes Due 2026), March 15, 2026, (in relation to the Notes Due 2031), January 15, 2031 and (in relation to the Notes Due 2041), October 15, 2040, notes may be redeemed, at the option of the Issuer or the Guarantor, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus an applicable premium as of, and accrued and unpaid interest, if any, to, the redemption date; and (iii) at any time on or after March 15, 2026, the Notes Due 2026 may be redeemed, at any time on or after January 15, 2031, the Notes Due 2031 may be redeemed and at any time on or after October 15, 2040, the Notes Due 2041 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole or 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	The notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 above that amount. 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. 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.
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$1,971 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. See "Use of Proceeds".

Identification Numbers for the Notes Due 2026	*Rule 144A* Global Certificates Common Code: 233260339 CUSIP: 12565W AA9 ISIN: US12565WAA99	*Regulation S* Global Certificates Common Code: 233260355 CUSIP: G2182G AA1 ISIN: USG2182GAA16

Identification Numbers for the Notes Due 2031	*Rule 144A* Global Certificates Common Code: 233260398 CUSIP: 12565W AB7 ISIN: US12565WAB72	*Regulation S* Global Certificates Common Code: 233260444 CUSIP: G2182G AB9 ISIN: USG2182GAB98
Identification Numbers for the Notes Due 2041	*Rule 144A* Global Certificates Common Code: 233260517 CUSIP: 12565W AC5 ISIN: US12565WAC55	*Regulation S* Global Certificates Common Code: 233206525 CUSIP: G2182G AC7 ISIN: USG2182GAC71
Legal Entity Identifier (LEI) of the Issuer:	254900E16YL0NL5TFN79	

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, 2018, 2019 and 2020 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong, as stated in their unqualified audit reports dated March 21, 2019, March 19, 2020 and March 18, 2021, 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, 2018, 2019 and 2020;

(2) consolidated statement of financial position of CKHH as of December 31, 2018, 2019 and 2020; and

(3) consolidated statement of cash flows of CKHH for each of the years ended December 31, 2018, 2019 and 2020.

The selected financial information

- as of December 31, 2018 and for the year then ended has been extracted from CKHH's consolidated financial statements for the year ended December 31, 2019, except to the extent of incorporating the changes adopted by CKHH in 2020 in presenting an additional line item "Other income and gains" in the consolidated income statement and other corresponding presentational changes as described in footnote (a) to the table "Consolidated Income Statement";
- as of December 31, 2019 and 2020 and for each of the years then ended has been extracted from CKHH's consolidated financial statements for the year ended December 31, 2020.

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,			
	2018[a]	2019	2020	2020
	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	277,129	299,021	266,396	34,153
Cost of inventories sold	(109,564)	(105,959)	(95,549)	(12,250)
Staff costs	(36,478)	(37,958)	(35,495)	(4,551)
Expensed customer acquisition and retention costs	(16,124)	(17,755)	(16,362)	(2,098)
Depreciation and amortization	(19,739)	(38,129)	(41,658)	(5,340)
Other expenses and losses	(58,910)	(47,339)	(42,482)	(5,446)
Other income and gains	9,573	7,293	31,274	4,010
Share of profits less losses of:				
Associated companies	2,888	1,524	(18,529)	(2,376)
Joint ventures	10,220	7,404	4,954	635
Profit before the following:	58,995	68,102	52,549	6,737
Interest expenses and other finance costs	(9,797)	(14,305)	(10,850)	(1,391)
Profit before tax	49,198	53,797	41,699	5,346
Current tax	(3,912)	(4,891)	(3,985)	(511)
Deferred tax credit (charge)	1,294	(1,129)	(317)	(41)
Profit after tax	46,580	47,777	37,397	4,794
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,580)	(7,947)	(8,254)	(1,058)
Profit attributable to ordinary shareholders	39,000	39,830	29,143	3,736
Earnings per share for profit attributable to ordinary shareholders	HK$10.11	HK$10.33	HK$7.56	US$0.97

(a) In 2020, CKHH presented an additional line item "Other income and gains" in the consolidated income statement to provide information in respect of the profit and loss effects arising from, amongst others, major corporate transactions that completed in 2020. As a result, previously published consolidated income statement line item "Other operating expenses" has been renamed to "Other expenses and losses", and related comparative information in respect of the year ended December 31, 2019 included in CKHH's consolidated financial statements for the year ended December 31, 2020 has been reclassified to conform to this presentation. The previously issued consolidated income statement for the year ended December 31, 2018 included in CKHH's consolidated financial statement for the year ended December 31, 2018 and December 31, 2019 has not been updated and reissued to reflect these changes in presentation. For consistency purposes, the consolidated income statement for the year ended December 31, 2018 set out above has been updated to reflect these changes in presentation.

Consolidated Statement of Financial Position

	As of December 31,			
	2018	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million
Non-current assets				
Fixed assets	110,605	119,131	132,101	16,936
Right-of-use assets	–	83,708	83,805	10,744
Leasehold land	7,702	–	–	–
Telecommunications licenses	64,221	63,387	66,944	8,583
Brand names and other rights	88,761	88,275	91,453	11,725
Goodwill	323,160	308,986	319,718	40,989
Associated companies	136,287	144,751	136,076	17,446
Interests in joint ventures	121,397	143,555	141,465	18,136
Deferred tax assets	20,260	20,353	19,926	2,555
Liquid funds and other listed investments	9,292	7,722	10,588	1,357
Other non-current assets	10,717	14,276	14,944	1,916
	892,402	994,144	1,017,020	130,387
Current assets				
Cash and cash equivalents	135,411	137,127	155,951	19,994
Inventories	23,410	23,847	24,565	3,149
Trade receivables and other current assets	63,826	55,709	55,809	7,155
	222,647	216,683	236,325	30,298
Assets classified as held for sale	117,195	149	1,251	160
	339,842	216,832	237,576	30,458
Current liabilities				
Bank and other debts	25,986	39,995	48,021	6,157
Current tax liabilities	2,071	1,869	2,639	338
Lease liabilities	–	18,079	18,621	2,387
Trade payables and other current liabilities	116,272	99,358	103,881	13,318
	144,329	159,301	173,162	22,200
Liabilities directly associated with assets classified as held for sale	77,600	–	284	36
	221,929	159,301	173,446	22,236
Net current assets	117,913	57,531	64,130	8,222
Total assets less current liabilities	1,010,315	1,051,675	1,081,150	138,609
Non-current liabilities				
Bank and other debts	325,570	304,565	301,050	38,596
Interest bearing loans from non-controlling shareholders	752	728	798	102
Lease liabilities	–	75,609	75,644	9,698
Deferred tax liabilities	19,261	16,819	17,672	2,266
Pension obligations	2,443	3,123	3,804	488
Other non-current liabilities	71,466	53,868	52,119	6,682
	419,492	454,712	451,087	57,832
Net assets	590,823	596,963	630,063	80,777
Capital and reserves				
Share capital	3,856	3,856	3,856	494
Share premium	244,377	244,377	244,377	31,330
Reserves	197,918	216,052	246,063	31,547
Total ordinary shareholders' funds	446,151	464,285	494,296	63,371
Perpetual capital securities	12,326	12,410	12,415	1,591
Non-controlling interests	132,346	120,268	123,352	15,815
Total equity	590,823	596,963	630,063	80,777

Consolidated Statement of Cash Flows

	Year ended December 31,			
	2018	2019	2020	2020
	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	72,590	95,291	87,072	11,163
Interest expenses and other finance costs paid (net of capitalization)	(10,661)	(14,621)	(10,789)	(1,383)
Tax paid	(4,584)	(5,823)	(3,628)	(465)
Funds from operations (before payment of lease liabilities)	57,345	74,847	72,655	9,315
Changes in working capital	(1,611)	(5,577)	516	66
Net cash from operating activities	55,734	69,270	73,171	9,381
Investing activities				
Purchase of fixed assets	(27,540)	(32,190)	(27,104)	(3,475)
Additions to telecommunications licenses	(8,527)	(1,286)	(679)	(87)
Additions to brand names and other rights	(1,479)	(2,817)	(1,791)	(229)
Purchase of subsidiary companies, net of cash acquired	(14,323)	(30)	–	–
Additions to other unlisted investments	(414)	(17)	(131)	(17)
Repayments of loans from associated companies and joint ventures	2,222	641	1,609	206
Purchase of and advances to associated companies and joint ventures	(2,446)	(885)	(833)	(107)
Proceeds from disposal of fixed assets	92	150	564	72
Proceeds from disposal of subsidiary companies, net of cash disposed	1,121	(1,522)	20,780	2,664
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	–	(2,429)	–	–
Proceeds from partial disposal/disposal of associated companies and joint ventures	149	2,388	2,005	257
Proceeds from disposal of other unlisted investments	8	130	13	2
Cash flows used in investing activities before additions to/disposal of liquid funds and other listed investments	(51,137)	(37,867)	(5,567)	(714)
Disposal of liquid funds and other listed investments	387	503	730	94
Additions to liquid funds and other listed investments	(8,329)	(55)	(1,627)	(209)
Cash flow used in investing activities	(59,079)	(37,419)	(6,464)	(829)
Net cash inflow (outflow) before financing activities	(3,345)	31,851	66,707	8,552

	Year ended December 31,			
	2018	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million
Financing activities				
New borrowings	55,313	211,526	44,391	5,691
Repayment of borrowings	(54,961)	(211,455)	(56,361)	(7,225)
Payment of lease liabilities	–	(15,969)	(18,010)	(2,309)
Net loans to non-controlling shareholders	(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	25	(10)	–	–
Payments to acquire additional interests in subsidiary companies	(56)	(478)	(1,048)	(134)
Proceeds from partial disposal of subsidiary companies	–	2,201	309	40
Proceeds from issue of perpetual capital securities, net of transaction costs	4,442	–	–	–
Redemption of perpetual capital securities	(19,435)	–	–	–
Payments for buy-back and cancellation of issued shares	(131)	–	–	–
Dividends paid to ordinary shareholders	(11,341)	(12,225)	(11,238)	(1,441)
Dividends paid to non-controlling interests	(5,102)	(6,910)	(5,444)	(698)
Distributions paid on perpetual capital securities	(1,006)	(398)	(482)	(62)
Cash flows used in financing activities	(18,129)	(33,720)	(47,883)	(6,138)
Increase (decrease) in cash and cash equivalents	(21,474)	(1,869)	18,824	2,414
Cash and cash equivalents at January 1	160,470	138,996	137,127	17,580
Cash and cash equivalents at December 31	138,996	137,127	155,951	19,994

(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 for the year ended December 31, 2018 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. CKHH believes that the HKAS 17 basis ("Pre-HKFRS 16 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"), allows a like-with-like comparison with the prior period results, and better reflects management's view of CKHH's underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH's EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2019 and 2020.

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, 2018, 2019 and 2020; and
- prepared under the Post-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2019 and 2020.

The selected financial performance information

- for the year ended December 31, 2018 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2019; and
- for each of the years ended December 31, 2019 and 2020 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2020.

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,		
	2018	2019	2020	2020	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million	HK$ million	HK$ million	US$ million
Revenue							
Ports and Related Services	35,175	35,375	32,865	4,213	35,375	32,865	4,213
Retail	168,991	169,225	159,619	20,464	169,225	159,619	20,464
Infrastructure	64,724	51,191	52,792	6,768	51,191	52,792	6,768
Energy	54,251	47,618	31,179	3,997	47,618	31,179	3,997
CK Hutchison Group Telecom	86,733	93,517	90,663	11,624	93,517	90,663	11,624
Hutchison Asia Telecommunications	8,220	8,984	9,147	1,173	8,984	9,147	1,173
Finance & Investments and Others	35,136	33,946	27,581	3,536	33,946	27,581	3,536
Total Revenue	453,230	439,856	403,846	51,775	439,856	403,846	51,775
EBITDA							
Ports and Related Services	13,392	13,405	10,914	1,399	16,092	13,748	1,763
Retail	16,164	16,891	14,397	1,846	27,023	24,557	3,148
Infrastructure	35,422	28,488	29,066	3,726	28,751	29,367	3,765
Energy	12,106	3,139	(23,003)	(2,949)	3,480	(22,746)	(2,916)
Underlying	*12,106*	*9,122*	*1,906*	*244*	*9,463*	*2,163*	*277*
One-off impairment and other charges	–	*(5,983)*	*(24,909)*	*(3,193)*	*(5,983)*	*(24,909)*	*(3,193)*
CK Hutchison Group Telecom	30,357	35,341	48,540	6,223	42,417	56,706	7,270
Hutchison Asia Telecommunications	1,028	2,167	2,034	261	4,328	4,362	559
Finance & Investments and Others	5,111	12,637	14,996	1,923	13,958	16,354	2,097
Total EBITDA	113,580	112,068	96,944	12,429	136,049	122,348	15,686
EBIT							
Ports and Related Services	8,726	9,061	6,717	861	10,216	8,055	1,033
Retail	13,078	13,671	10,933	1,401	14,705	11,889	1,524
Infrastructure	24,038	19,220	18,488	2,370	19,259	18,537	2,376
Energy	5,742	(3,004)	(28,096)	(3,602)	(2,974)	(28,020)	(3,592)
Underlying	*5,742*	*2,979*	*(3,187)*	*(409)*	*3,009*	*(3,111)*	*(399)*
One-off impairment and other charges	–	*(5,983)*	*(24,909)*	*(3,193)*	*(5,983)*	*(24,909)*	*(3,193)*
CK Hutchison Group Telecom	18,409	21,131	32,581	4,177	21,987	33,484	4,293
Hutchison Asia Telecommunications	321	1,055	544	70	2,032	1,480	190
Finance & Investments and Others	2,571	9,974	12,687	1,627	10,119	12,879	1,651
Total EBIT	72,885	71,108	53,854	6,904	75,344	58,304	7,475
Interest expenses and other finance costs	(18,025)	(15,657)	(15,139)	(1,941)	(20,117)	(19,591)	(2,512)
Profit before tax	54,860	55,451	38,715	4,963	55,227	38,713	4,963
Tax							
Current tax	(7,795)	(7,814)	(7,557)	(969)	(7,834)	(7,538)	(966)
Deferred tax	(283)	113	6,087	781	215	6,227	798
Profit after tax	46,782	47,750	37,245	4,775	47,608	37,402	4,795
Non-controlling interests and perpetual capital securities holders' interests	(7,782)	(7,862)	(8,245)	(1,057)	(7,778)	(8,259)	(1,059)
Profit attributable to ordinary shareholders	39,000	39,888	29,000	3,718	39,830	29,143	3,736

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, the COVID-19 pandemic, 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 changing Hong Kong's rating outlook from Aa2 (stable outlook) to Aa2 (negative outlook) in September 2019 and in January 2020, downgraded Hong Kong's rating to Aa3 (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 November 2019, Moody's changed the United Kingdom's ("UK") rating outlook from Aa2 (stable outlook) to Aa2 (negative outlook) and in October 2020, downgraded its rating to Aa3 (stable outlook). In December 2019, S&P revised UK's rating outlook from AA (negative outlook) to AA (stable outlook). In March 2020, Fitch downgraded UK's rating from AA (negative outlook) to AA– (negative 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.

COVID-19 Pandemic

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 significant number of reported cases and related deaths.

Several countries' governments and numerous companies have imposed increasingly stringent restrictions to help avoid, or slow down, the spread of the pandemic, 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 has had and may continue to have an adverse effect in the short to medium term on CKHH's operations, particularly the ports and related services and retail operations, among others. Although certain countries, such as China, have relaxed some restrictions and allowed some businesses to resume operations, there can be no assurance that there will not be new cases of infections and/or that another virus or variant would not appear.

CKHH continues to monitor developments closely as the pandemic develops. The impact of the 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, the possibility of resurgence and variants of COVID-19, 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 ports operation's throughput as a result of factory closures 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 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.

These impacts have and can continue to 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, and have and could continue to have a material adverse effect on CKHH's results of operations, cash flows and financial condition.

As of the date of this offering memorandum, there is significant uncertainty relating to the severity of the long-term adverse impact of the pandemic on the global economy and global financial markets, and CKHH is unable to accurately predict the long-term impact on its business. To the extent that the 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.

The aforementioned risks may also be applicable to the outbreak of any highly contagious diseases on the economies of the affected countries.

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 "Risk Factors – COVID-19 Pandemic". 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 "Risk Factors – COVID-19 Pandemic".

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

The results of operations and financial condition of CKHH's energy operations 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 the oil and gas reserves of energy operations. 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 the 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. The fluctuation in refined products, crude oil and natural gas prices are beyond CKHH's control and could adversely affect CKHH's financial condition and results of operations.

From January 2021 onwards, after the completion of merger between Cenovus Energy and Husky Energy, CKHH's share of Cenovus Energy's results will be reported under finance & investments and others segment. See also "Summary – Recent Developments – Energy" for details.

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 ("CKHGT")

CKHH has made substantial investments in acquiring telecommunications licenses and developing its mobile networks in Europe, Hong Kong and Macau. While CK Hutchison Group Telecom is reporting positive operating results, CKHH will need to continue increasing the customer base 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 CK Hutchison 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, CK Hutchison Group Telecom's financial results will be materially and adversely affected and there can be no assurance that CK Hutchison 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 43(b) to the audited consolidated financial statements of CKHH for the year ended December 31, 2020 included elsewhere in this offering memorandum. Accordingly, there can be no assurance that the operating results of CK Hutchison 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 CK Hutchison 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 CK Hutchison 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, 2020, CKHH had a total deferred tax asset balance(1) of HK$16,780 million (US$2,151 million) related to the CK Hutchison 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 CK Hutchison 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.

In August 2019, CK Hutchison 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 CK Hutchison 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 CK Hutchison 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 CK Hutchison Group Telecom declines, the availability and cost of borrowings could be affected and adversely impact CK Hutchison Group Telecom's and therefore CKHH's financial condition and results of operations, liquidity and cashflows.

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(1) Under Post-IFRS 16 basis, CKHH had a total deferred tax asset balance of HK$16,942 million (US$2,172 million) related to the CKHGT's mobile operations.

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$1.106 billion) on the aforementioned gains as well as interest on the unpaid CGT ("Interest") of approximately INR164.3 billion (US$2.30 billion). HTIL also received a penalty order from the ITA dated July 3, 2017 ("PO") for a penalty of approximately INR79 billion (US$1.106 billion) ("Penalty") relating to the CGT (CGT, Interest and Penalty together referred to as the "Taxes"). In this paragraph, the US$ amounts have been converted from INR amounts at the rate of INR1 to US$0.014 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.

Cash flow, 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 sustainability 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 sustainability considerations, the availability and cost of borrowings could be affected and impact CKHH's financial condition and results of operations, liquidity and cash flows.

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.

In addition, following the conclusion of agreements for the disposal of CKHH's interests in tower assets supporting CKHH's mobile businesses in Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom, respectively, to Cellnex, CKHH's ability to provide telecommunications services in such jurisdictions upon completion of disposal of such tower assets will depend, in part, on Cellnex, which through its operating subsidiaries will have entered into master services agreements with subsidiaries of CKHH operating CKHH's telecommunications business in the relevant jurisdictions. While each master services agreement will provide for Cellnex to provide infrastructure and built-to-suit services to CKHH's telecommunication business in such jurisdictions, such agreements may be terminated for cause by either party and may be partially terminated in respect of part of the telecommunications infrastructure services which are affected by any material failure to meet service levels. Should any of these arrangements be terminated, this could result in delays or disruptions to CKHH's telecommunications operations in the relevant jurisdictions and could result in CKHH incurring additional costs. There can be no assurance that changes in the relationship or rearrangements between CKHH and Cellnex will not materially and adversely affect 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" and "Operations – Telecommunications – CK Hutchison Group Telecom – UK Regulation" for a discussion of the EU and UK regulatory framework applicable to CKHH's CK Hutchison Group Telecom businesses in Europe and the UK. 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 company 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 changes in economic, social, or legal environments 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, acquisitions and disposals

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), or disposals. Such transactions are typically subject to merger, anti-trust 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 operations could be negatively impacted. In the case of potential mergers or acquisitions, 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 operations.

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.

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

Scientific evidence has shown that the Earth's temperature is rising due to an increase in greenhouse gases. This has already created, and will continue to create, a number of negative effects to the environment including loss of sea ice, rise in sea levels, and more frequent and severe weather events.

Some of CKHH's assets, businesses and supply chain are located in areas that would be affected in the medium to long term by the effects of climate change. Extreme weather events may also pose increased risks for CKHH's stakeholders such as CKHH's employees, customers and suppliers living and working in those locations. Further, as many countries seek to transition to low carbon economies, governments are increasingly introducing legislations to restrict emissions and incentivize environmental protection measures. Other market changes may also influence CKHH's business such as changing consumer preferences in favor of companies that are more sustainable.

Together these physical and transition risks arising from climate change could have a material impact on CKHH's business and adversely affect CKHH's financial condition and results of operations.

Political Unrest and Terrorist Attacks

CKHH has presence in about 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

The UK formally left the EU on January 31, 2020. As agreed in the withdrawal agreement, a transition period was implemented until December 31, 2020, during which time EU laws and regulations continued to apply broadly as before.

The UK-EU Trade and Cooperation Agreement ("TCA") was finalized on December 24, 2020 and came into force from January 1, 2021. The TCA sets out all aspects of the new UK-EU relationship, such as trade, security, areas of ongoing collaboration/cooperation and governance.

The long-term impact of the UK's decision to leave the EU is not known and will depend on the implementation of the final terms agreed between the UK and the EU in the TCA 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, 2020.

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$150,113 million (US$19,245 million) principal amount of bank and other debts outstanding as of December 31, 2020. 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$1,971 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.

THE ISSUER

CK Hutchison International (21) 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 February 1, 2021. Its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, registration number MC-371283.

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 and Company Secretary

The business address of the abovementioned directors for the purposes of their directorships of the Issuer is CK Hutchison International (21) 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 Act, 2017 of the Cayman Islands (the "DPA").

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 DPA. 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 DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA 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 DPA ("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 DPA. The Issuer's affiliates and delegates may act as "data processors" for the purposes of the DPA.

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, 2020 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, 2020 included elsewhere in this offering memorandum and should be read in conjunction with such audited consolidated financial statements.

	As of December 31, 2020		
	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$48,049	HK$48,049	US$6,160
Long-term bank and other debts[(2)] (net of current portion)	HK$303,593	HK$303,593	US$38,922
Interest bearing loans from non-controlling shareholders	HK$798	HK$798	US$102
Notes offered hereby[(1)]	–	HK$15,600	US$2,000
Total ordinary shareholders' funds[(3)]	HK$494,296	HK$494,296	US$63,371
Perpetual capital securities	HK$12,415	HK$12,415	US$1,591
Non-controlling interests	HK$123,352	HK$123,352	US$15,815
Total capitalization	HK$934,454	HK$950,054	US$121,801
Total short-term bank and other debts[(2)] and capitalization	HK$982,503	HK$998,103	US$127,961

(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, 2020. The number stated above is before deducting the proposed 2020 final dividend of HK$6,555 million.

As of December 31, 2020, 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, 2020.

- In January 2021, CK Hutchison Group Telecom prepaid EUR1,650 million (approximately HK$15,527 million) of a floating rate term loan facility of EUR2,100 million maturing in October 2022;
- In March 2021, US$1,200 million (approximately HK$9,360 million) aggregate principal amount of Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI were redeemed in full; and
- In March 2021, CKHH repurchased 200,000 of its own shares for approximately HK$12.2 million (US$1.6 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, 2018, 2019 and 2020 have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants, Hong Kong, as stated in their unqualified audit reports dated March 21, 2019, March 19, 2020 and March 18, 2021, 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, 2018, 2019 and 2020;

(2) consolidated statement of financial position of CKHH as of December 31, 2018, 2019 and 2020; and

(3) consolidated statement of cash flows of CKHH for each of the years ended December 31, 2018, 2019 and 2020.

The selected financial information

- as of December 31, 2018 and for the year then ended has been extracted from CKHH's consolidated financial statements for the year ended December 31, 2019, except to the extent of incorporating the changes adopted by CKHH in 2020 in presenting an additional line item "Other income and gains" in the consolidated income statement and other corresponding presentational changes as described in footnote (a) to the table "Consolidated Income Statement";

- as of December 31, 2019 and 2020 and for each of the years then ended has been extracted from CKHH's consolidated financial statements for the year ended December 31, 2020.

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,			
	2018[a]	2019	2020	2020
	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	277,129	299,021	266,396	34,153
Cost of inventories sold	(109,564)	(105,959)	(95,549)	(12,250)
Staff costs	(36,478)	(37,958)	(35,495)	(4,551)
Expensed customer acquisition and retention costs	(16,124)	(17,755)	(16,362)	(2,098)
Depreciation and amortization	(19,739)	(38,129)	(41,658)	(5,340)
Other expenses and losses	(58,910)	(47,339)	(42,482)	(5,446)
Other income and gains	9,573	7,293	31,274	4,010
Share of profits less losses of:				
Associated companies	2,888	1,524	(18,529)	(2,376)
Joint ventures	10,220	7,404	4,954	635
Profit before the following:	58,995	68,102	52,549	6,737
Interest expenses and other finance costs	(9,797)	(14,305)	(10,850)	(1,391)
Profit before tax	49,198	53,797	41,699	5,346
Current tax	(3,912)	(4,891)	(3,985)	(511)
Deferred tax credit (charge)	1,294	(1,129)	(317)	(41)
Profit after tax	46,580	47,777	37,397	4,794
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,580)	(7,947)	(8,254)	(1,058)
Profit attributable to ordinary shareholders	39,000	39,830	29,143	3,736
Earnings per share for profit attributable to ordinary shareholders	HK$10.11	HK$10.33	HK$7.56	US$0.97

[a] In 2020, CKHH presented an additional line item "Other income and gains" in the consolidated income statement to provide information in respect of the profit and loss effects arising from, amongst others, major corporate transactions that completed in 2020. As a result, previously published consolidated income statement line item "Other operating expenses" has been renamed to "Other expenses and losses", and related comparative information in respect of the year ended December 31, 2019 included in CKHH's consolidated financial statements for the year ended December 31, 2020 has been reclassified to conform to this presentation. The previously issued consolidated income statement for the year ended December 31, 2018 included in CKHH's consolidated financial statement for the year ended December 31, 2018 and December 31, 2019 has not been updated and reissued to reflect these changes in presentation. For consistency purposes, the consolidated income statement for the year ended December 31, 2018 set out above has been updated to reflect these changes in presentation.

Consolidated Statement of Financial Position

	As of December 31,			
	2018	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million
Non-current assets				
Fixed assets	110,605	119,131	132,101	16,936
Right-of-use assets	–	83,708	83,805	10,744
Leasehold land	7,702	–	–	–
Telecommunications licenses	64,221	63,387	66,944	8,583
Brand names and other rights	88,761	88,275	91,453	11,725
Goodwill	323,160	308,986	319,718	40,989
Associated companies	136,287	144,751	136,076	17,446
Interests in joint ventures	121,397	143,555	141,465	18,136
Deferred tax assets	20,260	20,353	19,926	2,555
Liquid funds and other listed investments	9,292	7,722	10,588	1,357
Other non-current assets	10,717	14,276	14,944	1,916
	892,402	994,144	1,017,020	130,387
Current assets				
Cash and cash equivalents	135,411	137,127	155,951	19,994
Inventories	23,410	23,847	24,565	3,149
Trade receivables and other current assets	63,826	55,709	55,809	7,155
	222,647	216,683	236,325	30,298
Assets classified as held for sale	117,195	149	1,251	160
	339,842	216,832	237,576	30,458
Current liabilities				
Bank and other debts	25,986	39,995	48,021	6,157
Current tax liabilities	2,071	1,869	2,639	338
Lease liabilities	–	18,079	18,621	2,387
Trade payables and other current liabilities	116,272	99,358	103,881	13,318
	144,329	159,301	173,162	22,200
Liabilities directly associated with assets classified as held for sale	77,600	–	284	36
	221,929	159,301	173,446	22,236
Net current assets	117,913	57,531	64,130	8,222
Total assets less current liabilities	1,010,315	1,051,675	1,081,150	138,609
Non-current liabilities				
Bank and other debts	325,570	304,565	301,050	38,596
Interest bearing loans from non-controlling shareholders	752	728	798	102
Lease liabilities	–	75,609	75,644	9,698
Deferred tax liabilities	19,261	16,819	17,672	2,266
Pension obligations	2,443	3,123	3,804	488
Other non-current liabilities	71,466	53,868	52,119	6,682
	419,492	454,712	451,087	57,832
Net assets	590,823	596,963	630,063	80,777
Capital and reserves				
Share capital	3,856	3,856	3,856	494
Share premium	244,377	244,377	244,377	31,330
Reserves	197,918	216,052	246,063	31,547
Total ordinary shareholders' funds	446,151	464,285	494,296	63,371
Perpetual capital securities	12,326	12,410	12,415	1,591
Non-controlling interests	132,346	120,268	123,352	15,815
Total equity	590,823	596,963	630,063	80,777

Consolidated Statement of Cash Flows

	Year ended December 31,			
	2018	2019	2020	2020
	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	72,590	95,291	87,072	11,163
Interest expenses and other finance costs paid (net of capitalization)	(10,661)	(14,621)	(10,789)	(1,383)
Tax paid	(4,584)	(5,823)	(3,628)	(465)
Funds from operations (before payment of lease liabilities)	57,345	74,847	72,655	9,315
Changes in working capital	(1,611)	(5,577)	516	66
Net cash from operating activities	55,734	69,270	73,171	9,381
Investing activities				
Purchase of fixed assets	(27,540)	(32,190)	(27,104)	(3,475)
Additions to telecommunications licenses	(8,527)	(1,286)	(679)	(87)
Additions to brand names and other rights	(1,479)	(2,817)	(1,791)	(229)
Purchase of subsidiary companies, net of cash acquired	(14,323)	(30)	–	–
Additions to other unlisted investments	(414)	(17)	(131)	(17)
Repayments of loans from associated companies and joint ventures	2,222	641	1,609	206
Purchase of and advances to associated companies and joint ventures	(2,446)	(885)	(833)	(107)
Proceeds from disposal of fixed assets	92	150	564	72
Proceeds from disposal of subsidiary companies, net of cash disposed	1,121	(1,522)	20,780	2,664
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	–	(2,429)	–	–
Proceeds from partial disposal/disposal of associated companies and joint ventures	149	2,388	2,005	257
Proceeds from disposal of other unlisted investments	8	130	13	2
Cash flows used in investing activities before additions to/disposal of liquid funds and other listed investments	(51,137)	(37,867)	(5,567)	(714)
Disposal of liquid funds and other listed investments	387	503	730	94
Additions to liquid funds and other listed investments	(8,329)	(55)	(1,627)	(209)
Cash flow used in investing activities	(59,079)	(37,419)	(6,464)	(829)
Net cash inflow (outflow) before financing activities	(3,345)	31,851	66,707	8,552

	Year ended December 31,			
	2018	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million
Financing activities				
New borrowings	55,313	211,526	44,391	5,691
Repayment of borrowings	(54,961)	(211,455)	(56,361)	(7,225)
Payment of lease liabilities	–	(15,969)	(18,010)	(2,309)
Net loans to non-controlling shareholders	(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	25	(10)	–	–
Payments to acquire additional interests in subsidiary companies	(56)	(478)	(1,048)	(134)
Proceeds from partial disposal of subsidiary companies	–	2,201	309	40
Proceeds from issue of perpetual capital securities, net of transaction costs	4,442	–	–	–
Redemption of perpetual capital securities	(19,435)	–	–	–
Payments for buy-back and cancellation of issued shares	(131)	–	–	–
Dividends paid to ordinary shareholders	(11,341)	(12,225)	(11,238)	(1,441)
Dividends paid to non-controlling interests	(5,102)	(6,910)	(5,444)	(698)
Distributions paid on perpetual capital securities	(1,006)	(398)	(482)	(62)
Cash flows used in financing activities	(18,129)	(33,720)	(47,883)	(6,138)
Increase (decrease) in cash and cash equivalents	(21,474)	(1,869)	18,824	2,414
Cash and cash equivalents at January 1	160,470	138,996	137,127	17,580
Cash and cash equivalents at December 31	138,996	137,127	155,951	19,994

(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 for the year ended December 31, 2018 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. CKHH believes that the HKAS 17 basis ("Pre-HKFRS 16 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"), allows a like-with-like comparison with the prior period results, and better reflects management's view of CKHH's underlying operational performance. As a result, CKHH has provided an alternative presentation of CKHH's EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2019 and 2020.

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, 2018, 2019 and 2020; and
- prepared under the Post-HKFRS 16 basis relating to the accounting for leases for each of the years ended December 31, 2019 and 2020.

The selected financial performance information

- for the year ended December 31, 2018 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2019; and
- for each of the years ended December 31, 2019 and 2020 has been extracted from CKHH's Financial Performance Summary for the year ended December 31, 2020.

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,		
	2018	2019	2020	2020	2019	2020	2020
	HK$ million	HK$ million	HK$ million	US$ million	HK$ million	HK$ million	US$ million
Revenue							
Ports and Related Services	35,175	35,375	32,865	4,213	35,375	32,865	4,213
Retail	168,991	169,225	159,619	20,464	169,225	159,619	20,464
Infrastructure	64,724	51,191	52,792	6,768	51,191	52,792	6,768
Energy	54,251	47,618	31,179	3,997	47,618	31,179	3,997
CK Hutchison Group Telecom	86,733	93,517	90,663	11,624	93,517	90,663	11,624
Hutchison Asia Telecommunications	8,220	8,984	9,147	1,173	8,984	9,147	1,173
Finance & Investments and Others	35,136	33,946	27,581	3,536	33,946	27,581	3,536
Total Revenue	453,230	439,856	403,846	51,775	439,856	403,846	51,775
EBITDA							
Ports and Related Services	13,392	13,405	10,914	1,399	16,092	13,748	1,763
Retail	16,164	16,891	14,397	1,846	27,023	24,557	3,148
Infrastructure	35,422	28,488	29,066	3,726	28,751	29,367	3,765
Energy	12,106	3,139	(23,003)	(2,949)	3,480	(22,746)	(2,916)
Underlying	*12,106*	*9,122*	*1,906*	*244*	*9,463*	*2,163*	*277*
One-off impairment and other charges	–	*(5,983)*	*(24,909)*	*(3,193)*	*(5,983)*	*(24,909)*	*(3,193)*
CK Hutchison Group Telecom	30,357	35,341	48,540	6,223	42,417	56,706	7,270
Hutchison Asia Telecommunications	1,028	2,167	2,034	261	4,328	4,362	559
Finance & Investments and Others	5,111	12,637	14,996	1,923	13,958	16,354	2,097
Total EBITDA	113,580	112,068	96,944	12,429	136,049	122,348	15,686
EBIT							
Ports and Related Services	8,726	9,061	6,717	861	10,216	8,055	1,033
Retail	13,078	13,671	10,933	1,401	14,705	11,889	1,524
Infrastructure	24,038	19,220	18,488	2,370	19,259	18,537	2,376
Energy	5,742	(3,004)	(28,096)	(3,602)	(2,974)	(28,020)	(3,592)
Underlying	*5,742*	*2,979*	*(3,187)*	*(409)*	*3,009*	*(3,111)*	*(399)*
One-off impairment and other charges	–	*(5,983)*	*(24,909)*	*(3,193)*	*(5,983)*	*(24,909)*	*(3,193)*
CK Hutchison Group Telecom	18,409	21,131	32,581	4,177	21,987	33,484	4,293
Hutchison Asia Telecommunications	321	1,055	544	70	2,032	1,480	190
Finance & Investments and Others	2,571	9,974	12,687	1,627	10,119	12,879	1,651
Total EBIT	72,885	71,108	53,854	6,904	75,344	58,304	7,475
Interest expenses and other finance costs	(18,025)	(15,657)	(15,139)	(1,941)	(20,117)	(19,591)	(2,512)
Profit before tax	54,860	55,451	38,715	4,963	55,227	38,713	4,963
Tax							
Current tax	(7,795)	(7,814)	(7,557)	(969)	(7,834)	(7,538)	(966)
Deferred tax	(283)	113	6,087	781	215	6,227	798
Profit after tax	46,782	47,750	37,245	4,775	47,608	37,402	4,795
Non-controlling interests and perpetual capital securities holders' interests	(7,782)	(7,862)	(8,245)	(1,057)	(7,778)	(8,259)	(1,059)
Profit attributable to ordinary shareholders	39,000	39,888	29,000	3,718	39,830	29,143	3,736

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. As of December 31, 2020, CKHH operated five core business divisions in about 50 countries: ports and related services; retail; infrastructure; energy and telecommunications as well as finance & investments and other operations. From January 2021 onwards, CKHH's 15.71% share of Cenovus Energy results will be reported under finance & investments and others segment after the completion of merger between Cenovus Energy Inc. and Husky Energy. See also "Summary – Recent Developments – Energy" for details. Significant developments in CKHH's business since December 31, 2020 are summarized below under "Recent Developments".

Based on the closing price of its shares on the SEHK on December 31, 2020, CKHH had a market capitalization of approximately HK$208,623 million (approximately US$26,747 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, Ugland 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;

(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;

(iii) CKHH would become the holding company of the Hutchison group of companies by way of a scheme of arrangement; and

(iv) immediately following completion of (iii) above, 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 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.

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, 2018, 2019 and 2020

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 years ended December 31, 2019 and 2020 are on a IFRS 16 basis, whereas the statutory results for the year ended December 31, 2018 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 ("Pre-IFRS 16 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. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. 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 years ended December 31, 2019 and 2020. Unless otherwise specified, the discussion of CKHH's operating results for the years ended December 31, 2019 and 2020 are on a Pre-IFRS 16 basis as mentioned above. The comparative information for the year ended December 31, 2018, which is on IAS 17 basis as mentioned above, can be found in the CKHH's financial results for the year ended December 31, 2019, which is included elsewhere in this offering memorandum. See also note 5(c) to CKHH's audited consolidated financial statements for the year ended December 31, 2020 for details on the effect of the adoption of HKFRS 16.

The results presented for the years ended December 31, 2018, 2019 and 2020 reflected the actual reported results of CKHH. The comparative information for the years ended December 31, 2018 and 2019 can be found in the CKHH's financial results for the years ended December 31, 2019 and 2020, respectively, which are included elsewhere in this offering memorandum.

Revenue

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

	Year Ended December 31,		
	2018	2019	2020
	HK$ million	HK$ million	HK$ million
Ports and Related Services[(1)]	35,175	35,375	32,865
Retail	168,991	169,225	159,619
Infrastructure[(2)]	64,724	51,191	52,792
Energy	54,251	47,618	31,179
CK Hutchison Group Telecom	86,733	93,517	90,663
Hutchison Asia Telecommunications	8,220	8,984	9,147
Finance & Investments and Others	35,136	33,946	27,581
Total Revenue[(1)]	453,230	439,856	403,846

(1) Total revenue includes 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 years ended December 31, 2019 and 2020 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.

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,		
	2018	2019	2020
	HK$ million	HK$ million	HK$ million
Ports and Related Services[2]	13,392	13,405	10,914
Retail	16,164	16,891	14,397
Infrastructure[3]	35,422	28,488	29,066
Energy	12,106	3,139	(23,003)
Underlying	12,106	9,122	1,906
One-off impairment and other charges[4]	–	(5,983)	(24,909)
CK Hutchison Group Telecom	30,357	35,341	48,540
Hutchison Asia Telecommunications	1,028	2,167	2,034
Finance & Investments and Others	5,111	12,637	14,996
Total EBITDA[2]	113,580	112,068	96,944

(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 years ended December 31, 2019 and 2020 are on a IFRS 16 basis, whereas the statutory results for the year ended December 31, 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 Pre-IFRS 16 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on the 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. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. 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 years ended December 31, 2019 and 2020. Unless otherwise specified, the discussion of CKHH's operating results for the years ended December 31, 2019 and 2020 are on a Pre-IFRS 16 basis as mentioned above.

Under Post-IFRS 16 basis, CKHH's EBITDA for the years ended December 31, 2019 and 2020 were as follows:

	Post-IFRS 16	
	Year Ended December 31,	
	2019	2020
	HK$ million	HK$ million
Ports and Related Services[2]	16,092	13,748
Retail	27,023	24,557
Infrastructure[3]	28,751	29,367
Energy	3,480	(22,746)
Underlying	9,463	2,163
One-off impairment and other charges[4]	(5,983)	(24,909)
CK Hutchison Group Telecom	42,417	56,706
Hutchison Asia Telecommunications	4,328	4,362
Finance & Investments and Others	13,958	16,354
Total EBITDA[2]	136,049	122,348

(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 years ended December 31, 2019 and 2020 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) 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,		
	2018	2019	2020
	HK$ million	HK$ million	HK$ million
Ports and Related Services[2]	8,726	9,061	6,717
Retail	13,078	13,671	10,933
Infrastructure[3]	24,038	19,220	18,488
Energy	5,742	(3,004)	(28,096)
Underlying	5,742	2,979	(3,187)
One-off impairment and other charges[4]	–	(5,983)	(24,909)
CK Hutchison Group Telecom	18,409	21,131	32,581
Hutchison Asia Telecommunications	321	1,055	544
Finance & Investments and Others	2,571	9,974	12,687
Total EBIT[2]	72,885	71,108	53,854

(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 years ended December 31, 2019 and 2020 are on a IFRS 16 basis, whereas the statutory results for the year ended December 31, 2018 is 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 Pre-IFRS 16 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on the 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. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. 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 years ended December 31, 2019 and 2020. Unless otherwise specified, the discussion of CKHH's operating results for the years ended December 31, 2019 and 2020 are on a Pre-IFRS 16 basis as mentioned above.

Under Post-IFRS 16 basis, CKHH's EBIT for the years ended December 31, 2019 and 2020 were as follows:

	Post-IFRS 16	
	Year Ended December 31,	
	2019	2020
	HK$ million	HK$ million
Ports and Related Services[2]	10,216	8,055
Retail	14,705	11,889
Infrastructure[3]	19,259	18,537
Energy	(2,974)	(28,020)
Underlying	3,009	(3,111)
One-off impairment and other charges[4]	(5,983)	(24,909)
CK Hutchison Group Telecom	21,987	33,484
Hutchison Asia Telecommunications	2,032	1,480
Finance & Investments and Others	10,119	12,879
Total EBIT[2]	75,344	58,304

(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 years ended December 31, 2019 and 2020 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) 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 for the years ended December 31, 2020 and 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 6.4 times[(1)] and 7.2 times[(1)], respectively. CKHH's EBIT for the years ended December 31, 2020 and 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 3.6 times[(1)] and 4.5 times[(1)], respectively.

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

Critical Accounting Policies

In applying CKHH's accounting policies, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable. Although our current estimates contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual conditions could differ from our expectations. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

(a) Significant judgements in applying CKHH's accounting policies

The following are the significant judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying CKHH's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

(i) Basis of consolidation and classification of investee entities

The determination of CKHH's level of control over another entity will require exercise of judgement 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 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.

(ii) 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. 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 judgement 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

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(1) Under Post-IFRS 16 basis, CKHH's EBITDA for the years ended December 31, 2020 and 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 6.2 times and 6.8 times, respectively. CKHH's EBIT for the years ended December 31, 2020 and 2019 covered total interest expenses and other finance costs, including share of associates and joint ventures, by 3.0 times and 3.7 times, respectively.

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.

(iii) Determination of lease term

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.

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.

(iv) Business combinations

As disclosed in note 41(ab) to the consolidated financial statements of CKHH for the year ended December 31, 2020, 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. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, the date of acquisition, 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.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

CKHH based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of CKHH. Revisions to accounting estimates and assumptions are recognized prospectively and could impact fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows in future periods.

(i) Impairment of goodwill and long-lived assets

Goodwill and assets with indefinite useful lives (telecommunication licenses and brand names) 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.

In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Fair value is derived, when available and appropriate, by making reference to performance metrics (such as revenue, EBITDA, earnings) and valuation multiples (such as EV/S, EV/EBITDA, P/E) of completed transactions of comparable businesses or comparable public companies, or by making reference to traded prices and with consideration for possible premiums, or is measured using discount cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' location, sizes, growth rates, industries, and development stages. In determining the value in use of the investment, discounted cash flow method will be used. The cash flows used in the financial projections (discounted cash flow method) are based on the latest approved financial budgets for the next five years. CKHH prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, 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 respective business unit's projected revenue, costs, gross margin, inventory level, working capital and capital investments, as well as the discount rate and long term growth rate applied, and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

(ii) Impairment assessment on investment accounted for using equity method

CKHH assesses the impairment of investments accounted for using the equity method of accounting when there is objective evidence indicating that an investment may be impaired and carrying value may not be recoverable.

In assessing whether these assets have suffered any impairment, the net investment is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Fair value is derived, when available and appropriate, by making reference to performance metrics (such as revenue, EBITDA, earnings) and valuation multiples (such as EV/S, EV/EBITDA, P/E) of completed transactions of comparable businesses or comparable public companies, or by making reference to traded prices and with consideration for possible premiums, or, where financial projections are available, is measured using discount cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' location, sizes, growth rates, industries, and development stages. In determining the value in use of the investment, discounted cash flow method will be used. Significant judgement is required to estimate CKHH's share of the present value of the estimated future cash flows expected to be generated by the investee or the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. The discounted cash flow method requires estimates of the investees' projected revenue, costs, gross margin, inventory level, working capital and capital investments, as well as the discount rate and long term growth rate applied, and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

(iii) Pension costs and estimation of defined benefit pension obligation

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. 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.

(iv) 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 and assumptions. 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.

(v) Provision for income tax and recognition of deferred tax asset

CKHH is subject to income taxes in numerous jurisdictions. Significant judgement and estimate are 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 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 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 the 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. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used and estimates made can significantly affect these taxable profit and loss projections.

(vi) Estimation of useful life: 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.

(vii) Estimation of useful life: 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.

Judgement is required to estimate 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.

(viii) Estimation of the amortization period: 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.

Year ended December 31, 2020 compared to year ended December 31, 2019

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, 2020. 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, 2018, 2019 and 2020".

Overview

Total revenue for 2020 of HK$403,846 million (US$51,775 million) represented a decrease of 8% from HK$439,856 million in 2019, primarily from energy division due to the significant reduction in oil and gas and refined product prices, as well as Retail division due to the effects of the pandemic especially in the first half of 2020. In local currencies, the revenue for 2020 decreased 8% compared to 2019.

Although some economic recovery in the second half of 2020 benefited CKHH's businesses which were hit hardest in the first half of 2020, particularly the Retail and Ports businesses, this was not sufficient to offset the very material declines in earnings reported in the first half of 2020. In addition, the operating losses and assets impairments recognized by Husky Energy continued to negatively affect CKHH's reported net earnings throughout 2020.

The material earnings decline was more than offset by transaction activities undertaken at the corporate level. In 2020, CKHH successfully executed or completed several major transactions. These included the completion of the merger between VHA and TPG Corporation Limited, conclusion of agreements for the disposal of CKHH's European Telecommunications Tower Assets to Cellnex for an aggregate consideration of €10 billion, completion of tower sales to Cellnex in three countries in December 2020, as well as the merger between Husky Energy and Cenovus Energy which was completed on January 1, 2021. These corporate transactions together with prudent cash management have enabled CKHH to maintain its strong financial profile and investment grade ratings. CKHH's net debt to net capital ratio[(1)] as of December 31, 2020 was 22.2% (December 31, 2019: 24.8%).

EBITDA[(2)] of HK$96,944 million (US$12,429 million) and EBIT[(2)] of HK$53,854 million (US$6,904 million) for 2020 decreased 13% and 24%, respectively, compared to 2019 in reported currency and local currencies, reflecting the adverse full year performances due to the pandemic. Comparing against the first half of 2020, excluding the one-time transactional gains, as well as CKHH's share of Husky Energy's impairments and other charges in both the first and second half of 2020, all operations have seen some recovery in the second half of 2020, with the overall underlying EBITDA and EBIT increasing 38% and 65%, respectively, in the second half of 2020 compared to the first half of 2020. Total consolidated interest expenses and other finance costs[(3)] for 2020, 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$15,139 million (US$1,941 million), a decrease of 3% when compared to 2019, mainly due to the refinancing of Wind Tre external debt with CK Hutchison Group Telecom debt in August 2019, as well as interest costs savings from loan refinancing at lower interest rates.

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(1) The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, was 22.7% (2019: 25.3%).

(2) Under Post-IFRS 16 basis, EBITDA was HK$122,348 million (US$15,686 million) (December 31, 2019: HK$136,049 million); EBIT was HK$58,304 million (US$7,475 million) (December 31, 2019: HK$75,344 million).

(3) Under Post-IFRS 16 basis, total consolidated interest expenses and other finance costs were HK$19,591 million (US$2,512 million) (December 31, 2019: HK$20,117 million).

Total current and deferred taxation[(4)] charges for 2020 totaled HK$1,470 million (US$188 million), a decrease of 81% compared to 2019, primarily reflected the lower profit before tax for 2020.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders[(5)] for 2020 of HK$29,000 million (US$3,718 million) was a decrease of 27% in reported currency and 28% in local currencies compared to 2019. In 2020, on a Post-IFRS 16 basis and in reported currency, EBITDA, EBIT and profit attributable to ordinary shareholders decreased by 10%, 23% and 27%, respectively, compared to 2019.

CKHH's results in 2020 included a net gain attributable to ordinary shareholders from the disposal of the European Telecommunication tower assets[(6)] that completed in 2020 in the amount of HK$16.6 billion (US$2.1 billion), as well as a dilution gain from the merger of VHA and TPG Corporation Limited [(7)] of HK$9.2 billion (US$1.2 billion). These gains were partly offset by CKHH's share of Husky's impairments and other charges, after tax, of HK$18.7 billion (US$2.4 billion) in 2020.

Ports and Related Services

The Ports and Related Services division handled throughput of 83.7 million twenty-foot equivalent units ("TEU") through 283 operating berths in 2020, a 3% decrease compared to 2019 primarily due to supply chain disruptions as a result of the global pandemic with lower throughput across major ports in Europe (mainly UK, Barcelona and Rotterdam in the Netherlands), Klang in Malaysia and Jakarta, as well as lower throughput at Laem Chabang in Thailand due to intense competition and at Dammam in Saudi Arabia due to concession expiry at the end of September 2020.

In reported currency, total revenue of HK$32,865 million (US$4,213 million), EBITDA[(8)] of HK$10,914 million (US$1,399 million) and EBIT[(8)] of HK$6,717 million (US$861 million) were 7%, 19% and 26% lower against 2019, respectively. In local currencies, total revenue, EBITDA and EBIT decreased 5%, 17% and 24%, respectively, mainly due to volume decline as mentioned above, lower contribution from Shanghai resulting from partial disposal of 20% interest in Shanghai Mingdong Container Terminals during the year, lower contribution and port closure costs from Dammam due to concession expiry, impairment provision on certain non-performing ports and higher mix of transhipment throughput, partly offset by continued cost management across all business units.

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(4) Under Post-IFRS 16 basis, total current and deferred taxation charges were HK$1,311 million (US$168 million) (December 31, 2019: HK$7,619 million).

(5) Under Post-IFRS 16 basis, profit attributable to ordinary shareholders was HK$29,143 million (US$3,736 million) (December 31, 2019: HK$39,830 million).

(6) Under Post-IFRS 16 basis, the net gains attributable to shareholders was HK$16.8 billion (US$2.2 billion). For further information, please see Note 5(b)(xviii) to the CKHH's Financial Statements for the year ended December 31, 2020 which are included elsewhere in this offering memorandum.

(7) Under Post-IFRS 16 basis, the net gains attributable to shareholders was HK$9.2 billion (US$1.2 billion). For further information, please see Note 5(b)(xix) to the CKHH's Financial Statements for the year ended December 31, 2020 which are included elsewhere in this offering memorandum.

(8) Under Post-IFRS 16 basis, EBITDA was HK$13,748 million (US$1,763 million) (December 31, 2019: HK$16,092 million); EBIT was HK$8,055 million (US$1,033 million) (December 31, 2019: HK$10,216 million).

Retail

The Retail division had 16,167 stores across 27 markets as of December 31, 2020, a 2% increase in store portfolio compared to 2019. The division experienced a material impact on sales starting from February 2020 as the pandemic spread globally. As a result, revenue, EBITDA(9) and EBIT(9) of this division decreased 6%, 15% and 20%, respectively, to HK$159,619 million (US$20,464 million), HK$14,397 million (US$1,846 million) and HK$10,933 million (US$1,402 million), respectively, in 2020 compared to 2019. Excluding a one-off dilution gain recognized in the first half of 2019, EBITDA and EBIT decreased by 11% and 16%, respectively. Following the gradual easing of the restrictive lockdowns in the second half of 2020, EBITDA and EBIT increased significantly by 111% and 168%, respectively, when compared to the first half of 2020. Comparing against the second half of 2019, EBITDA and EBIT both increased by 12% in the second half of 2020. The robust recovery was the result of the strategic decision to drive further digital transformation to accelerate the integration of physical store portfolio and online channels which helped boost eCommerce sales growth by 90% in 2020. Together with the continuing focus on customer engagement, the division's loyalty member base continues to increase, reaching 139 million as of December 31, 2020 with 65% sales participation in 2020.

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(10) and EBIT(10) of this division in 2020 were HK$52,792 million (US$6,768 million), HK$29,066 million (US$3,726 million) and HK$18,488 million (US$2,370 million), respectively, an increase of 3%, 2% and decrease of 4%, respectively, compared to 2019. In local currencies, total revenue and EBITDA were 4% and 3% higher, respectively, while EBIT was 3% lower in 2020 compared to 2019. The higher EBITDA was mainly due to gain on disposal of Portugal Renewable Energy in October 2020 (including share of Power Assets) of HK$1.1 billion, partly offset by pandemic impacts, adverse foreign currency translation impacts and lower earnings contribution from Northumbrian Water which entered a new regulatory regime in April 2020. EBIT was lower year on year due to higher depreciation mainly from Energy Developments in Australia and UK Rails that more than offset the EBITDA growth.

Energy

In January 2021, Cenovus Energy, a Canadian integrated oil and natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy. The merger creates Canada's third largest oil and natural gas producer, based on total company production, with about 750,000 barrels of oil equivalent per day of low-cost oil and natural gas production. The combined company is also the second largest Canadian-based refiner and upgrader, with total North American refining and upgrading capacity of approximately 660,000 barrels per day. Cenovus Energy's strong portfolio of well-matched upstream production, midstream and downstream assets, as well as improved financial strength, are expected to generate value enhancement for CKHH.

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(9) Under Post-IFRS 16 basis, EBITDA was HK$24,557 million (US$3,148 million) (December 31, 2019: HK$27,023 million); EBIT was HK$11,889 million (US$1,524 million) (December 31, 2019: HK$14,705 million).

(10) Under Post-IFRS 16 basis, EBITDA was HK$29,367 million (US$3,765 million) (December 31, 2019: HK$28,751 million); EBIT was HK$18,537 million (US$2,377 million) (December 31, 2019: HK$19,259 million).

Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[(11)]. The results of the energy division reported in 2020 represent CKHH's 40.19% share of Husky Energy's results for the year.

CKHH's share of Husky Energy's revenue, after translation into Hong Kong dollars and including consolidation adjustments for 2020 was HK$31,179 million (US$3,997 million), a 35% and 33% decrease in reported and local currency, respectively, compared to 2019. During 2020, Husky Energy faced various operational challenges including significant crude oil demand reduction due to the pandemic, increased global crude oil supplies in the first half of 2020 as OPEC negotiations broke down, and the Government of Alberta's mandatory production quotas introduced in 2019 which were only lifted in December 2020.

As a result of the declines in forecasted long-term commodity prices, reduced capital investment and delayed future development plans, as well as market indicators including the merger with Cenovus Energy, Husky Energy recognized non-cash before-tax impairments and other charges of C$11.2 billion (before-tax) or C$8.6 billion (after-tax). In 2019, Husky also recognized impairment and other charges of C$3.1 billion (before-tax) or C$2.3 billion (after-tax).

CKHH's 40.19% share of the impairment and other charges, after consolidation adjustments, of HK$24,909 million and HK$5,983 million in 2020 and 2019, respectively, were included in CKHH's EBITDA and EBIT results. Together with the adverse underlying operating results, CKHH's share of LBITDA[(12)] and LBIT[(12)] for 2020 were HK$23,003 million (US$2,949 million) and HK$28,096 million (US$3,602 million) respectively, compared to EBITDA and LBIT of HK$3,139 million and HK$3,004 million, respectively, in 2019.

CK Hutchison Group Telecom

Total revenue, EBITDA[(13)] and EBIT[(13)] of this division of HK$90,663 million (US$11,623 million), HK$48,540 million (US$6,223 million) and HK$32,581 million (US$4,177 million), respectively, were 3% lower, 37% higher and 54% higher than 2019, respectively, in reported currency, and were 4% lower, 37% higher and 54% higher, respectively, in local currencies. The higher EBITDA and EBIT were primarily due to the disposal gain of HK$16,583 million (US$2,126 million) from disposals of tower assets in Denmark, Austria and Ireland completed in December 2020.

3 Group Europe

3 Group Europe's revenue, EBITDA[(14)] and EBIT[(14)] of HK$85,799 million (US$11,000 million), HK$31,378 million (US$4,023 million) and HK$16,270 million (US$2,086 million), respectively, for 2020 were 3%, 7% and 20%, respectively, lower against 2019 in local currencies. Total margin in 2020 was flat against 2019 in local currencies, primarily driven by increased proportion of higher margin customers, fully offset by lower roaming revenues and certain regulatory impacts introduced since mid-2019. **3** Group Europe's EBITDA and EBIT were adverse year-on-year, primarily due to certain one-time income in 2019, as well as higher operating costs in the UK from escalating annual license fees and continued dual costs from IT transformation. EBIT of **3** Group Europe was further impacted by the increase in depreciation and amortization from a higher asset base from its significant investments in IT and networks. Excluding the impact of one-time items in 2019, the underlying EBITDA of **3** Group Europe in 2020 was the same as in 2019 but EBIT was 9% lower than 2019 in local currencies.

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(11) On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by CKHH.

(12) Under Post-IFRS 16 basis, CKHH's share of LBITDA was HK$22,746 million (US$2,916 million) (December 31, 2019: EBITDA of HK$3,480 million); LBIT was HK$28,020 million (US$3,592 million) (December 31, 2019: EBIT of HK$2,974 million).

(13) Under Post-IFRS 16 basis, EBITDA was HK$56,706 million (US$7,270 million) (December 31, 2019: HK$42,417 million); EBIT was HK$33,484 million (US$4,293 million) (December 31, 2019: HK$21,987 million).

(14) Under Post-IFRS 16 basis, EBITDA was HK$38,929 million (US$4,991 million) (December 31, 2019: HK$40,126 million); EBIT was HK$16,982 million (US$2,177 million) (December 31, 2019: HK$20,952 million).

Revenue of HK$4,545 million (US$583 million) for 2020 decreased by 19% compared to 2019, primarily driven by the decrease in roaming service revenue as a result of the prolonged global travel restrictions and lower sales of hardware reflecting the effect of the pandemic on consumer demand in 2020. EBITDA[(15)] and EBIT[(15)] of HK$1,341 million (US$172 million) and HK$496 million (US$64 million) were 3% and 15% lower in 2020 as compared to 2019 mainly due to lower interest income following the distribution of special interim dividend and cash settlement for the acquisition of 24.1% interest in the mobile business in May 2019, together with lower net customer service margin, partly offset by stringent control on operating costs.

Hutchison Asia Telecommunications

In 2020, HAT reported revenue of HK$9,147 million (US$1,173 million). Despite reporting a 25% growth in active customer accounts, revenue only grew by 2% in reported currency or 6% in local currencies from 2019, reflecting market pressure of aggressive pricing from other incumbents in Indonesia.

EBITDA[(16)] and EBIT[(16)] of HK$2,034 million (US$261 million) and HK$544 million (US$70 million), respectively, were 6% and 48% lower than 2019 in reported currency, respectively, primarily due to higher operating costs from the completion of network expansion in all operations during 2019 and 2020 and non-recurring exchange gains recognized in 2019. EBIT was further impacted by the increase in depreciation and amortization reflecting the higher network asset base due to the network rollouts and enhancements. In local currencies, EBITDA and EBIT in 2020 decreased 3% and 46%, respectively, when compared to 2019.

Finance & Investments and Others

In 2020, Finance & Investments and Others reported revenue of HK$27,581 million (US$3,536 million), a 19% decrease in reported currency. EBITDA[(17)] and EBIT[(17)] of HK$14,996 million (US$1,923 million) and HK$12,687 million (US$1,627 million), respectively, representing 19% and 27% increase in reported currency, respectively, compared to 2019.

The higher EBITDA and EBIT results of this segment were primarily due to the gains of approximately HK$10.1 billion[(18)] (US$1.3 billion) arising from the dilution of CKHH's attributable interest in VHA following the completion of merger of VHA and TPG Corporation Limited recognized in 2020, partly offset by the gain of HK$6.9 billion arising from the derecognition of Hutchison China MediTech Limited ("HUTCHMED", formerly known as "Chi-Med") as a subsidiary to an associated company recognized in 2019.

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(15) Under Post-IFRS 16 basis, EBITDA was HK$1,776 million (US$228 million) (December 31, 2019: HK$1,850 million); EBIT was HK$507 million (US$65 million) (December 31, 2019: HK$597 million).

(16) Under Post-IFRS 16 basis, EBITDA was HK$4,362 million (US$559 million) (December 31, 2019: HK$4,328 million); EBIT was HK$1,480 million (US$190 million) (December 31, 2019: HK$2,032 million).

(17) Under Post-IFRS 16 basis, EBITDA was HK$16,354 million (US$2,097 million) (December 31, 2019: HK$13,958 million); EBIT was HK$12,879 million (US$1,651 million) (December 31, 2019: HK$10,119 million).

(18) Under Post-IFRS 16 basis, the net gains was HK$10.2 billion (US$1.3 billion) and net gains attributable to shareholders was HK$9.2 billion (US$1.2 billion).

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 years. See "– Presentation of financial information for years ended December 31, 2018, 2019 and 2020".

Overview

Total revenue for 2019 of HK$439,856 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 and EBIT[(1)] of HK$71,108 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 divesture 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 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, which resulted in a net gain of approximately HK$902 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, 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, a decrease of 5%.

Profit attributable to ordinary shareholders[(4)] for 2019 of HK$39,888 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.

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(1) Under Post-IFRS 16 basis, EBITDA was HK$136,049 million; EBIT was HK$75,344 million.

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

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

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

In reported currency, total revenue of HK$35,375 million, EBITDA[(5)] of HK$13,405 million and EBIT[(5)] of HK$9,061 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.

Retail

Revenue of this division for 2019 of HK$169,225 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 and HK$13,671 million, respectively, in 2019 compared to 2018, due to a one-off gain of approximately HK$633 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 138 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, HK$28,488 million and HK$19,220 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, 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.

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(5) Under Post-IFRS 16 basis, EBITDA was HK$16,092 million; EBIT was HK$10,216 million.

(6) Under Post-IFRS 16 basis, EBITDA was HK$27,023 million; EBIT was HK$14,705 million.

(7) Under Post-IFRS 16 basis, EBITDA was HK$28,751 million; EBIT was HK$19,259 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.

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

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 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, HK$35,341 million and HK$21,131 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, HK$33,511 million and HK$20,112 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 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 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 in 2019.

Hutchison Asia Telecommunications

In 2019, HAT reported revenue, EBITDA(13) and EBIT(13) of HK$8,984 million, HK$2,167 million and HK$1,055 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

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(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; CKHH's share of EBIT was HK$3,009 million.

(10) Under Post-IFRS 16 basis, EBITDA was HK$42,417 million; EBIT was HK$21,987 million.

(11) Under Post-IFRS 16 basis, EBITDA was HK$40,126 million; EBIT was HK$20,952 million.

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

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

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.

Finance & Investments and Others

In 2019, Finance & Investments and Others reported revenue of HK$33,946 million, a 3% decrease in reported currency. EBITDA[14] and EBIT[14] of HK$12,637 million and HK$9,974 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 ("HUTCHMED", formerly known as "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 at EBITDA and EBIT level recognized within this segment, and arising from the derecognition of HUTCHMED as a subsidiary to an associated company. HUTCHMED raised additional equity through an offering of ADS in early 2020. Correspondingly, CKHH's shareholding was further diluted to 48.15%.

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.

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

At December 31, 2020, approximately 35% of CKHH's total principal amount of bank and other debts were at floating rates and the remaining 65% were at fixed rates (December 31, 2019: 38% floating; 62% fixed). CKHH has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$5,460 million (US$700 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$17,264 million (US$2,213 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 31% of CKHH's total principal amount of bank and other debts were at floating rates and the remaining 69% were at fixed rates at December 31, 2020 (December 31, 2019: 33% floating; 67% 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 about 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. Reported EBITDA(1) for 2020 was HK$96,944 million (US$12,429 million). On a recurring basis (excluding the gain on disposal of tower assets completed in 2020 and dilution gain from the merger of VHA with TPG Corporation Limited and CKHH's share of impairment and other charges of Husky Energy), 62% of underlying EBITDA of HK$95,165 million (US$12,201 million) was derived from European operations, including 23% from the UK. At December 31, 2020, of CKHH's total principal amount of bank and other debts after currency swap arrangements, 51% and 5% were denominated in Euro and Pounds Sterling, respectively, whilst liquid assets comprised 9% Euro and 10% Pounds Sterling denominated cash and cash equivalents. As a result, 89% and 1% of CKHH's consolidated net debt(2) of HK$185,298 million (US$23,756 million) were denominated in Euro and Pounds Sterling, respectively. Net assets(3) was HK$646,478 million (US$82,882 million), with 16% and 22% attributable to Continental Europe and UK operations respectively.

In terms of exposure to other foreign currencies, at December 31, 2020, CKHH's total principal amount of bank and other debts were denominated as follows: 42% in Euro, 41% in US dollars, 3% in HK dollars, 5% in Pounds Sterling and 9% in other currencies. CKHH had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$31,356 million (US$4,020 million) to Euro principal amount of borrowings 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: 51% in Euro, 32% in US dollars, 3% in HK dollars, 5% in Pounds Sterling and 9% in other currencies.

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(1) Under Post-IFRS 16 basis, EBITDA were HK$122,348 million (US$15,686 million) for 2020 and HK$136,049 million for 2019.

(2) Under Post-IFRS 16 basis, consolidated net debt was HK$185,103 million (US$23,731 million) as of December 31, 2020 and HK$202,648 million as of December 31, 2019.

(3) Under Post-IFRS 16 basis, net assets was HK$630,063 million (US$80,777 million) as of December 31, 2020 and HK$596,963 million as of December 31, 2019.

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. CKHH aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A2 on the Moody's Investor Service scale, A on the S&P Rating Services scale and A– on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances.

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

At December 31, 2020, the consolidated net debt(2) of CKHH, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK$185,298 million (US$23,756 million) (December 31, 2019 – HK$202,877 million), a 9% decrease compared to the net debt at the beginning of the year, primarily due to proceeds received from tower sales, improvement in working capital management, savings in interest costs and cash taxes, rigorous capital expenditure and investment controls, partly offset by dividend payments and distributions and adverse foreign exchange translation of net debt. CKHH's consolidated net debt to net total capital ratio(4) was 22.2% as of December 31, 2020 (December 31, 2019 – 24.8%). CKHH's consolidated cash and liquid investments as of December 31, 2020 were sufficient to repay all of CKHH's outstanding debt maturing before 2023.

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 6% (December 31, 2019: approximately 5%) of the cash, liquid funds and other listed investments ("liquid assets") as of December 31, 2020. CKHH 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.

CKHH's liquidity and capital resources for the years ended December 31, 2020, 2019 and 2018

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.

(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 22.7% as of December 31, 2020 and 25.3% as of December 31, 2019.

CKHH had cash, liquid funds and other listed investments of HK$166,539 million (US$21,351 million) as of December 31, 2020, HK$144,849 million (US$18,570 million) as of December 2019 and HK$144,703 million as of December 31, 2018.

Net Cash from Operating Activities

EBITDA[(1)(5)] amounted to HK$96,944 million (US$12,429 million) in 2020, HK$112,068 million in 2019 and HK$113,580 million in 2018.

Consolidated funds from operations ("FFO")[(6)] before cash profits from disposals, capital expenditures, investments and changes in working capital amounted to HK$55,543 million (US$7,121 million) in 2020, HK$57,919 million in 2019 and HK$57,345 million in 2018.

Net cash from operating activities[(7)] was HK$55,211 million (US$7,078 million) in 2020, compared to underlying net cash from operating activities of HK$48,568 million (being reported net cash from operating activities of HK$53,336 million less HK$4,768 million cash flow relating to disposal group classified as held for sale) in 2019, mainly due to a decrease in cash outflow from changes in working capital by HK$9,019 million (US$1,156 million) (being reported improvement in changes in working capital of HK$4,251 million[(8)] (US$545 million) and HK$4,768 million (US$611 million) relating to disposal group classified as held for sale), a decrease in interest and tax paid of HK$6,088 million (US$781 million) and an increase of dividend received from associated companies and joint ventures of HK$1,144 million (US$147 million), partially offset by a decrease in EBITDA of Company and subsidiaries[(9)] by HK$10,935 million (US$1,402 million) (excluding the gain on disposal of tower assets 2020 and dilution gain from the merger of VHA with TPG Corporation Limited completed in 2020 and gain on deconsolidation of HUTCHMED in 2019).

Reported net cash from operating activities[(7)] was HK$53,336 million for 2019, compared to HK$55,734 million in 2018, mainly due to a decrease in dividends received from associated companies and joint ventures by HK$5,422 million, an increase in interest expenses on borrowings and other finance costs paid of HK$337 million, an increase in tax paid of HK$1,239 million, an increase in cash outflow from changes in working capital[(8)] by HK$2,972 million, partially offset by an increase in EBITDA of Company and subsidiaries[(9)] (excluding the gain on deconsolidation of HUTCHMED in 2019) by HK$5,215 million and a decrease on profit on disposal of subsidiaries, associated companies and joint ventures (excluding the gain on deconsolidation of HUTCHMED in 2019) by HK$2,233 million.

Cash Flows used in Investing Activities

Net cash used in investing activities[(10)] was HK$6,478 million (US$831 million) in 2020, HK$37,512 million in 2019 and HK$59,079 million in 2018 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.

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(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 reflects 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$72,655 million (US$9,315 million) in 2020 and HK$74,847 million in 2019, 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$73,171 million (US$9,381 million) in 2020 and HK$69,270 million in 2019.

(8) Under Post-IFRS 16 basis, a decrease in cash outflows from changes in working capital of HK$6,093 million (US$781 million) in 2020 and an increase in cash outflow from changes in working capital of HK$3,966 million in 2019.

(9) Under Post-IFRS 16 basis, a decrease in recurring EBITDA of Company and subsidiaries (excluding the gain on disposal of tower assets completed in 2020 and dilution gain from the merger of VHA with TPG Corporation Limited) was HK$9,767 million (US$1,252 million) in 2020 from 2019.

(10) Under Post-IFRS 16 basis, net cash used in investing activities was HK$6,464 million (US$829 million) in 2020 and HK$37,419 million in 2019.

Net cash used in investing activities of HK$6,478 million (US$831 million) in 2020 was lower than the underlying net cash used in investing activities of HK$28,181 million (being reported net cash used in investing activities of HK$37,512 million less HK$9,331 million cash flow relating to disposal group classified as held for sale) in 2019, mainly due to proceeds from tower assets disposal of HK$20,767 million (US$2,662 million), an increase in repayment of loans from associated companies and joint ventures by HK$968 million (US$124 million) and a decrease in additions to telecommunications licenses costs by HK$607 million (US$78 million), partly offset by a net increase in additions to fixed assets and brand names and others rights by HK$553 million (US$71 million) (being reported increase of HK$6,191 million (US$793 million) less HK$6,744 million relating to disposal group classified as held for sale).

Reported net cash used in investing activities of HK$37,512 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, a decrease in additions to telecommunications licenses costs by HK$7,241 million, acquisition of additional of 50% interests in Wind Tre of HK$14,348 million in 2018, a decrease in additions to liquid funds and other listed investments by HK$8,274 million, partially offset by decrease in cash from de-consolidation of subsidiary companies upon disposal of HK$1,522 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 and an increase in purchase of fixed assets by HK$4,743 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 2020, 2019 and 2018.

Capital Expenditure

	Pre-IFRS 16[1]		
	Year Ended December 31,		
	2018	2019	2020
	HK$ million	HK$ million	HK$ million
Ports and related services	3,910	3,037	1,712
Retail	3,454	3,072	1,947
Infrastructure	6,060	438	205
Energy	–	–	–
CK Hutchison Group Telecom	19,229	19,871	21,542
Hutchison Asia Telecommunications	4,656	2,902	4,003
Finance & Investments and Others	237	322	179
Total	37,546	29,642	29,588

(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 and 2020 are on a IFRS 16 basis, whereas the statutory results for the year ended December 31, 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 and 2020. Unless otherwise specified, the discussion of CKHH's operating results for the year ended December 31, 2019 and 2020 are on a Pre-IFRS 16 basis as mentioned above.

	Post-IFRS 16	
	Year Ended December 31,	
	2019	2020
	HK$ million	HK$ million
Ports and Related Services	3,037	1,712
Retail	3,072	1,947
Infrastructure	438	205
Energy	–	–
CK Hutchison Group Telecom	19,840	21,542
Hutchison Asia Telecommunications	2,840	3,989
Finance & Investments and Others	322	179
Total	29,549	29,574

In 2020, CKHH's total capital expenditure was HK$29,588 million (US$3,793 million). The ports and related services division incurred capital expenditure of HK$1,712 million (US$219 million), mainly for the operations in Thailand, Pakistan, Mexico and Rotterdam. The retail division incurred capital expenditure of HK$1,947 million (US$250 million), mainly for digital technology, new store openings and store fit-outs. The infrastructure division incurred capital expenditure of HK$205 million (US$26 million), mainly for Enviro Waste and Infrastructure materials division. CK Hutchison Group Telecom incurred capital expenditure of HK$21,542 million (US$2,762 million), mainly for network rollout, IT infrastructure enhancements and license acquisition. HAT incurred capital expenditure of HK$4,003 million (US$513 million), mainly for network expansion in Indonesia, Vietnam and Sri Lanka.

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

(ii) Purchase of Subsidiary Companies

In 2020, there were no significant 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.

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

In 2020, the net cash inflow was HK$776 million (US$99 million).

In 2019, the net cash outflow was HK$244 million.

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

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

In 2020, the net cash inflows of HK$20,780 million (US$2,664 million) mainly represented proceeds on disposal of interest in tower assets in Denmark, Austria and Ireland.

In 2019, the net cash outflows of HK$1,522 million mainly represented the cash disposed of HK$187 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 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.

Cash Flows from Financing Activities

In 2020, the net cash used in financing activities(11) of HK$29,909 million (US$3,834 million) was mainly due to cash outflow on payment of dividends and distributions of HK$17,164 million (US$2,201 million), a net cash outflow in borrowings(12) of HK$12,006 million (US$1,539 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 and cash payment for acquisition of the remaining 40% attributable interests in the telecommunications tower assets in Denmark of HK$1,048 million (US$134 million).

In 2019, the net cash used in financing activities(11) of HK$17,693 million was mainly due to cash outflow on payment of dividends and distributions of HK$19,533 million, partially offset by proceeds from partial disposal of HUTCHMED of HK$2,201 million and a net cash inflow from borrowings(12) of HK$129 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.

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$351,837 million (US$45,107 million) as of December 31, 2020, HK$347,726 million as of December 31, 2019 and HK$352,668 million as of December 31, 2018.

As of December 31, 2020, approximately 32% of CKHH's total principal amounts of borrowings were denominated in U.S. dollars, 3% in Hong Kong dollars, 51% in Euro, 5% in Pound Sterling and the remaining 9% in other currencies. As of December 31, 2020, approximately 13% of CKHH's principal amounts of borrowings were repayable within 2021,

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(11) Under Post-IFRS 16 basis, net cash used in financing activities was HK$47,883 million (US$6,138 million) in 2020 and HK$33,720 million in 2019.

(12) Under Post-IFRS 16 basis, net cash used in borrowings was HK$11,970 million (US$1,534 million) in 2020 and a net cash inflow of HK$71 million in 2019.

(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$351,642 million (US$45,082 million) as of December 31, 2020 and HK$347,497 million as of December 31, 2019.

54% were repayable between 2022 and 2024 and 33% were repayable beyond 2024. Finance costs on CKHH's borrowings were HK$7,184 million (US$921 million), HK$10,882 million and HK$10,174 million in 2020, 2019 and 2018, 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[(2)] of HK$185,298 million (US$23,756 million), HK$202,877 million and HK$207,965 million as of December 31, 2020, 2019 and 2018, respectively.

In January 2021, CK Hutchison Group Telecom prepaid EUR1,650 million (approximately HK$15,527 million (US$1,991 million)) of a floating rate term loan facility of EUR2,100 million maturing in October 2022.

In March 2021, US$1,200 million (approximately HK$9,360 million) Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI were redeemed in full.

Security Interests

As of December 31, 2020, 2019 and 2018, assets of CKHH, in the amount of HK$1,411 million (US$181 million), HK$1,260 million and HK$111,017 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$20,766 million (US$2,662 million), HK$7,528 million and HK$14,402 million as of December 31, 2020, 2019 and 2018, respectively.

Off-Balance Sheet Arrangements

CKHH entered into various interest rate agreements with major financial institutions to swap approximately HK$5,460 million (US$700 million), HK$6,760 million and HK$9,100 million principal amount of fixed rate borrowings to effectively become floating rate borrowings as of December 31, 2020, 2019 and 2018, respectively. In addition, a principal amount of HK$17,264 million (US$2,213 million), HK$23,718 million and HK$50,613 million of floating interest rate borrowings were swapped into fixed interest rate borrowings as of December 31, 2020, 2019 and 2018, respectively.

Cash, Liquid Funds and Other Listed Investments

CKHH's total cash, liquid funds and other listed investments amounted to HK$166,539 million (US$21,351 million) as of December 31, 2020, HK$144,849 million as of December 31, 2019 and HK$144,703 million as of December 31, 2018. As of December 31, 2020, 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, 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, 2020, CKHH's total cash, liquid funds and other listed investments were denominated 22% in Hong Kong dollars, 48% in U.S. dollars, 9% in Euro, 4% in Renminbi, 10% in Pound Sterling and 7% in other currencies. 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.

Current and Long-Term Liabilities, Commitments and Contingent Liabilities

A summary of CKHH's current and long-term liabilities as of December 31, 2020 are set forth below.

The obligations as of December 31, 2020 are reflected in CKHH's audited consolidated statement of financial position as of December 31, 2020 and in notes 5(c)(iii) to the CKHH's audited consolidated financial statements for year ended December 31, 2020 included elsewhere in this offering memorandum.

Current and Long-Term Liabilities

	As of December 31, 2020		
	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]	347,953	48,100	299,853
Unamortized fair value adjustments arising from acquisitions	3,884	23	3,861
Total bank and other debts before the following items	351,837	48,123	303,714
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	(2,571)	(27)	(2,544)
Interest bearing loans from non-controlling shareholders	798	–	798
Trade payables and other current liabilities[2]	105,576	105,576	–
Total	455,640	153,672	301,968

(1) Under Post-IFRS 16 basis, the total principal amount of bank loans, other loans, notes and bonds was HK$347,758 million (US$44,584 million) as of December 31, 2020.

(2) Under Post-IFRS 16 basis, trade payables and other current liabilities was HK$103,881 million (US$13,318 million) as of December 31, 2020.

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

Debt Maturity Profile

	As of December 31, 2020
	HK$ million
2021	48,100
2022	72,947
2023	67,669
2024	47,846
2025	9,252
2026 to 2030	71,807
2031 to 2040	18,632
2041 and thereafter	11,700
	347,953

CKHH's capital commitments as of December 31, 2020 are summarized below. Contracted for commitments represent amounts payable pursuant to agreements signed as of December 31, 2020.

Capital and Other Commitments

	As of December 31, 2020
	Contracted for
	HK$ million
Ports and related services	263
Telecommunications	
– **3** Group Europe	3,482
– HTHKH & HAT	3,884
Total	7,629

CKHH has provided guarantees as of December 31, 2020, as shown in note 37 to the CKHH's audited consolidated financial statements for the year ended December 31, 2020 included elsewhere in this offering memorandum, which are summarized as follows:

Contingent Liabilities

	As of December 31, 2020
	Total
	HK$ million
Guarantees in respect of bank and other borrowing facilities for associated companies and joint ventures	7,022
Performance and other guarantees	7,868
Total	14,890

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. As of December 31, 2020, CKHH had interests in 52 ports comprising 283 operational berths[(1)] in 26 countries in Asia, the Middle East, Africa, Europe, the Americas and Australasia. In 2019 and 2020, CKHH's ports and related services division handled combined container throughput of 86.0 million TEU and 83.7 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"), 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 ninth busiest container port in the world in 2020 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 and Gdynia Container Terminal ("GCT") in Poland, as well as Hutchison Ports Sweden which has container-handling facilities at the Port of Nynäshamn ("CTN", which commenced operations at the end of May 2020), Norvikudden, and had the right to operate Container Terminal Frihamnen ("CTF", which was closed and returned to the port authority in June 2020) 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;

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(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.

- 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 held interests in International Ports Services (“IPS”) at Dammam. The concession expired at the end of September 2020. In February 2021, Hutchison Ports agreed with the Royal Commission in Jubail and Yanbu, to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases;

- Egypt, where Hutchison Ports holds interests in Alexandria International Container Terminals (“AICT”), which operates terminals at Alexandria and El Dekheila Ports. In August 2020, Hutchison Ports entered into a long-term agreement with the Egyptian Navy to develop and operate a new container terminal in Abu Qir;

- 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 139 million loyalty member base and an operator of major chains of supermarkets and consumer electronics and electrical appliances stores. As of December 31, 2020, A.S. Watson had 16,167 stores in 27 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

CK Infrastructure Holdings Limited ("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, 2020, CKI's major interests include:

- a 35.96% interest in Power Assets Holdings Limited ("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 Limited ("Northumbrian Water"), a group comprising one of the ten regulated water and sewerage companies in England and Wales, which provides water and waste water services in the North East of England and water services in the South East of England. In addition, Northumbrian Water's operations include 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 a gas distribution network that serves 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 major rolling stock owning companies that were established at the time of privatization of the UK rail industry. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, on long term contracts to train and freight operating companies;

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

- 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 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 sustainable 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. Disposal of CKI's and Power Assets' respective 50% interest in Portugal Renewable Energy was completed in October 2020;

- a 35% interest in ista, a fully integrated energy management services provider that runs submetering businesses across 22 countries, for heat and water consumption. 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"), the largest electricity distributor 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 owns and operates 71 kilometers of transmission lines and terminal stations in Victoria, Australia that connect Mount Mercer, Lal Lal, Moorabool and Ararat wind farms to the national power 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, 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 approximately half a million commercial and household customers via collection services, 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% interest in the Meridian Cogeneration Plant and a 49.99% 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 three natural gas-fired cogeneration plants in Alberta and Ontario, Canada and a power generation plant in Alberta, Canada undergoing coal-to-gas conversion;

- 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, oil storage capacity of 5.9 million barrels at the Hardisty and Lloydminster terminals, and other ancillary assets in Alberta and Saskatchewan. The remaining 35% interest in HMLP is held by Husky Energy, an associated company in which CKHH owned a 40.19% interest as of December 31, 2020;

- 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 149.8 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 of December 31, 2020 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 divesture 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.

Energy

In January 2021, Cenovus Energy, a Canadian integrated oil and nature natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy. With the completion of the merger transaction, Husky Energy has become a wholly owned subsidiary of Cenovus Energy. Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[1]. The results of the energy division up to December 31, 2020 represent CKHH's 40.19% share of Husky Energy's results. From January 2021 onwards, CKHH's share of Cenovus Energy results will be reported under finance & investments and others segment. See also "Summary – Recent Developments – Energy" for details.

Prior to the above transaction, Husky Energy was a 40.19% CKHH-owned associated company. It was an international integrated energy company incorporated in Canada and was listed on the Toronto Stock Exchange. Husky Energy had two business segments: (i) an Integrated Canada-US Upstream and Downstream corridor ("Integrated Corridor"); and (ii) production located offshore the east coast of Canada ("Atlantic") and offshore China and Indonesia ("Asia Pacific" and collectively with Atlantic, "Offshore").

- Integrated Corridor: Husky Energy's business in the Integrated Corridor included: crude oil, bitumen, conventional natural gas, NGL and ethanol production from Western Canada; marketing and transportation of Husky Energy's and other producers' production; the Upgrader and Asphalt Refinery; Husky Midstream Limited Partnership (35% working interest and operatorship); the Lima Refinery, the BP-Husky Toledo Refinery (50% working interest) and the Superior Refinery in the U.S. Midwest; and the marketing of refined petroleum products including gasoline, diesel and ethanol blended fuels. Conventional 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.

- Offshore: Husky Energy's Offshore business included operations, development and exploration in Asia Pacific and Atlantic.

Telecommunications

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

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(1) On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by CKHH.

- **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. As of December 31, 2020, CKHH's **3** Group Europe operations had approximately 44.5 million registered customers.

  – In the UK, Hutchison 3G UK Limited ("**3** UK") serviced a registered customer base of approximately 13.1 million as of December 31, 2020.

  – In Italy, Wind Tre serviced a registered customer base of approximately 21.5 million as well as 2.8 million fixed line customers as of December 31, 2020.

  – In Sweden, Hi3G Access AB ("Hi3G Access"), in which CKHH holds a 60% interest, serviced a registered customer base of approximately 2.2 million as of December 31, 2020.

  – 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, 2020.

  – In Austria, Hutchison Drei Austria GmbH ("**3** Austria") serviced a registered customer base of approximately 3.5 million as of December 31, 2020.

  – In Ireland, Three Ireland (Hutchison) Limited ("**3** Ireland") serviced a registered customer base of approximately 2.6 million as of December 31, 2020.

In November 2020, CKHH entered into an agreement to dispose of its European telecommunications tower assets for an aggregate consideration of €10 billion. The disposals of tower assets in Denmark, Austria and Ireland, pursuant to this agreement, were completed in December 2020. Disposal of the remaining tower assets in Sweden was completed in January 2021, with the disposal of the tower assets in Italy and in the UK expected to complete in the first half and second half of 2021 respectively.

- 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**, MO and MO+ Brands. HTHKH has a combined active mobile customer base of approximately 3.3 million in Hong Kong and Macau as of December 31, 2020.

- HAT holds interests in mobile operations in Indonesia, Vietnam and Sri Lanka. HAT has an active mobile customer base of approximately 57.0 million as of December 31, 2020.

- HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange ("ASX"), has a 25.05% interest in TPG Telecom Limited (formerly known as Vodafone Hutchison Australia or "VHA", a 50-50 joint venture with Vodafone Group Plc before its merger with TPG Corporation Limited (formerly named TPG Telecom Limited) which became effective on June 26, 2020). Post-merger, TPG Telecom Limited was listed on the ASX on June 30, 2020 and is 25.05% held by HTAL. CKHH's share of TPG Telecom Limited's results is included under the finance & investments and others segment.

Finance & Investments and Others

CKHH receives income from its finance & investments and others segment, 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, listed associate TOM Group, the Marionnaud Group, AlipayHK (deconsolidated in 2020), listed associate CK Life Sciences Int'l., (Holdings) Inc. ("CKLS") and listed subsidiary HTAL, which has a 25.05% interest in TPG Telecom Limited are reported under this division.

- HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the UK, and also owns 45.69% of Hutchison China MediTech Ltd ("HUTCHMED", formerly known as "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. HUTCHMED is an innovative, commercial-stage, biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases. During 2019, CKHH partially disposed of its interest in HUTCHMED, reducing CKHH's shareholding from 60.15% to 49.86%. Subsequent to the follow-on offering of HUTCHMED's ADS in January 2020 and private placements in July and November 2020, CKHH's shareholding was further diluted from 49.85% to 45.69%;

- 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 as well as 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 had a 50% interest in AlipayHK, a consumer-oriented digital app, which integrates online and offline payments in Hong Kong. In 2020, CKHH's interest in AlipayHK was reduced to 19.9% and is currently an unlisted investment.

The following chart illustrates the main activities of CKHH and its associates and joint ventures by business segment as at December 31, 2020:

CK Hutchison Holdings Limited

Ports and Related Services

HPH Trust
- HIT Terminals 4,6,7 and 9 North (HK)
- COSCO-HIT Terminal 8 East (HK)
- ACT Terminal 8 West (HK)
- Yantian International Container Terminals (Phase I and II)
- Yantian International Container Terminals (Phase III)
- Shenzhen Yantian West Port Terminals
- Huizhou International Container Terminals

The Mainland and Other Hong Kong
- Shanghai Pudong International Container Terminals
- Shanghai Mingdong Container Terminals
- Shanghai Container Terminals
- Ningbo Beilun International Container Terminals
- Shantou International Container Terminals(1)
- Xiamen International Container Terminals
- Xiamen Haicang International Container Terminals
- Huizhou Port Industrial Corporation
- River Ports(2)
  - Guangdong province - Nanhai and Jiangmen
- River Trade Terminal (HK)

Europe
- Port of Felixstowe (UK) London
- Thamesport (UK)
- Harwich International Port (UK)
- Europe Container Terminals (The Netherlands, Germany and Belgium)
- Amsterdam Container Terminals (The Netherlands)
- Barcelona Europe South Terminal (Spain)
- Gdynia Container Terminal (Poland)
- Hutchison Ports Sweden (Sweden)(3)

Asia, Australia and Others
- Jakarta International Container Terminal (Indonesia)
- Terminal Petikemas Koja (Indonesia)
- Westports Malaysia
- Hutchison Korea Terminals (South Korea)
- Korea International Terminals (South Korea)
- Thai Laemchabang Terminal (Thailand)
- Hutchison Laemchabang Terminal (Thailand)
- Karachi International Container Terminal (Pakistan)
- South Asia Pakistan Terminals (Pakistan)
- Saigon International Terminals Vietnam (Vietnam)
- Myanmar International Terminals Thilawa (Myanmar)
- Brisbane Container Terminals (Australia)
- Sydney International Container Terminals (Australia)
- International Ports Services (Saudi Arabia)(4)
- Tanzania International Container Terminal Services (Tanzania)
- Alexandria International Container Terminals (Egypt)
- Oman International Container Terminal (Oman)
- Hutchison Ajman International Terminals (UAE)
- Hutchison Ports RAK (UAE)
- Hutchison Ports UAQ (UAE)
- NAWAH for Ports Management LLC (Iraq)
- Panama Ports Company (Panama)
- Internacional de Contenedores Asociados de Veracruz (Mexico)
- Lazaro Cardenas Terminal Portuaria de Contenedores (Mexico)
- Lazaro Cardenas Multipurpose Terminal (Mexico)
- Terminal Internacional de Manzanillo (Mexico)
- Ensenada International Terminal (Mexico)
- Freeport Container Port (Bahamas)

Canada
- Québec Container Terminal

Port Related Services
HPH Trust
- Asia Port Services
- Hutchison Logistics (HK) Limited
- Shenzhen Hutchison Inland Container Depots

The Mainland and Other Hong Kong
- Ship repair, salvage and towage operations
- Hutchison Logistics (Shanghai) Ltd
- Air cargo handling

Asia, Australia and Others
- TMA Logistics (The Netherlands)
- Vessel, platform & maritime structure repair (Mexico)
- Freeport Harbour (Bahamas)
- Grand Bahamas Airport (Bahamas)
- Ensenada Cruiseport Village (Mexico)
- Terminal Internnodal Logistica de Hidalgo (Mexico)

(1) The interest in Shantou International Container Terminals was disposed of in November 2018.
(2) HPH Trust holds River Ports economic benefits, the port and related services division retains the legal interests.
(3) Hutchison Ports Sweden has container-handling facilities at the Port of Nynäshamn, Norvikudden (commenced operations at the end of May 2020) and the right to operate Container Terminal Frihamnen (closed and returned to the port authority in June 2020).
(4) International Ports Services' concession at Dammam in Saudi Arabia ended on 30 September 2020.

Retail

Hong Kong and Macau
- PARKnSHOP (supermarkets)
- Watson's Wine (wine stores)
- Watsons (health and beauty stores)
- Fortress (consumer electrical goods stores)
- Manufacturing and distribution of water, soft drinks and fruit juices

The Mainland
- PARKnSHOP Yonghui (supermarkets)
- Watsons (health and beauty stores)
- Watson's Wine (wine store)(5)
- Manufacturing and distribution of water, soft drinks and fruit juices

Asia
- Watsons (health and beauty stores) in Taiwan, Singapore, Malaysia, Thailand, the Philippines, Indonesia, Turkey, Vietnam(6) and United Arab Emirates(7)

UK and Western Europe
- Superdrug (health and beauty stores) in the UK and Ireland
- Savers (health and beauty stores) in the UK
- Kruidvat (health and beauty stores) in the Netherlands and Belgium
- Trekpleister (health and beauty stores) in the Netherlands
- Rossmann (health and beauty stores) in Germany
- ICI Paris XL (perfumeries) in the Netherlands, Belgium and Luxembourg
- The Perfume Shop (perfumeries) in the UK and Ireland

Other European countries
- Rossmann (health and beauty stores) in Poland, Hungary, Czech Republic, Albania, Turkey and Kosovo
- Drogas (health and beauty stores) in Latvia and Lithuania
- Watsons (health and beauty stores) in Russia
- Watsons (health and beauty stores) in Ukraine

(5) The outlet in the Mainland was closed in February 2020.
(6) A.S. Watson opened its first flagship store in Ho Chi Minh City, Vietnam, in January 2019.
(7) A.S. Watson opened its first store in Dubai, the United Arab Emirates, in October 2020 after entering into a franchise agreement with Al-Futtaim.

Infrastructure

CK Infrastructure
- Hong Kong
  - Hongkong Electric* (sole supplier of electricity to Hong Kong Island and Lamma Island)
- Cement, concrete and asphalt production

The Mainland
- Toll roads and bridges
- Cement production
- Power plants*
- Wind farms*

Australia
- Electricity distribution**
- Electricity transmission**
- Gas transmission and distribution**
- Power plant**
- Energy utility assets**

UK
- Electricity distribution**
- Gas distribution**
- Power plant**
- Water services**
- Waste water services**
- Rolling stock leasing**
- Energy utility assets**

U.S.
- Energy utility assets**
- Building equipment services

Canada
- Power plants**
- Off-airport parking facilities**
- Oil pipelines and facilities, gas processing plant and gas gathering pipelines **
- Energy utility assets**
- Building equipment services

New Zealand
- Electricity distribution**
- Waste management

Continental Europe
- Waste management and production of energy from waste**
- Wind farms(8)**
- Energy management services

The Philippines
- Limestone quarry

Thailand
- Power plants*

* indirectly owned via Power Assets
** jointly owned with Power Assets

(8) Disposal of CKI's and Power Assets' respective 50% interest in Portugal Renewable Energy was completed in October 2020.

Energy

Husky Energy
Integrated Corridor Business
Canada
- Exploration, development and production of crude oil, bitumen, natural gas and natural gas liquids ("NGL")
- Upgrading of heavy crude oil and bitumen into synthetic crude oil, refining of crude oil, marketing refined petroleum products
- Pipeline transportation, blending of crude oil and natural gas, storage of crude oil, diluent and natural gas and commodity marketing

U.S.
- Refining of crude oil to refined petroleum products and marketing of gasoline, jet fuel and diesel fuels

Offshore Business
Asia
- Offshore exploration, development and production of natural gas and NGL

Canada
- Offshore exploration, development and production of light crude oil

Telecommunications

CK Hutchison Group Telecom
3 Group Europe
UK
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator

Wind Tre
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator
- Fixed-line network operator

Sweden
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator

Denmark
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator

Austria
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator
- Fixed-line network operator

Ireland
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator

Hutchison Telecommunications Hong Kong Holdings
Hong Kong
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator

Macau
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)

Hutchison Asia Telecommunications
Indonesia
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)

Vietnam
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)

Sri Lanka
- Mobile network operator (GSM)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)

Hutchison Telecommunications Australia
TPG Telecom Limited
- Mobile network operator (GSM)(9)
- 3G mobile network operator (UMTS)
- 4G mobile network operator (LTE)
- 5G mobile network operator
- Fixed-line network operator and reseller

(9) TPG Telecom Limited (formerly known as VHA) closed its 2G network on 30 June 2018.

Finance & Investments

Treasury operation and liquidity management activities

Others
- Biopharmaceutical research and development
- Manufacturing and commercialization of pharmaceutical products
- Provision of aircraft management, maintenance and engineering services
- Manufacturing and distribution of consumer detergent products
- Distribution of consumer products and provision of logistics services
- Technology and Media businesses including e-commerce, social network, mobile internet, investments in fintech and advanced data analytics, publishing and advertising
- Luxury perfumery and cosmetic retail chain in Europe
- Marketing, manufacturing and sale of health and agricultural – related products
- Vineyard leasing

Recent Developments

Ports and Related Services

- In February 2021, Hutchison Ports agreed with the Royal Commission in Jubail and Yanbu to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases. Commercial operations of general cargo and dry-bulk terminal are expected to be launched in 2021 with the container terminal expected to launch in early 2022, offering a combined total of 1,270 meters of berth length in Phase 1.

Energy

- In January 2021, Cenovus Energy, a Canadian integrated oil and natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy. The merger creates Canada's third largest oil and natural gas producer, based on total company production, with about 750,000 barrels of oil equivalent per day of low-cost oil and natural gas production. The combined company also becomes the second largest Canadian-based refiner and upgrader, with total North American refining and upgrading capacity of approximately 660,000 barrels per day. With the completion of the merger transaction, Husky Energy has become a wholly owned subsidiary of Cenovus Energy. Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[1]. The results of the energy division reported up to December 31, 2020 represent CKHH's 40.19% share of Husky Energy's results. From January 2021 onwards, CKHH's share of Cenovus Energy results will be reported under finance & investments and others segment. As a result of the merger transaction, CKHH will recognize an exchange reserve reclassification adjustment charge of approximately HK$3.5 billion (US$0.4 billion) under the finance & investments and others segment in CKHH's 2021 results.

Telecommunication

- In January 2021, **3** Sweden acquired 100MHz in 3.5GHz spectrum band for approximately SEK491 million.
- In January 2021, the disposal of tower assets in Sweden to Cellnex was completed and resulted in a gain attributable to shareholders of approximately HK$6.6 billion (US$0.8 billion) to be reported in CKHH's 2021 results.
- In March 2021, **3** UK acquired 20MHz in 700MHz spectrum band for a base price of £280 million.

Finance & Investments and Others

- In January 2021, CK Hutchison Group Telecom prepaid EUR1,650 million (approximately HK$15,527 million) of a floating rate term loan facility of EUR2,100 million maturing in October 2022.
- In March 2021, US$1,200 million (approximately HK$9,360 million) aggregate principal amount of Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI were redeemed in full.
- In March 2021, CKHH repurchased 200,000 of its own shares for approximately HK$12.2 million (US$1.6 million).
- In March 2021, Hutchison China MediTech Limited ("HUTCHMED", formerly known as "Chi-Med") announced that it has reached an agreement to sell its entire indirect interest in Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited ("HBYS"), a non-core and non-consolidated over-the-counter ("OTC") drug joint venture business, for US$169 million. The transaction is subject to regulatory approval in China and is expected to close in mid-2021.
- In April 2021, HUTCHMED announced to issue shares amounting to US$100 million at a price equivalent to US$30.5 per American Depositary Share ("ADS") via a private placement to Baring Private Equity Asia. The share issuance is expected to become effective on April 14, 2021, and CKHH's shareholding will be further diluted to 44.66%.

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(1) On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by CKHH.

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. The division will also drive the digital transformation to accelerate the integration of its physical store portfolio and online channels.

- CKI seeks to ascertain further opportunities to invest in infrastructure projects with stable returns and accretive earnings and cashflow profiles.

- 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, retail point-of-sales, billing systems and new product catalogues to enhance customer experience; and (iii) being actively involved in developing 5G and standardizing operation support systems and core network for 5G. CKHGT has already obtained sufficient 5G spectrums in most operations and has launched 5G services 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. In addition, the additional financial capacity resulting from the tower assets disposal proceeds will be used to support CKHGT's future growth and merger and acquisition opportunities.

- CKHH also aims to organically grow and improve the performance 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 86.0 million TEU and 83.7 million TEU in 2019 and 2020, respectively. As of December 31, 2020, CKHH had interests in 52 ports comprising 283 operational berths(1) in 26 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, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	56,075.6	52,667.6
Transhipment	29,942.6	30,999.5
Total	86,018.2	83,667.1
HPH Trust	23,524.4	23,673.4
The Mainland and Other Hong Kong	13,545.3	13,505.1
Europe	16,218.8	15,197.0
Asia, Australia and Others	32,729.7	31,291.6
Total	86,018.2	83,667.1

(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 the 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 13.1 million TEU in 2019 and 13.3 million TEU in 2020.

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 2020, 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. The alliance has been approved by Hong Kong Competition Commission subject to a number of obligations, which include price caps and maintaining service levels, that will remain in place for up to eight years (and, for one of the service level obligations, for the duration of the Joint Operating Agreement).

Throughput of HIT, CHT and ACT HK together amounted to 10.0 million TEU in 2019 and 10.1 million TEU in 2020.

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 239,800 TEU in 2019 and 270,100 TEU in 2020.

Ports in the Mainland and Other Hong Kong

Shanghai Ports

Shanghai was the busiest port in the world in terms of container throughput in 2019 and 2020. 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 2019 and 8.9 million TEU in 2020.

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

Shanghai Ports Container Throughput

	Year Ended December 31, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	6,117.0	5,538.5
Transhipment	2,852.2	3,392.9
Total	8,969.2	8,931.4

Shanghai Mingdong Container Terminals Limited. Hutchison Ports' interest in SMCT reduced from 50% to 30% following a partial disposal of its interest in June 2020. 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 2019 and 2020. 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 2019 and 2020, respectively.

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 1.7 million TEU and 119,300 tons of non-containerized cargo in 2019 and 1.5 million TEU and 106,700 tons of non-containerized cargo in 2020.

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 14.6 million tons of oil and other non-containerized cargo in 2019 and 15.4 million tons of oil and other non-containerized cargo in 2020.

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 2019 and 1.0 million TEU in 2020.

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. 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.

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

The Netherlands, Germany and Belgium Container Throughput

	Year Ended December 31, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	6,688.1	5,800.8
Transhipment	2,406.3	2,975.4
Total	9,094.4	8,776.2

Amsterdam Container Terminals. Hutchison Ports 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 2019 and 3.6 million TEU in 2020. PFL and LTP together handled approximately 38% of the UK container throughput in 2019.

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, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	3,726.2	3,421.6
Transhipment	231.7	178.9
Total	3,957.9	3,600.5

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 2019 and 2.0 million TEU in 2020.

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 has a 100% equity interest in GCT at the Port of Gdynia. GCT handled 382,400 TEU in 2019 and 400,400 TEU in 2020.

Sweden

Hutchison Ports Sweden. Hutchison Ports held the right to operate Container Terminal Frihamnen ("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 ("CTN"), Norvikudden, approximately 60 kilometers south of Stockholm, under a 25-year concession, extendable to 30 years. The new CTN terminal commenced operations at the end of May 2020 and all services at CTF were migrated to CTN in June 2020. CTF was closed and returned to the port authority in June 2020. CTF handled 61,900 TEU in 2019. CTF and CTN handled 49,900 TEU in 2020.

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 10.9 million TEU in 2019 and 10.5 million TEU in 2020.

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, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	2,830.4	2,486.2
Transhipment	170.0	170.6
Total	3,000.4	2,656.8

South Korea

Hutchison Korea Terminals. Hutchison Ports operates a five-berth deep-water container terminal in Busan, the world's seventh largest container port in terms of throughput in 2020.

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 2.7 million TEU in 2019 and 2.5 million TEU in 2020.

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 3.3 million TEU in 2019 and 3.2 million TEU in 2020.

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 1.5 million TEU in 2019 and 2020 respectively.

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 498,700 TEU in 2019 and 517,400 TEU in 2020.

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 1.4 million TEU in 2019 and 1.0 million TEU in 2020. IPS's concession expired at the end of September 2020.

In February 2021, Hutchison Ports agreed with the Royal Commission in Jubail and Yanbu, to invest and operate multipurpose terminals within the Jazan City for Primary and Downstream Industries in Saudi Arabia which will be developed in two phases (See "Summary – Recent Developments – Ports and Related Services").

Egypt

Alexandria International Container Terminals. Hutchison Ports has an 73.33% interest in two terminals at Ports of Alexandria and El Dekheila on the Mediterranean Sea. In July 2020, the equity shareholding was reduced from 80.33% to 73.33% following a partial disposal of interest. AICT handled 893,100 TEU in 2019 and 849,700 TEU in 2020.

Abu Qir Container Terminal. In August 2020, Hutchison Ports entered into a long-term agreement with the Egyptian Navy to develop and operate a new container terminal in Abu Qir.

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 800,400 TEU in 2019 and 807,200 TEU in 2020. 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 170,400 TEU in 2019 and 160,000 TEU in 2020. 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, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	1,897.4	1,869.1
Transhipment	171.2	233.1
Total	2,068.6	2,102.2

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 216,600 TEU in 2019 and 221,200 TEU in 2020. 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 transhipment 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 1.4 million TEU in 2019 and 1.3 million TEU in 2020.

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 transhipment 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 transhipment 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, 2019	Year Ended December 31, 2020
	in thousands of TEU	in thousands of TEU
Local	301.5	213.3
Transhipment	2,674.2	2,870.6
Total	2,975.7	3,083.9

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 605,000 TEU in 2019 and 601,600 TEU in 2020.

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 July 2020, HPH Trust increased its interest in Shenzhen Hutchison Inland Container Depots Co., Ltd from 81.7% to 86.57%. 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 October 2019, Hutchison Ports entered into definitive agreements 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 agreements, 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 through digital transformation to accelerate the integration of its physical store portfolio and online channels. As customers become increasingly cost and quality conscious, CKHH strives to provide customers with quality products at competitive prices through its exclusives and own brand products. As of December 31, 2020, CKHH operates retail businesses across 27 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, A.S. Watson'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. Subsequent to the joint venture formation, A.S. Watson, Yonghui and Tencent holds 40%, 50% and 10% interest in the joint venture respectively.

In September 2020, A.S. Watson and Al-Futtaim jointly announced that they have reached an exclusive franchise agreement to launch the flagship health and beauty brand Watsons in the Gulf Cooperation Council ("GCC"). The first store was opened in Dubai, the United Arab Emirates, in October 2020.

All the numbers of stores quoted in the following paragraphs are as of December 31, 2020 unless otherwise specified.

Health & Beauty China

Watsons China is the leading retailers of health and beauty products in the Mainland with 4,115 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 575 stores in Taiwan, 577 in Malaysia, 898 in the Philippines, 218 in Hong Kong and Macau, 591 in Thailand, 100 in Singapore, 156 in Indonesia, 7 in Vietnam and 344 in Turkey. There were 3 stores for the franchise business with Al-Futtaim located in the GCC.

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 5,665 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 800 stores. Savers, a chain of discount health and beauty stores in the UK, has 506 stores. The company also owns a specialty perfumery retailer, The Perfume Shop in the UK and Ireland, which comprises 226 perfumery stores in the UK and Ireland.

ICI Paris XL is another leading perfumery chain in Europe with 287 stores in the Netherlands, Belgium and Luxembourg.

A.S. Watson also owns 3 leading retail chains (Kruidvat, Trekpleister and Rossmann) with 3,846 stores in Western Europe.

Health & Beauty Eastern Europe

A.S. Watson owns 3 leading retail chains (Rossmann, Drogas and Watsons) with 2,450 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 272 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, with 91 stores in Guangdong Province.

Fortress is one of the leading retailers of consumer electronics and electrical appliances in Hong Kong. The chain of 77 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 28 outlets in Hong Kong and Macau. The outlet in the Mainland was 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, 2020, CKI had a market capitalization of approximately HK$110,401 million (approximately US$14,154 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, 2019	Year Ended/ As of December 31, 2020
Profit attributable to shareholders	HK$10,506 million	HK$7,320 million
Earnings per share	HK$4.17	HK$2.91
Dividend per share	HK$2.46	HK$2.47
Equity attributable to shareholders of CKI – shareholders' funds	HK$111,604 million	HK$111,442 million
Net debt	HK$19,665 million	HK$19,111 million
Net debt to net capital ratio	13.5%	13.1%

CKI's current interest in Power Assets, a HK-listed associate is 35.96%.

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

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, 2020, Power Assets had a market capitalization of approximately HK$89,639 million (approximately US$11,492 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 and is the sole distributor of electricity to Hong Kong Island and Lamma Island. Currently, Hongkong Electric supplies electricity to over half a million customers. Total unit sales in 2020 were 10,134 million kWh, a 3.7% decrease from the 10,519 million kWh sold in 2019.

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 holds a 45% interest in Jinwan Power Plant in the Mainland as of December 31, 2020. 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%) which was disposed of in October 2020;
- 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, 2019	Year Ended/ As of December 31, 2020
Profit attributable to shareholders	HK$7,131 million	HK$6,132 million
Earnings per share	HK$3.34	HK$2.87
Dividend per share	HK$2.80	HK$2.81
Net cash	HK$1,557 million	HK$1,787 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 and the East of England. These networks serve over 8.4 million customers and provide approximately 28% 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 Limited

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 provides water and waste water services to approximately 2.7 million people in the North East of England and water services to approximately 1.9 million people in the South East of England. In addition, Northumbrian Water's operations include 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. It is one of the eight major gas distribution networks in the UK. 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 a gas distribution network that serves 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 UK Rails Group, one of the three major rolling stock owning companies that were established at the time of privatization of the UK rail industry. UK Rails offers a diverse range of rolling stock, including regional, commuter and high speed passenger trains, as well as freight locomotives, on long term contracts to train and freight 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 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 4.6 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 hold 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 sustainable 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 with an annual production of 1.80 TWh. Disposal of CKI's and Power Assets' respective 50% interest in Portugal Renewable Energy was completed in October 2020.

ista

CKI holds a 35% interest in ista, a fully integrated energy management services provider which provides submetering services across 22 countries and over 13 million dwellings.

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 897,000 residential and business customers. The network has a route length of over 89,000 kilometers including over 400 zone substations, 76,000 transformers and 616,000 poles;

- Powercor, the owner and manager of the largest electricity distributors in Victoria, Australia, which delivers electricity to approximately 844,000 customers in central and western Victoria and Melbourne's outer western suburbs; and

- CitiPower, owns and operates a distribution network which supplies electricity to approximately 332,000 customers in Melbourne's central business district and inner suburbs. These customers include some of Australia's largest companies and most important cultural and sporting icons.

CKI, together with Power Assets, owns a 100% interest (on a 50/50 basis) in Australian Energy Operations Pty Ltd which owns and operates 71 kilometers of transmission lines and terminal stations in Victoria, Australia that connect Mount Mercer, Lal Lal, Moorabool and Ararat wind farms to the national power 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 25,000 kilometers of natural gas distribution networks and 1,400 kilometers of transmission pipelines serving around 1.345 million customers in South Australia, Victoria, Queensland, New South Wales and the Northern Territory. CKHH's effective interest in AGN is 52% (including economic benefit interest).

CKI, together with Power Assets, owns a 60% interest (CKI: 40%; Power Assets: 20%) in CK William 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 approximately half a million commercial and household customers via collection services, 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% interest in the Meridian Cogeneration Plant and a 49.99% 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 three natural-gas fired cogeneration plants in Alberta and Ontario, Canada and a power generation plant in Alberta, Canada undergoing coal-to-gas conversion, with total capacity of approximately 1,054 MW.

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, Vancouver, Montreal, Edmonton, Ottawa 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, oil storage capacity of 4.9 million barrels at the Hardisty and Lloydminster terminals, and other ancillary assets in Alberta and Saskatchewan.

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 1,200 MW in the Mainland. The following table summarizes certain information with respect to these power projects as of December 31, 2020.

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 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, 2020. 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, 2020, 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 9.8 kilometers of toll bridges (excluding Jiangmen Chaolian Bridge which was disposed of in October 2020) in the Mainland.

The following table summarizes certain information with respect to CKI's transportation projects in the Mainland as of December 31, 2020:

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
Shen-Shan 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[4]
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 and shareholders' loans as of December 31, 2020. 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.

(4) The operation period of Jiangmen Chaolian Bridge ended in May 2016.

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, limestone 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

In January 2021, Cenovus Energy, a Canadian integrated oil and nature natural gas company listed on the Toronto Stock Exchange and New York Stock Exchange, announced the completion of the combination of Cenovus Energy and Husky Energy. Post-completion, Husky Energy was delisted from the Toronto Stock Exchange and CKHH currently holds approximately 15.71% of Cenovus Energy, together with warrants representing a further 1.08% to 16.79%[1]. The results of the energy division reported prior to 2021 represent CKHH's 40.19% share of Husky Energy's results. From January 2021 onwards, the energy division has been removed and CKHH's share of Cenovus Energy results will be reported under finance & investments and others segment. See also "Summary – Recent Developments – Energy" for details.

Investors should not rely on Husky Energy's results set forth below as an indication of the current or future financial condition or results of operations of Cenovus Energy.

(1) On a partially-diluted basis assuming the exercise of the Cenovus Energy common share purchase warrants held by CKHH.

Husky Energy

As of December 31 2020, CKHH held 40.19% interest in Husky Energy, which was 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, 2020, Husky Energy had a market capitalization of C$6,404 million (approximately HK$38,998 million).

On February 9, 2021, Husky Energy announced its Post-IFRS 16 audited results for the year ended December 31, 2020 with net loss of C$10,016 million, as compared to net loss of C$1,370 million for 2019. The net losses for 2020 and 2019 included recognition of non-cash asset impairment charges (after-tax) of C$8,565 million and C$2,340 million respectively. Excluding the impairment and other charges for both year, Husky reported net loss of C$1,451 million for 2020, which worsened compared to net earnings of C$970 million reported in 2019, primarily due to:

– lower earnings from the Lloydminster Heavy Oil Value Chain, Oil Sands and US Refining segments due to declines in crude oil benchmarks and refined product prices; and

– lower insurance recoveries recognized for business interruption and incident costs associated with the Superior Refinery.

During 2020, Husky Energy recognized non-cash asset impairment and other charges totaling C$11.2 billion (before-tax) or C$8.6 billion (after-tax), largely due to sustained market impact from the COVID-19 pandemic which resulted in declines in forecasted long-term commodity prices, reductions in planned future capital investment, delayed future development plans, higher discount rates based on a number of factors, and market indicators including the Cenovus Energy transaction. In 2019, Husky Energy also recognized impairment and other charges of C$3.1 billion (before-tax) or C$2.3 billion (after-tax).

As of 31 December 2020, Husky Energy's business was conducted through two main businesses: Integrated Corridor and Offshore. Information quoted in the following paragraphs is as of December 31, 2020 unless otherwise specified.

Integrated Corridor

Husky Energy's business in the Integrated Corridor includes: (i) the Lloydminster Heavy Oil Value Chain; (ii) Oil Sands; (iii) Western Canada Production; (iv) US Refining; and (v) Canadian Refined Product.

Lloydminster Heavy Oil Value Chain

Thermal Developments

These Saskatchewan thermal projects are long-life developments built with modular, repeatable designs and require low sustaining capital once brought online. Late in the first quarter of 2020, market conditions changed materially due to both the COVID-19 pandemic and falling commodity prices. Given the flexible nature of these projects, Husky Energy ramped down activity on all future thermal projects.

In response to improved market conditions, Lloydminster thermal production has been ramped up to full rates in third quarter of 2020. In the fourth quarter of 2020, a planned turnaround at the Tucker Thermal Project was completed in mid-October 2020 with production ramped up to full rates.

Lloydminster Thermal Bitumen Projects

The following table shows the major projects and their status as of December 31, 2020:

Project Name	Nameplate Capacity in barrels per day ("bbls/day")	Expected Project Production Date	Project Status
Spruce Lake Central ..	10,000	In Production	First oil was achieved on August 26, 2020 with design capacity reached in early December 2020.
Spruce Lake North	10,000	2024	Central Processing Facility ("CPF") is 81% completed. CPF construction has been placed on hold. Overall project is 69% complete.

The remaining projects were placed on hold due to deteriorating market conditions in 2020 and are undergoing re-evaluation of production options to maximize value.

Cold Heavy Oil Production

Production was impacted by a deliberate ramp down which began late in the first quarter of 2020 in response to market conditions, and remained low through the end of 2020 as compared to 2019.

Upgrading

The routine maintenance turnaround for the Lloydminster Upgrader was completed in October 2020. During the turnaround, additional projects were completed that increased crude throughput capacity to 81,500 bbls/day and increased diesel production capacity from 6,000 bbls/day to 10,000 bbls/day.

Husky Midstream Limited Partnership – Saskatchewan Gathering System Expansion

A multi-year expansion program that will provide transportation of diluent and heavy oil blend for additional thermal plants has been suspended. Construction was completed on the Spruce Lake Central phase of the program in 2020.

Hardisty Tanks

Construction is progressing on the 1.5 mmbbls of incremental storage at the Hardisty Terminal and this new capacity has been put into service.

Oil Sands

Production at the Sunrise Energy Project has ramped up to full rates following the deliberate ramp down since late in the first quarter of 2020 in response to market conditions. A planned second quarter turnaround at Plant 1B has been deferred to 2021.

Western Canada Production

Production was impacted by the shut-in of uneconomical production late in the first quarter of 2020 in response to market conditions. Activity may be ramped up by Husky Energy as conditions dictate.

U.S. Refining

Lima Refinery

The crude oil flexibility project was commissioned in first quarter of 2020 and 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. Throughput volumes continue to be optimized by Husky Energy in line with market conditions.

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. Throughput volumes continue to be optimized by Husky Energy in line with market conditions.

Superior Refinery

On April 26, 2018, the Superior Refinery experienced an incident while preparing for a major turnaround and was taken out of operation. The rebuild is ongoing and Husky Energy anticipates a substantial portion will be recovered from property damage insurance. The refinery is being rebuilt with a nameplate processing capacity of 49,000 bbl/day, including capacity to process up to 34,000 bbls/day of heavy crude oil while producing asphalt, gasoline and diesel.

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 the second quarter of 2020, Husky Energy announced the suspension of its strategic review of the Canadian Retail and Commercial Network due to the market current economic environment.

Offshore

Asia Pacific

China – Block 29/26

Construction work was completed during the third quarter of 2020 at Liuhua 29-1, the third deepwater gas field at the Liwan Gas Project. First gas production and sales from the development started in November 2020. Husky Energy share of revenues from this field reflects its 75% working interest plus exploration cost recovery. China National Offshore Oil Corporation Limited ("CNOOC") holds the remaining 25% working interest. The project was completed ahead of schedule and below the budgeted cost.

An amendment to the gas sales agreement for the Liwan 3-1 field was executed in the third quarter of 2020. The amendment is effective from August 1, 2020 until April 30, 2022, and has the effect of increasing the volume of gas the buyer must take or pay during the term, and lowering the effective price of this gas. From April 30, 2022, the original gas sales agreement terms will take effect. Husky Energy anticipates no material impact to its cash flow from the Liwan 3-1 field as a result.

China – Blocks 15/33

During the third quarter of 2020, an agreement was signed between Husky Energy and CNOOC to extend the end of the second phase of the exploration period of the petroleum contract to December 31, 2021. This will allow for additional drilling and testing on the shallow water block planned for 2021.

Husky Energy is the operator of the block 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 the block during the development phase.

China – Blocks 16/25

An agreement was signed between Husky Energy and CNOOC in the third quarter of 2020 to extend the first phase of exploration period to April 30, 2022, relinquish the contract area of Block 16/25 and drill the second obligatory exploration well during the first phase of the exploration period at another selected exploration Production Sharing Contracts ("PSC") area.

China – Blocks 22/11 and 23/07

Husky Energy and CNOOC signed two PSCs for Blocks 22/11 and 23/07 in the Beibu Gulf area of the South China Sea in 2018. Husky Energy entered into the second exploration phase of two years in the first quarter of 2020, and committed to drill one exploration well before December 2021. Block 22/11 was relinquished during the first quarter of 2020.

Husky Energy is the operator of Block 23/07 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% during the development phase.

Indonesia – Madura Strait

At the MDA and MBH fields, the Indonesian government regulatory body approved amendments to the Floating Production Unit ("FPU") construction contract to facilitate third party financing. The contracting consortium has ordered long lead equipment and is completing shipyard selection while they finalize financing the FPU construction. Pending completion of financing and construction of the vessel, gas production and sales are expected to begin in 2022. An additional shallow water field, MDK, is scheduled to be developed via a separate platform and tied into the MDA and MBH infrastructure.

At the stand-alone MAC field development, tendering for engineering, procurement and construction of all required facilities was completed in the first quarter of 2020. Tendering for the Mobile Offshore Production Unit is in progress and a final investment decision is expected in 2021.

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"). Full production was restored to the White Rose field and satellite extensions in mid-August 2019.

Offshore Newfoundland and Labrador, the SeaRose floating production, storage and offloading ("FPSO") vessel remained in production at the White Rose field. A 14-day planned maintenance turnaround was completed during the third quarter of 2020.

In March 2020, Husky Energy announced the suspension of major construction activities on the West White Rose Project due to impact of the global COVID-19 pandemic. In September 2020, Husky Energy announced a review of the West White Rose Project, following a major construction suspension announced in March 2019, which resulted in most activities remaining suspended in 2021. Options beyond 2021 continue to be evaluated by Husky Energy. The project is approximately 60% complete.

Terra Nova Field

Husky Energy's partner is currently evaluating alternative options for a return to operations of the Terra Nova FPSO vessel and the Terra Nova Asset Life Extension projection. Production operations have been suspended on the vessel since December 2019. Husky Energy has a 13% working interest in the Terra Nova oil field.

Atlantic Exploration

As previously announced by its partner, Husky Energy and its partner have decided to defer the Bay du Nord development. Husky Energy has a 35% non-operated working interest in the field.

In October 2020, the Canada-Newfoundland and Labrador Offshore Petroleum Board issued a Significant Discovery Licence for the Harpoon O-85 well.

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 25.05% interest in TPG Telecom Limited (formerly known as Vodafone Hutchison Australia or "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;

- Etisalat, one of the leading telecommunication groups in emerging markets; and

- Cellnex Telecom ("Cellnex"), a leading infrastructure operator for wireless telecommunications and broadcasting in Europe.

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 July 2020, the structural separation to form a new telecommunication infrastructure company with 29,100 sites across six European countries, CK Hutchison Networks ("CKHN"), into a wholly-owned subsidiary of CK Hutchison Group Telecom was completed. In November 2020, CKHH entered into an agreement to dispose of its European telecommunications tower assets to Cellnex for an aggregate consideration of €10 billion. Following the transactions, CKHH will be able to increase its focus on developing its networks and IT platforms, and will retain the option to accelerate the rollout of its 5G networks, while benefiting from significant additional financial capacity to support future growth and opportunities. The disposals of tower assets in Denmark, Austria and Ireland, pursuant to this agreement, were completed in December 2020. Disposal of the remaining tower assets in Sweden was completed in January 2021, with the disposal of tower assets in Italy and in the UK expected to complete in the first half and second half of 2021, respectively. Pursuant to the agreement with Cellnex, upon completion of disposal of the respective tower assets, a local master services agreement will be entered into between the relevant tower company and CKHH's respective mobile business in that jurisdiction, and the tower company will provide telecommunications infrastructure services and built-to-suit services to the respective mobile business in that relevant jurisdiction in the ordinary and usual course of business.

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 CK Hutchison Group Telecom or CKHGT), providing a diversified telecommunication asset platform across eight geographical locations. In August 2019, the investment grade-rated CK Hutchison Group Telecom refinanced all external debt of Wind Tre of approximately €10 billion, and has started generating interest cost savings from 2020 onwards. In December 2020, the disposals of tower assets to Cellnex in Denmark, Austria and Ireland, were completed in December 2020 and CKHGT recognized a gain of HK$16,583 million (US$2,126 million). In January 2021, the disposal of tower assets to Cellnex in Sweden was completed in January 2021 resulting in a gain of approximately HK$6.6 billion (US$0.8 billion).

Key Business Indicators ("KBIs")

The KBIs for the businesses of CK Hutchison Group Telecom as included in CKHH's 2020 Annual Report are as follows:

	Registered Customers Base					
	Registered Customers at December 31, 2020 ('000)			Registered Customer Growth (%) from December 31, 2019 to December 31, 2020		
	Non-contract	Contract	Total	Non-contract	Contract	Total
UK	5,524	7,619	13,143	-14%	+5%	-4%
Italy[1]	11,194	10,323	21,517	-16%	-1%	-10%
Sweden	682	1,527	2,209	+10%	+4%	+6%
Denmark	618	851	1,469	–	–	–
Austria	933	2,611	3,544	-14%	–	-4%
Ireland[2]	830	1,788	2,618	-5%	+21%	+11%
3 Group Europe Total[2]	19,781	24,719	44,500	-14%	+2%	-6%
HTHKH	2,401	1,427	3,828	-14%	-3%	-10%

	Active[3] Customers Base					
	Active Customers at December 31, 2020 ('000)			Active Customer Growth (%) from December 31, 2019 to December 31, 2020		
	Non-contract	Contract	Total	Non-contract	Contract	Total
UK	2,191	7,515	9,706	-30%	+5%	-6%
Italy[1]	9,941	9,697	19,638	-16%	–	-9%
Sweden	626	1,527	2,153	+14%	+4%	+7%
Denmark	612	851	1,463	+7%	–	+3%
Austria	342	2,604	2,946	-4%	–	–
Ireland	830	1,788	2,618	-5%	+21%	+11%
3 Group Europe Total	14,542	23,982	38,524	-16%	+3%	-5%
HTHKH	1,852	1,427	3,279	-15%	-3%	-10%

	12-month Trailing Average Revenue per Active User ("ARPU")[4] to December 31, 2020			
	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2019
UK	£4.42	£22.60	£17.95	+1%
Italy[7]	€10.81	€12.78	€11.75	+3%
Sweden	SEK116.18	SEK324.01	SEK265.07	-6%
Denmark	DKK87.77	DKK147.22	DKK122.85	-1%
Austria	€11.75	€21.69	€20.53	–
Ireland	€15.21	€18.53	€17.41	-10%
3 Group Europe Average[7]	€10.17	€19.47	€15.77	+1%
HTHKH	HK$7.82	HK$195.63	HK$88.77	-11%

	12-month Trailing Net Average Revenue per Active User ("Net ARPU")[5] to December 31, 2020			
	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2019
UK	£4.42	£15.53	£12.69	–
Italy	€10.81	€11.31	€11.05	+3%
Sweden	SEK116.18	SEK211.33	SEK184.35	-3%
Denmark	DKK87.77	DKK136.93	DKK116.78	-1%
Austria	€11.75	€17.80	€17.09	-1%
Ireland	€15.21	€14.42	€14.69	-11%
3 Group Europe Average	€10.17	€14.96	€13.05	+1%
HTHKH	HK$7.82	HK$170.74	HK$78.04	-10%

	12-month Trailing Net Average Margin per Active User ("Net AMPU")[6] to December 31, 2020			
	Non-contract	Contract	Blended Total	% Variance compared to December 31, 2019
UK	£3.76	£13.65	£11.12	+1%
Italy	€9.18	€9.63	€9.40	+5%
Sweden	SEK98.90	SEK182.76	SEK158.98	–
Denmark	DKK73.28	DKK112.63	DKK96.50	-3%
Austria	€10.16	€15.88	€15.21	-1%
Ireland	€13.94	€12.96	€13.29	-10%
3 Group Europe Average	€8.69	€13.01	€11.29	+2%
HTHKH	HK$6.08	HK$149.72	HK$67.99	-13%

(1) In addition to the above, Wind Tre has 2.8 million fixed line customers.

(2) **3** Ireland's closing registered customer base as of December 31, 2020 represented the closing active base as the new system will not identify registered base separately from the active base following the completion of system integration and migration in 2020. The comparative registered base of 3 Ireland and 3 Group Europe have been restated to enable a like-for-like comparison.

(3) An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

(4) 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.

(5) 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.

(6) 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.

(7) Wind Tre's ARPU for the year ended 31 December 2019 has been restated to conform with the definition of **3** Italy before the merger with WIND.

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, 2020, **3** Group Europe had approximately 44.5 million registered mobile customers and 38.5 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, 2020, 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
3400 MHz	5 MHz	4	Unpaired	20 MHz	Indefinite
3500 MHz	40 MHz	1	Unpaired	40 MHz	Indefinite
3600 MHz	80 MHz	1	Unpaired	80 MHz	Indefinite
3900 MHz	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 31, 2020 decreased by 1% in local currency to £2,355 million compared to 2019. EBITDA of £553 million and EBIT of £195 million decreased by 22% and 49% in local currency respectively compared to 2019, mainly due to lower margin driven by regulatory changes in the UK and within EU in 2019, reduced roaming margin, increased annual spectrum license fee imposed by The UK Office of Communications ("OFCOM"), as well as increased network & IT transformation spend and certain tax dispute settlements in 2019 that did not recur in 2020, partly offset by improvements in other margins from MVNOs and various initiatives, as well as more stringent operating costs control. EBIT was further impacted by increased depreciation from IT investments and accelerated network rollout. **3** UK has demonstrated a strong recovery in the second half of 2020, with EBITDA and EBIT increasing by 20% and 27%, respectively, compared to the first half of 2020, and excluding the aforementioned tax dispute settlements in 2019, EBITDA and EBIT increased by 22% and 43%, respectively, compared to the same period in 2019, mainly driven by margin and cost saving initiatives put in place under the new senior management team.

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.

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, 2020, Wind Tre had approximately 22.5 million registered mobile customers and approximately 2.8 million fixed-line customers.

Wind Tre's 4G (LTE) network coverage by population reached 100% as of December 31, 2020. Wind Tre launched its 5G services in 2020.

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 years ended December 31, 2019 and 2020 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.

Revenue for the year ended December 31, 2020 decreased by 4% in local currency to €4,656 million, while EBITDA of €2,000 million and EBIT €1,138 million decreased by 5% and 16% in local currency respectively, compared to 2019. Excluding the impact of a one-time income in 2019, the underlying EBITDA was relatively stable compared to 2019 as lower margin driven by reduced customer base and roaming revenue were mostly offset by increased MVNO margin and cost savings, while EBIT decreased by 8% due to higher depreciation and amortization from an enlarged asset base. For the second half of 2020, EBITDA and EBIT decreased by 3% and 15%, respectively, compared to the same period in 2019, mainly due to lower margin amid uncertain market sentiments. As Wind Tre acclimatizes to the trading environment impacted by the pandemic, in the second half of 2020, EBITDA increased by 9% compared to the first half of 2020 through margin initiatives and stringent cost controls, with EBIT remaining flat across the first and second half of 2020 as the improvement in EBITDA was mostly offset by increased depreciation and amortization from an enlarged asset base.

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 for the year ended December 31, 2020 was SEK6,734 million, which was flat compared to 2019 in local currency. Despite reduced roaming contribution due to the pandemic, total margin in 2020 reported 4% growth in local currency compared to 2019 primarily driven by a growth of 7% in active customers. In local currency, EBITDA for the year ended December 31, 2020 was SEK2,249 million, which was 3% higher than 2019, primarily driven by the total margin growth, partly offset by higher operating costs incurred from an enlarged network and a one-off charge for certain dispute settlement in 2020. EBIT was SEK1,126 million in 2020, representing a decrease by 7% as compared to 2019 in local currency as the EBITDA growth was more than offset by higher depreciation from the ongoing LTE network rollout, as well as higher amortization from the higher capitalized CACs balance. When compared to the second half of 2019, EBITDA for the second half of 2020 was 1% higher primarily driven by a 4% higher total margin. EBIT, however, decreased by 10% mainly due to the same reason for the full year as mentioned above.

In Denmark, revenue for the year ended December 31, 2020 was DKK2,254 million, representing an increase of 3% in local currency as compared to 2019. Total margin reported a 1% growth in 2020 in local currency compared to 2019, primarily driven by a growth of 3% in the active customer base, partly offset by reduced roaming margin due to the pandemic. For the year ended December 31, 2020, EBITDA was DKK821 million and EBIT was DKK415 million, which were 3% and 12% lower than in 2019 respectively in local currency, mainly due to higher network costs and depreciation charges from an enlarged network base, together with increased amortization cost from the spectrum acquired in March 2019. EBITDA and EBIT for the second half of 2020 were 8% and 17% lower, respectively, as compared to the same period in 2019, mainly due to the reduced roaming margin, as well as higher costs as mentioned above.

Sweden

Hi3G Access has a license to operate a national mobile network in Sweden. Hi3G Access's 4G (LTE) network coverage by population reached 92% as of December 31, 2020, with over 98% in the most densely populated southern part of the country.

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
3500 MHz (1)	100 MHz	1	Unpaired	100 MHz	2045

(1) Spectrum acquired in January 2021.

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.

During 2020, **3** Sweden launched Sweden's largest 5G network on 2100 MHz covering six cities and achieved 15% population coverage by end of 2020, enabling Sweden´s first 5G call between two cities (Stockholm and Uppsala).

Pursuant to the agreement with Cellnex, the disposal of tower assets in Sweden was completed in January 2021.

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 was 100% as of December 31, 2020.

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 af 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.

During 2020, **3** Denmark launched a live 5G cluster outside Copenhagen in 2020.

Pursuant to the agreement with Cellnex, the disposal of tower assets in Denmark was completed in December 2020.

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 96% as of December 31, 2020.

During 2020, **3** Austria rolled out 200 sites, with 5G population coverage at 10% as of December 31, 2020. The operation expects to roll out 1,100 sites in 2021 and to reach 5G population coverage of 30% by the end of 2021.

In January 2013, **3** Austria completed the acquisition of a 100% interest in Orange Austria. 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	10 MHz	10	Unpaired	100 MHz	2039
700 MHz(1)	5 MHz	2	Paired	20 MHz	2044
1500 MHz(1)	10 MHz	3	Unpaired	30 MHz	2044
2100 MHz(1)	5 MHz	4	Paired	40 MHz	2044

(1) Spectrum acquired in October 2020.

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, 2020 was €850 million, representing a decrease of 2% in local currency when compared to 2019. EBITDA was €378 million for the year ended December 31, 2020, representing an increase of 1% in local currency as compared to 2019, mainly due to stringent control on total CACs and operating costs, as well as favorable MVNO performance, partly offset by lower roaming contribution as a result of travel restrictions. EBIT was €226 million in 2020, representing a decrease of 3% in local currency compared to 2019, primarily due to higher depreciation from an enlarged asset base. EBITDA and EBIT for the second half of 2020 decreased by 2% and 7% respectively against the same period in 2019, mainly due to lower roaming contribution, higher spending on network costs and depreciation charges from an enlarged network asset base.

Pursuant to the agreement with Cellnex, the disposal of tower assets in Austria was completed in December 2020.

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 O_2 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 99% as of December 31, 2020.

Together with the licenses acquired following the acquisition of O_2 Ireland in 2014, **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, 2020 in local currency decreased 2% to €593 million compared to 2019. EBITDA and EBIT for 2020 was €217 million and €93 million, respectively, representing an increase of 3% and 4% respectively in local currency as compared to 2019 driven by stringent control on total CACs and operating cost, partly offset by lower total margin from decreased roaming revenue. EBIT also reflected higher depreciation and amortization from an enlarged asset base. EBITDA and EBIT for the second half of 2020 decreased by 2% and 4% respectively compared to the same period in 2019, primarily due to lower roaming revenue as mentioned above, partly offset by various cost saving initiatives.

Pursuant to the agreement with Cellnex, the disposal of tower assets in Ireland was completed in December 2020.

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, 2020, HTHKH had a market capitalization of approximately HK$5,590 million (approximately US$717 million).

In April 2020, HTHKH launched 5G network services in Hong Kong. The operation aims to also further strengthen its 5G network coverage in 2021.

On February 26, 2021, HTHKH announced Post-IFRS 16 profit attributable to shareholders of HK$361 million (US$46 million) for the year ended December 31, 2020.

Hong Kong and Macau Mobile

HTHKH provides services to approximately 3.3 million active customers as of December 31, 2020 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[(1)]	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	40 MHz	1	Unpaired	40 MHz	2035

(1) After the spectrum auction and license renewal in 2018, HTHKH will hold 10 MHz in 900 MHz band and 30 MHz in 1800 MHz band from 2021 to 2036 upon expiry of the existing licenses.

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

In 2018, HTHKH exercised a right of first refusal offered by the Office of 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.

European Union Regulation

EU telecoms regulatory framework – the European Electronic Communications Code ("EEC Code") and the BEREC Regulation

Individual national regulatory authorities ("NRA(s)") regulate **3** Group Europe businesses in the EU under national laws, EU directives which are implemented into national laws and EU regulations which are directly effective ("EU Framework").

The EEC Code came into effect on December 20, 2018 and Member States were to transpose into national legislation by December 21, 2020. Twenty-four of the twenty-seven EU Member States, including the five Member States in which the 3 Group Europe businesses operate, have not yet implemented the EEC Code into national legislation and on February 4, 2021 the European Commission initiated infringements proceedings against these Members States.

The EEC Code follows the previous EU Framework and provides for, among other things, the way in which telecommunications operators are authorized to operate, the terms for access to, and interconnection between, the operators' networks, principles for ensuring the universal availability of a basic set of telecommunications services at affordable prices and the principles and coordination procedures for the development of a coherent EU radio spectrum policy.

The EEC Code also contains provisions to: harmonize further the management of spectrum; reduce regulations surrounding access to infrastructure (e.g. fixed-line networks) where the operator has significant market power ("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 porting of mobile numbers); and set a single maximum EU-wide mobile voice termination rate ("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 reducing 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 Mobile Networks Operators ("MNOs"). The EEC Code also contains provisions that would allow NRAs to impose national roaming or infrastructure sharing to improve coverage of telecoms networks.

The EEC Code still requires the NRAs 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, which concept accords with the concept of "dominance" under existing EU competition laws. In December 2020 the Commission adopted a new Recommendation on relevant product and service markets. The previous version of the Recommendation included the markets for mobile and fixed voice call termination, but with the introduction of the single maximum EU-wide mobile voice termination rate and the single maximum EU-wide fixed voice termination rate (see further below), these markets have been removed from the latest Recommendation. The list of markets in the Recommendation requiring ex ante regulation is non-exhaustive, and NRAs have the discretion to examine other markets not identified by the Commission.

In order to ensure consistency in the implementation and interpretation across the EU, the EEC Code contains powers for the European Commission ("Commission"), as well as processes for collaboration among the NRAs, and between the NRAs and the Commission.

The EEC Code required the Commission to adopt a regulation to set a single maximum EU-wide mobile voice termination rate and a single maximum EU-wide fixed voice termination rate by December 31, 2020. On December 21, 2020 the Commission published the regulation which sets the maximum EU-wide mobile voice termination rate at 0.2 eurocents per minute and the maximum EU-wide fixed voice termination rate at 0.07 eurocents per minute. The caps will apply from three months after the regulation is published in the Official Journal, which is expected to happen in the first half of 2021. By derogation, providers of mobile voice termination services may apply the following maximum mobile voice termination rates (some exceptions are considered for some specific Member States e.g. in Italy, the applicable mobile termination rate is 0.67 eurocents per minute in 2021): (a) up to December 31, 2021, 0.7 eurocent per minute; (b) from January 1, 2022 to December 31, 2022, 0.55 eurocents per minute; (c) and from January 1, 2023 to December 31, 2023, 0.4 eurocents per minute.

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 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

The Telecoms Single Market Regulation adopted in 2015 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:

Retail price caps

- From June 15, 2017, customers are 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 latest wholesale price caps which came into effect from January 1, 2021 are: 3.20 eurocents per minute for wholesale voice roaming, 1 eurocent per SMS and, for data, 3.00 euros per gigabyte. The voice and SMS caps will remain unchanged until June 30, 2022 whereas the wholesale data price cap will decrease to 2.50 euros per gigabyte from January 1, 2022.

In addition, regulations were adopted in 2012 to introduce 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 enable their customers to choose a local provider of data roaming services (a "local break-out" or LBO provider) from July 1, 2014.

The roaming aspects of the Telecoms Single Market Regulation are due to expire on June 30, 2022. On February 24, 2021 the European Commission published draft legislation to replace and extend the regulation of roaming until June 30, 2032 and to maintain the requirement on MNOs to charge their customers their domestic prices when roaming, subject to a fair use policy ("Proposed Roaming Regulation"). The Proposed Roaming Regulation sets new wholesale price caps decreasing from July 2022 to January 2025 when they will be 1.50 euros per gigabyte for data, 1.90 eurocents per minute for voice and 0.30 eurocents per SMS. The Proposed Roaming Regulation also contains obligations on home networks to provide the same quality of service as available domestically, "when technically feasible". Similarly, visited networks must offer all technologies that are available to wholesale roaming partners. The European Parliament and European Council are now scrutinizing the draft legislation and there may be amendments before it comes into force.

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. BEREC 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.

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 were 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.

In July 2020, the Court of Justice of the European Union ("ECJ") in the *Schrems II* case ruled that the EU-US Privacy Shield data transfer mechanism was no longer lawful. The Court found that the Commission's standard contractual clauses ("SCCs") for transferring personal data to non-EU countries remained valid but ruled that the data exporter needed to consider the law and practice of the country to which data will be transferred, especially if public authorities may have access to the data and, if necessary, put in place additional contractual, organizational and/or technical safeguards. As a result, when using SCCs, organizations will need to verify on a case-by-case basis that the personal data being transferred will be adequately protected in the destination country in line with the requirements of EU law, e.g. that the level of protection is "essentially equivalent" to that guaranteed within the European Union by the GDPR, read in light of the European Union Charter of Fundamental Rights.

In parallel, the Commission has been working on the modernization of SCCs in order to comply with the ECJ ruling in Schrems II. It is expected to publish a revised SCCs in the first half of 2021. Organizations will have one year to incorporate the new clauses into relevant contracts.

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. It is expected that the new regulation will be adopted in Q4 2021.

Proposed EU Regulation on digital services and digital markets

Under its Digital Strategy the European Commission announced it would propose legislation to regulate digital services. To this end, on December 15, 2020 the European Commission published two draft regulations: the Digital Services Act ("DSA") and the Digital Markets Act ("DMA").

Draft Digital Services Act

The DSA regulates the content and services provided by online intermediaries such as Internet service providers, cloud services, messaging services, marketplaces, app stores and social networks. It requires all providers of intermediary services, including telecoms operators when providing Internet access, to comply with transparency obligations and to cooperate with national authorities. Hosting services have, in addition, a notice and action obligation to tackle illegal content. Online platforms (hosting services that disseminate information to the public on the request of the user) have further obligations, including to provide a complaints mechanism, to ensure traceability of their business users and to provide transparency of online advertising. Platforms that have more than 45 million users are termed "very large online platforms" and will be subject, in addition, to reporting obligations and external audit of their activities.

Draft Digital Markets Act

The DMA regulates the economic behavior of online platforms that act as digital "gatekeepers". These are defined as businesses that control at least one "core platform service" (that is, online intermediary services, search engines, social networking, video sharing, messaging, operating systems, cloud services and advertising services) and which meet certain size criteria. Electronic communications networks and services are currently excluded from the scope of the regulation. The regulation of the behavior of gatekeepers may affect its commercial relationships with electronic communications network operators.

Both draft regulations will now be scrutinized by the European Parliament and European Council and may be amended.

UK Regulation

Electronic communications regulatory framework

The UK electronic communications regulatory framework is mainly contained within the Communications Act 2003 and the Wireless Telegraphy Act 2006. These acts implement the EU Framework, including the EEC Code which was transposed into UK legislation ahead of the EU's transposition deadline of December 21, 2020, as required by the EU-UK Withdrawal Agreement.

Under the European Union (Withdrawal) Act 2018, the UK adopted an approach of "retained EU law" whereby existing EU law that formed part of domestic law and EU legislation that was directly applicable in the UK, at the end of the transition period on December 31, 2020, was incorporated into UK law.

However, to ensure that the UK telecoms regulatory framework remained operable, the Government took a range of legislative and regulatory steps to reflect the UK's status outside of the EU. For example, provisions whereby NRAs notify matters to the Commission and are required to comply with Commission recommendations no longer apply to the UK. Some specific areas of divergence are set out below.

EEC Code

The EEC Code's provision setting single maximum EU-wide mobile and fixed voice termination rates will not apply in the UK. Ofcom issued a statement in March 2021 on the regulation of MT Rates for the period between April 2021 and March 2026. The current MT Rate (capped at 0.468 pence per minute, ppm) will be reduced to 0.379ppm from April 2021. For calls originating outside the UK, UK operators will be required to charge no more than the equivalent rates charged by their international counterparties (where those are higher than the UK MT Rate).

The provision in the BEREC Regulation that caps the retail prices of international calls and SMS made by persons in their home Member State to persons in other Member States ceased to apply in the UK from January 1, 2021.

Telecoms Single Market Regulation

From January 1, 2021, UK MNOs operators are no longer required to provide UK customers with international roaming in the EU at domestic prices. Instead, the UK Government has imposed obligations on MNOs to apply a limit on mobile data usage abroad (currently set at £45 per monthly billing period) and requirements for them to inform customers when 80% and 100% of their data usage has been reached.

Future potential areas of divergence between UK and EU telecommunications legislation

Whilst the UK Government has stated that it does not expect significant impact for operators and consumers arising from changes to the telecoms regulatory framework, areas where further divergence may occur include: international roaming; network security and resilience; and net neutrality where Ofcom has already announced a review.

The UK is no longer a member of BEREC or obliged to comply with BEREC and Commission guidance. However, Ofcom has stated that it will continue to engage with its European and other foreign counterparts in order to pursue a coherent and coordinated approach to international telecommunications regulation.

Data Protection

Data protection legislation in the UK is governed by the Data Protection Act 2018 and the UK GDPR. The UK GDPR is based upon an amended version of the EU GDPR, which was incorporated into UK law as retained EU law at the end of the transition period, to reflect the UK's status outside of the EU.

The UK Government has confirmed that transfers from the UK to EU will continue without the need for any additional transfer tools. For data transfers from the EU to the UK, the EU-UK Trade and Cooperation Agreement allows for a six month grace period for data transfers from the EU to the UK. The Commission is proposing to issue the UK with "adequacy status", allowing data transfers to continue to the UK without putting transfer mechanisms in place. The Commission started the process in February 2021 for the adoption of an adequacy decision.

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"). As of December 31, 2020, H3I had a 4G network of approximately 31,000 transceiver stations ("BTS"), covering approximately 36,000 villages 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 77% as of December 31, 2020. H3I had approximately 39.8 million active customers as of December 31, 2020.

In December 2020, CKHH announced that it had entered into exclusive negotiations with Ooredoo Telecom, under a memorandum of understanding which is valid until 30 April 2021, relating to a potential merger of its subsidiary PT Indosat TBK with CKHH's subsidiary in Indonesia.

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 13.0 million active customers as of December 31, 2020.

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. In 2020, Hutch Lanka re-launched the merged network to provide nationwide 4G services. The operation had approximately 4.2 million active customers as of December 31, 2020.

HTAL, share of TPG Telecom Limited (included in Finance & Investments and Others segment)

HTAL, an 87.87% owned subsidiary listed on the ASX, holds 25.05% of TPG Telecom Limited (formerly known as Vodafone Hutchison Australia or "VHA", a 50-50 joint venture with Vodafone Group Plc before its merger with TPG Corporation Limited (formerly named TPG Telecom Limited) which became effective on June 26, 2020 (the "Merger Effective Date")). Post-merger, TPG Telecom Limited was listed on the ASX on June 30, 2020 and is held 25.05% by HTAL, 25.05% by Vodafone Group Plc and 49.9% by other shareholders.

On February 25, 2021, HTAL announced its Post-IFRS 16 results for the year ended December 31, 2020 and reported a statutory net profit of A$825.4 million for the year ended December 31, 2020, representing a A$980.3 million increase compared to the A$154.9 million net loss in 2019. Included in HTAL's results for the year ended December 31, 2020 was a one-off net gain of A$677.3 million arising from dilution of its interest in TPG Telecom Limited (from 50% to 25.05% as a result of the aforementioned merger) and share of TPG Telecom Limited's net profit amounting to A$148.3 million (compared to a share of loss of A$159.1 million in the corresponding period last year).

Finance & Investments and Others

CKHH receives income from its finance & investments and others segment, 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 about 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, 2020, CKHH's liquid assets totaled HK$166,539 million (US$21,351 million) of which 22% were denominated in Hong Kong dollars, 48% in U.S. dollars, 4% in Renminbi, 9% in Euro, 10% in Pound Sterling and 7% in other currencies. Cash and cash equivalents represented 94% of such total, U.S. Treasury notes and listed/traded debt securities 4% 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 67%, government and government guaranteed notes of 19% and others of 14%. 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 1.2 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 45.69% associated company HUTCHMED (formerly known as "Chi-Med"). These activities include the provision of aircraft management, maintenance and engineering services, biopharmaceutical research and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, the manufacturing and commercialization of 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 HUTCHMED, which is listed on the AIM and Nasdaq. HUTCHMED had a market capitalization of approximately £3,348 million (approximately HK$35,149 million) as of December 31, 2020.

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; and

- HUTCHMED (45.69% interest), a company listed on the AIM and Nasdaq. HUTCHMED is an innovative, commercial-stage, biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases. During 2019, CKHH partially disposed of its interest in HUTCHMED reducing CKHH's shareholding from 60.15% to 49.86%. HUTCHMED has therefore been derecognized as a subsidiary to an associated company. Subsequent to the follow-on offering of HUTCHMED's ADS in January 2020 and private placements in July and November 2020, CKHH's shareholding was further diluted from 49.85% to 45.69%.

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 offer air tickets, hotel rooms, rental car, air plus hotel combo and travel insurance; and
- ESD*life* (85% interest) – provision of a one-stop-shop platform 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).

TOM GROUP

CKHH also has a 36.1% interest in TOM Group, a technology and media company listed on the SEHK. TOM Group has technology 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, 2020, TOM Group had a market capitalization of approximately HK$2,731 million (approximately US$350 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, 2020, Marionnaud operated approximately 830 stores in 9 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, 2020, CKLS had a market capitalization of approximately HK$8,458 million (approximately US$1,084 million).

AlipayHK

CKHH had a 50% interest in AlipayHK, a consumer-oriented digital app, which integrates online and offline payments in Hong Kong. In 2020, CKHH's interest in AlipayHK was reduced to 19.9% and is currently an unlisted investment.

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.

Sustainability Initiatives & Performance

CKHH's top sustainability priority is supporting its employees, customers and communities through the unprecedented challenge of the COVID-19 pandemic.

Measures to ensure safe working environments, flexible and hybrid working policies and employee wellness programs contributed to CKHH's employee caseloads, hospital admissions and morbidity rates remaining well below national averages. Rigorous social distancing measures and an expanded online shopping offering support our retail customers. In several countries, telecommunications customers were offered free data access and calls to healthcare support websites and hotlines, and customers working on the frontline, such as healthcare workers, were supported with unlimited mobile data, voice calls and texts. Deferred electricity network charges were similarly made available to lessen the financial burden from the pandemic. CKHH further directed support to healthcare services, small and medium enterprises and families in the local communities in which it operates.

Beyond supporting its stakeholders through the COVID-19 pandemic, CKHH continued its focus on climate change, a sustainability priority identified for all business divisions. CKHH procured renewable electricity contracts in key markets across Europe across the Retail, Telecommunications and Ports divisions while contributing to a low-carbon future through generating wind, solar and waste-based power capacity and alternative fuels such as biogas and green hydrogen. CK Hutchison Group Telecom commenced preparations to set a science-based target in addition to reviewing its operations against the recommendations of the Task Force on Climate-related Financial Disclosures.

CKHH believes responsible sourcing, supplier engagement and supplier oversight are crucial to ensuring a sustainable and ethical supply chain. CKHH's Supplier Code of Conduct lays out CKHH's expectations relating to business ethics, human rights and environmental protection.

Sustainability Approach & Governance

CKHH is committed to adhering to strategic development that will create sustainable long-term value for all its stakeholders. CKHH's overall sustainability approach and priorities are built on four pillars, namely Business, People, Environment and Community. Each pillar, and their related material issues, are supported by Group-wide policies, procedures, guidelines, leadership at the CKHH level and the collective efforts of each core business division.

CKHH's sustainability governance structure provides a foundation for developing and delivering its commitment to sustainability. Sustainability governance is embedded at all levels of CKHH, including the Board of Directors, various working groups and core businesses.

The Board of Directors has ultimate accountability for CKHH's sustainability strategy, management, performance and reporting. The Sustainability Committee, elevated to Board level in 2020, oversees development and implementation of the sustainability strategy of each core business, and holds them accountable against targets and roadmaps set. CKHH also established the new position of group sustainability manager in 2020 to enhance coordination and execution of sustainability initiatives across our core businesses.

On a half-yearly basis, each core business formally conducts a self-assessment in relation to its enterprise risk management, operations, as well as statutory and regulatory compliance such as tax and anti-fraud and anti-corruption practices. Such self-assessment results are subject to internal audits before they are submitted to the Board of Directors for review and approval. Relevant self-assessment results are also shared with external auditors. In 2020, this process was updated to include a greater focus on sustainability risks.

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,		
	2018	2019	2020
Ports and related services	33,727	33,861	32,775
Retail(1)	188,135	192,782	182,955
Infrastructure	31,988	32,121	31,205
Husky Energy	5,157	4,802	4,600
3 Group Europe(2)	16,313	16,302	15,647
Hutchison Telecommunications Hong Kong Holdings	1,220	986	990
Hutchison Asia Telecommunications	2,260	1,966	1,931
HTAL(3)	2,416	2,010	2,034
Finance & investments	601	656	527
Others(1)	24,824	25,305	24,970
Total number of employees	306,641	310,791	297,634

(1) Employees of Marionnaud Group have been reclassified from Retail to Others.

(2) Includes all employees in Wind Tre.

(3) Includes all employees in TPG Telecom Limited.

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	56	Chairman, Group Co-Managing Director and Executive Director
FOK Kin Ning, Canning	69	Group Co-Managing Director and Executive Director
Frank John SIXT	69	Group Finance Director, Deputy Managing Director and Executive Director
IP Tak Chuen, Edmond	68	Deputy Managing Director and Executive Director
KAM Hing Lam	74	Deputy Managing Director and Executive Director
LAI Kai Ming, Dominic	67	Deputy Managing Director and Executive Director
Edith SHIH	69	Executive Director and Company Secretary
CHOW Kun Chee, Roland	83	Non-executive Director
LEE Yeh Kwong, Charles	84	Non-executive Director
LEUNG Siu Hon	89	Non-executive Director
George Colin MAGNUS	85	Non-executive Director
WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)	67	Non-executive Director
KWOK Tun-li, Stanley	94	Independent Non-executive Director
CHENG Hoi Chuen, Vincent	72	Independent Non-executive Director
The Hon Sir Michael David KADOORIE	79	Independent Non-executive Director
LEE Wai Mun, Rose	68	Independent Non-executive Director
William Elkin MOCATTA	68	Alternate Director to The Hon Sir Michael David Kadoorie
Paul TIGHE	64	Independent Non-executive Director
WONG Kwai Lam	71	Independent Non-executive Director
WONG Yick-ming, Rosanna	68	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 56, 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 and Nomination Committee of CKHH since May 2018 and January 2019, respectively. Mr. Li was Chairman of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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") and a Non-executive Director and Deputy Chairman of HK Electric Investments Limited ("HKEIL"). Save and except CKA, the aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Li has oversight. Mr Li is also the Deputy Chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Global) Foundation, Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He was previously Co-Chairman of Husky Energy Inc. ("Husky", which was delisted on January 5, 2021 following its combination with Cenovus Energy Inc. ("Cenovus Energy"). 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 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 69, 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 from January 2019 to November 25, 2020. 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, TPG Telecom Limited ("TPG"), HKEIML as the trustee-manager of HKEI, and HKEIL, Deputy Chairman of CKI and a Director of Cenovus Energy. The aforementioned companies are either subsidiaries or associated companies of the CKHH Group of which Mr Fok has oversight. Mr Fok is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of CKHH. He was previously Co-Chairman of Husky which was delisted on January 5, 2021 following its combination with Cenovus Energy. 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 69, 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 and Chairman of the Sustainability Committee of CKHH since June 19, 2020 and June 29, 2020, respectively, and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 Cenovus Energy, a non-executive Director of TPG 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 has oversight. He has almost four decades of legal, global finance and risk management experience and possesses deep expertise in overseeing financial reporting system, risk management and internal control systems as well as sustainability issues and related risks. 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. He was previously a Director of Husky which was delisted on January 5, 2021 following its combination with Cenovus Energy. 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 68, 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 was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 has oversight. 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 74, has been an Executive Director and Deputy Managing Director of CKHH since January 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 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 has oversight. Prior to joining the CKHH Group, Mr. Kam had more than 20 years of experience in senior and regional capacities at major US multinational companies, including Johnson and Johnson, American Express and Levi Strauss. 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 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 67, has been an Executive Director and Deputy Managing Director of CKHH since June 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. He was Finance Director and Chief Operating Officer of the A.S. Watson Group, the retail and of CKHH from 1994 to 1997 and Group Managing Director of the Harbour Plaza Management Group, the former hotel business of HWL, from 1998 to 2000. 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 has oversight. 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 69, has been an Executive Director of CKHH since January 2017 and a member of the Sustainability Committee of CKHH since June 19, 2020. She was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. Ms. Shih 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. Ms. Shih is in addition a Non-executive Director of HTHKH, Hutchison China MediTech Limited ("HUTCHMED") and HPHM as the trustee-manager of HPH Trust as well as 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 has oversight. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is the immediate past International President and current member of the Executive Committee of The Chartered Governance Institute ("CGI") as well as a past President and current chairperson or member of various committees and panels of The Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also Chairman of the Process Review Panel for the Financial Reporting Council, a panel member of the Securities and Futures Appeals Tribunal and the immediate past Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia, a Fellow of the Hong Kong Institute of Directors 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 as well as a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHOW Kun Chee, Roland, aged 83, has been a Non-executive Director of CKHH since January 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 84, has been a Non-executive Director of CKHH since January 2015 and a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 89, has been a Non-executive Director of CKHH since January 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 Political Science & Law, China to the post of Adjunct Professor from time to time since 2014. 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 85, has been a Non-executive Director of CKHH since January 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 HKEIL. Mr. Magnus was previously a Director (independent) of Husky which was delisted on January 5, 2021 following its combination with Cenovus Energy. He holds a Master's degree in Economics.

WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan), aged 67, has been a Non-executive Director of CKHH since January 2017 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 of HWL from January 1998 to June 2015 and Director of HWL 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 Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited. She is also a 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 ("REIT Committee") 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 94, has been an Independent Non-executive Director of CKHH since January 2015 and a member of the Audit Committee of CKHH since March 2015. He was a member of the Remuneration Committee of CKHH from March 2015 to June 2015 and a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 Amara Holdings Inc. and was previously a Director of Element Lifestyle Retirement Inc. and a Director (independent) of Husky which was delisted on January 5, 2021 following its combination with Cenovus Energy.

CHENG Hoi Chuen, Vincent, GBS, OBE, JP, aged 72, has been an Independent Non-executive Director since June 2015. He has been a member and the Chairman of the Audit Committee of CKHH since June 2015 and 14 May, respectively, 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 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 CLP Holdings Limited and 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 79, has been an Independent Non-executive Director of CKHH since June 2015 and a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 68, has been an Independent Non-executive Director of CKHH since June 2015 and was a member of the Nomination Committee of CKHH from January 2019 to November 25, 2020. 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 the Vice-Chairman and Chief Executive of Hang Seng Bank Limited, Group General Manager of HSBC Holdings plc Director of the Hong Kong and Shanghai Banking Corporation Limited, Chairman of the Board of Governors of the Hang Seng University of Hong Kong 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 68, 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.

Paul Joseph TIGHE, aged 64, has been an Independent Non-executive Director of CKHH since 28 December 2020. He is an Independent Non-executive Director of CKI and CKLS. He has over 35 years of experience in government and public policy, and has held various positions at the headquarters of the Department of Foreign Affairs and Trade in Canberra, Australia, including as head of the Department's Trade and Economic Policy Division, head of the Diplomatic Security, Information Management and Services Division, head of the Agriculture and Resources Branch and Director of the International Economic Analysis Section. Mr Tighe previously worked in, among others, the Secretariat of, and served as Counsellor to, the Organisation for Economic Co-operation and Development in Paris. He holds a Bachelor of Science degree from the University of New South Wales.

WONG Kawi Lam, aged 71, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of CKHH since 14 May 2020. He was a member of the Nomination Committee of CKHH from 14 May 2020 to November 25, 2020. Mr Wong is an Independent Non-executive Director of HPHM as trustee-manager of HPH

Trust, ARA Asset Management (Prosperity) Limited as manager of Prosperity Real Estate Investment Trust, K. Wah International Holdings Limited, LHIL Manager Limited as trustee-manager of Langham Hospitality Investments and Langham Hospitality Investments Limited. He has over 30 years of experience in the commercial and investment banking industry. He worked with Merrill Lynch (Asia Pacific) Ltd. ("Merrill Lynch") from May 1993 to August 2009 where he served as a Managing Director in the Asia Investment Banking Division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch in September 2009 and served in that position for one year. Prior to joining Merrill Lynch, Mr Wong had been a Director in the Investment Banking Division of CS First Boston (Hong Kong) Limited and a Director and the Head of Primary Market in Standard Chartered Asia Limited. Mr Wong is currently Chairman of IncitAdv Consultants Limited and The Chamber of Hong Kong Listed Companies, Vice Chairman of the Board of Trustees and a member of the Investment Sub-committee of the Board of Trustees of New Asia College of the Chinese University of Hong Kong, Member of the Hospital Governing Committee of the Prince of Wales Hospital, Director of CUHK Medical Centre Limited and Chairman and a Director of Hong Kong Grand Opera Company Limited. He is a former member of the Advisory Committee and of the REIT Committee of the Securities and Futures Commission in Hong Kong. Mr Wong holds a Bachelor of Arts degree and a PhD degree.

WONG Yick-ming, Rosanna, DBE, JP, aged 68, has been an Independent Non-executive Director of CKHH since January 2015, Chairman of the Remuneration Committee of CKHH since March 2015, a member and Chairman of the Nomination Committee of CKHH since January 2019 and November 26, 2020, respectively and a member of the Sustainability Committee of CKHH since June 19, 2020. 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 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, a Director of RJJ Ideas 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. She is also an Honorary Fellow of the London School of Economics and Political Science.

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 2020 and from January 1, 2021 to the date of this offering memorandum.

Master Leasing Agreement and Master Purchase Agreement with CK Asset Holdings Limited

As announced by CKHH on December 15, 2017 (the "2017 Announcement"), CKHH entered into an agreement (the "Master Leasing Agreement") with CKA on the same date setting out the framework terms governing the leasing and licensing of premises (including office space, car parks and building areas but excluding hotel premises) by members of the CKA group to members of the CKHH Group (the "Leasing Transactions") for the period from January 1, 2018 to December 31, 2020.

Pursuant to the Master Leasing Agreement, relevant members of the CKHH Group and of the CKA group would enter into separate lease, tenancy or licence agreements with respect to each of the Leasing Transactions. The terms of, and the consideration payable under, such agreements would be negotiated on a case-by-case and an arm's length basis, on normal commercial terms which, from the CKHH Group's perspective, would be no less favourable than those which the relevant members of the CKHH Group could obtain from independent landlords, lessors or licensors of comparable premises. In addition, the rental or licence fee payable would be at market rates, and the CKHH Group would seek competitive quotes for management review with a view to ensuring that the rental or licence fees payable by the CKHH Group to the relevant members of the CKA group are reasonable, having regard to the size, location, facilities and conditions of the premises required. The basis of management/ service fees chargeable by the CKA group to relevant members of the CKHH Group would be the same as those the CKA group would charge other tenants or licensees of the same building or property.

CKA is deemed by the SEHK as a connected person of CKHH under the Listing Rules. Accordingly, the Leasing Transactions constituted continuing connected transactions of CKHH under the Listing Rules.

As disclosed in the 2017 Announcement, the maximum aggregate annual amount payable by the CKHH Group in respect of the Leasing Transactions for each of the three years ended December 31, 2018, 2019 and 2020 would not exceed HK$770 million, HK$891 million and HK$937 million respectively.

For the year ended December 31, 2020, the aggregate amount paid by the CKHH Group to the CKA group in respect of the Leasing Transactions was approximately HK$727 million (representing approximately 78% of the annual cap for 2020 as disclosed in the 2017 Announcement).

In anticipation of the expiration of the Master Leasing Agreement on December 31, 2020, CKHH and CKA had on December 18, 2020 entered into a new master leasing agreement (the "New Master Leasing Agreement") setting out the framework terms governing the leasing transactions for the three financial years ending December 31, 2023. The terms of the New Master Leasing Agreement are substantially the same as those of the Master Leasing Agreement.

CKHH and CKA had also on the same day entered into a new master purchase agreement (the "New Master Purchase Agreement") in relation to the purchases of goods (such as air-conditioners and other electrical appliances and gift/cash coupons) and services (such as printing of sales brochures and advertising materials) by the CKA group from the CKHH Group for use in connection with the CKA group's property development projects (the "Project Related Supplies Transactions") for the three financial years ending December 31, 2023.

An announcement in respect of the New Master Leasing Agreement and New Master Purchase Agreement was made by CKHH on December 18, 2020 (the “2020 Announcement”). As disclosed in the 2020 Announcement,

(i) the maximum annual recognised amount of right-of-use assets in respect of the Leasing Transactions for the CKHH Group under the New Master Leasing Agreement for each of the three years ending December 31, 2021, 2022 and 2023 are HK$750 million, HK$780 million and HK$910 million respectively; and

(ii) the maximum aggregate annual amount payable by the CKA group to the CKHH Group in respect of the Project Related Supplies Transactions under the New Master Purchase Agreement for each of the three years ending December 31, 2021, 2022 and 2023 are HK$228 million, HK$313 million and HK$313 million respectively.

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$500,000,000 for the 1.500% Notes Due 2026, US$850,000,000 for the 2.500% Notes Due 2031 and US$650,000,000 for the 3.125% Notes Due 2041. The notes will bear interest at the applicable rates per annum shown on the front cover of this offering memorandum from and including April 15, 2021 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 April 15 and October 15 of each year, commencing October 15, 2021, and at maturity, being April 15, 2026 for the Notes Due 2026, April 15, 2031 for the Notes Due 2031 and April 15, 2041 for the Notes Due 2041, to the person in whose name the relevant note (or any predecessor note) is registered at the close of business on the preceding March 31 and September 30, 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 April 15, 2021.

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 April 15, 2021 (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 depositaries, 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 depositary 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 depositary and a successor depositary 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 2026 will mature on April 15, 2026, the Notes Due 2031 will mature on April 15, 2031 and the Notes Due 2041 will mature on April 15, 2041 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 April 12, 2021, 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 2026, the Notes Due 2031 or the Notes Due 2041, 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 before (in relation to the Notes Due 2026) March 15, 2026, (in relation to the Notes Due 2031) January 15, 2031 and (in relation to the Notes Due 2041) October 15, 2040, the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041 may be redeemed at the option of the Issuer or the Guarantor, in whole or in part, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the applicable Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payments of principal and interest due on the applicable Notes to be redeemed on March 15, 2026 in respect of the Notes Due 2026, January 15, 2031 in respect of the Notes Due 2031 and October 15, 2040 in respect of the Notes Due 2041 (in each case exclusive of interest accrued to the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points in the case of the Notes Due 2026, 15 basis points in the case of the Notes Due 2031 or 15 basis points in the case of the Notes Due 2041, plus, in each case, accrued and unpaid interest on the applicable Notes to be redeemed, if any, to the date of redemption.

At any time on or after March 15, 2026, Notes Due 2026 may be redeemed, at any time on or after January 15, 2031, Notes Due 2031 and at any time on or after October 15, 2040, Notes Due 2041 may be redeemed, in each case, at the option of the Issuer or the Guarantor, in whole or 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"). Notice of redemption may, in the discretion of the Issuer or the Guarantor, be subject to the satisfaction of one or more conditions precedent. If such notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the discretion of the Issuer or the Guarantor, the redemption date may be delayed until such time as any or all of such conditions are satisfied (or waived by the Issuer or the Guarantor in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all of such conditions are not satisfied (or waived by the Issuer or the

Guarantor in its sole discretion) by the redemption date, or by the redemption date so delayed. Except as set forth above, the notes are not subject to redemption at the option of the Issuer or the Guarantor. If the notes are listed on a securities exchange, any redemption of less than all the notes will be subject to compliance with applicable requirements, if any, of the securities exchange on which the notes are listed. If the notes are held through DTC, any redemption of less than all the notes will be processed by DTC in accordance with its procedures. If the notes are not listed on a securities exchange or are not held through the clearing systems (or are listed on a securities exchange or held through the clearing systems but no requirement of that securities exchange or clearing system applies to the manner in which a partial redemption is to be effected), any redemption of less than all the notes will be on a pro rata basis.

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, 2020 and for the financial year ended December 31, 2020 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);

("Non-Recourse Debt"); or

(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 of 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.

"Comparable Treasury Issue" means the United States Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes from the redemption date to March 15, 2026 in the case of the Notes Due 2026, January 15, 2031 in the case of the Notes Due 2031 or October 15, 2040 in the case of the Notes Due 2041.

"Comparable Treasury Price" means, with respect to any optional redemption date if clause (2) of the Treasury Rate is applicable: (i) the average of the Reference Treasury Dealer Quotations for such optional redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations; or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"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: (i) the Subsidiary which so transfers its assets and undertaking shall forthwith upon the transfer (notwithstanding the provisions of paragraph (a) above as applicable to such Subsidiary) cease to be a Principal Subsidiary until the date on which the first audited consolidated financial statements of the Guarantor and its Subsidiaries prepared as of a date later than such transfer are published, whereupon whether such Subsidiary shall constitute a Principal Subsidiary again by virtue of paragraph (a) above shall be determined on the basis of such financial statements; and (ii) 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.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in The City of New York, selected by the Issuer or the Guarantor in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Issuer or the Guarantor, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. on the fourth Business Day preceding such redemption date.

"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.

"Treasury Rate" means, with respect to any optional redemption date, the rate per annum equal to: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the applicable Comparable Treasury Issue; *provided* that, if no maturity is within three months before or after March 15, 2026 (with respect to the Notes Due 2026), January 15, 2031 (with respect to the Notes Due 2031) or October 15, 2040 (with respect to the Notes Due 2041), yields for the two published maturities most closely corresponding to the applicable Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the applicable Comparable Treasury Issue, calculated using a price for the applicable Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the related Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated by the Issuer or the Guarantor on the third business day preceding the redemption date.

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 Act (2018 Revision) of the Cayman Islands, for a period of 20 years from February 12, 2021, 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 Act (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; 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 US$125,000 and US$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 2026, the Notes Due 2031 and the Notes Due 2041 or in respect of any capital gains arising from the sale of the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041.

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 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041, 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 Notes Due 2026, the Notes Due 2031 and the Notes Due 2041. Stamp duty may be payable on any transfer of the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041 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 2026, the Notes Due 2031 and the Notes Due 2041 should consult with their own professional tax advisors as to the particular consequences of holding the Notes Due 2026, the Notes Due 2031 and the Notes Due 2041 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 April 12, 2021 (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 2026	Principal Amounts of Note Due 2031	Principal Amounts of Note Due 2041
Merrill Lynch (Asia Pacific) Limited	US$100,000,000	US$170,000,000	US$130,000,000
Citigroup Global Markets Inc.	US$100,000,000	US$170,000,000	US$130,000,000
Deutsche Bank AG, Hong Kong Branch	US$100,000,000	US$170,000,000	US$130,000,000
Goldman Sachs (Asia) L.L.C.	US$100,000,000	US$170,000,000	US$130,000,000
DBS Bank Ltd.	US$ 33,334,000	US$ 56,667,000	US$ 43,334,000
Scotia Capital (USA) Inc.	US$ 33,333,000	US$ 56,667,000	US$ 43,333,000
SMBC Nikko Capital Markets Limited	US$ 33,333,000	US$ 56,666,000	US$ 43,333,000

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 Guarantee 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.

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 Selling Restrictions

This offering memorandum has been prepared on the basis that any offer of notes in any member state of the European Economic Area ("EEA") 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.

Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (b) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

United Kingdom Selling Restrictions

This offering memorandum has been prepared on the basis that any offer of notes in the United Kingdom will be made pursuant to an exemption under the FSMA and the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each person in the United Kingdom who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Initial Purchaser and the Issuer that it and any person on whose behalf it acquires notes is not a “retail investor” (as defined above).

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”) 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.

Switzerland Selling Restrictions

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes.

The notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

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.

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.

Taiwan Selling Restriction

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China (“Taiwan”), pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in any manner which would constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or would otherwise require registration with or the approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the notes in Taiwan.

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 (21) 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 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 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 APRIL 12, 2021 (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 APRIL 12, 2021 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, 2020 and for the year then ended (with comparative financial information as of December 31, 2019) included in this offering memorandum have been audited by PwC, Certified Public Accountants, Hong Kong, as stated in their audit report dated March 18, 2021.

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.

GENERAL INFORMATION

1. 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 2026	Note Due 2031	Note Due 2041
Common Code for Rule 144A Global Certificates	233260339	233260398	233260517
Common Code for Regulation S Global Certificates.........	233260355	233260444	233206525
CUSIP Number for Rule 144A Global Certificates	12565W AA9	12565W AB7	12565W AC5
CUSIP Number for Regulation S Global Certificates.........	G2182G AA1	G2182G AB9	G2182G AC7
ISIN for Rule 144A Global Certificates....................	US12565WAA99	US12565WAB72	US12565WAC55
ISIN for Regulation S Global Certificates	USG2182GAA16	USG2182GAB98	USG2182GAC71

2. 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.

3. 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 April 12, 2021, and the giving of the Guarantee of the notes by the Guarantor was authorized by resolutions of the Guarantor passed on April 12, 2021.

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, 2020 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.

GLOSSARY OF CERTAIN TERMS

Aggregates – rock, generally granite, which has been crushed into different sizes for use in the construction industry.

GHz – gigahertz.

km – kilometer.

MHz – megahertz.

MW – megawatt, equal to 1,000 kilowatts.

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.

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.

FINANCIAL INFORMATION OF CKHH

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 128 to 262, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2020;
- 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 2020, 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 compliance 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 15, 16 and 43 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 2020, goodwill amounted to approximately HK$320 billion and brand names with an indefinite useful life amounted to approximately HK$71 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 based on the latest approved financial budgets for the next five years and a number of other 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 15, 16 and 43 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; • Testing source data to supporting evidence, such as approved budgets and available market data, on a sample basis and considering the reasonableness of these budgets; • Assessing the reasonableness of key assumptions used in the estimation of recoverable amounts based on our knowledge of the relevant businesses and industries and with the involvement of our valuations specialists; and • Performing sensitivity analyses on the key assumptions to evaluate the potential impacts 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 17, 18 and 43 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 2020, investments in associated companies and joint ventures amounted to approximately HK$278 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 a number of other 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, recorded an impairment loss for the year ended 31 December 2020 as the carrying values of its assets exceeded the recoverable amounts. The Group therefore recognised its share of the impairment loss of Husky Energy of approximately HK$18.7 billion for the year ended 31 December 2020. Refer to note 5(b)(xvi) to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, except for the share of impairment loss of 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:

- Evaluating the Group's assessments as to whether any indication of impairment exists in respect of investments in associated companies and joint ventures;
- Assessing the appropriateness of the valuation methodologies used;
- Testing source data to supporting evidence, such as approved budgets and available market data, on a sample basis and considering the reasonableness of these budgets;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data; and
- Performing sensitivity analyses on the key assumptions to evaluate the potential impacts on the recoverable amounts.

We found the assumptions adopted in relation to the 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 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, actions taken to eliminate threats or safeguards applied.

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, 18 March 2021

Consolidated Income Statement

for the year ended 31 December 2020

2020 # US$ million		Note	2020 HK$ million	2019 HK$ million
34,153	Revenue	4, 5	266,396	299,021
(12,250)	Cost of inventories sold	7	(95,549)	(105,959)
(4,551)	Staff costs		(35,495)	(37,958)
(2,098)	Expensed customer acquisition and retention costs		(16,362)	(17,755)
(5,340)	Depreciation and amortisation	5	(41,658)	(38,129)
(5,446)	Other expenses and losses ##	7	(42,482)	(47,339)
4,010	Other income and gains ###	7	31,274	7,293
	Share of profits less losses of:			
(2,376)	Associated companies		(18,529)	1,524
635	Joint ventures		4,954	7,404
6,737			52,549	68,102
(1,391)	Interest expenses and other finance costs	8	(10,850)	(14,305)
5,346	**Profit before tax**		41,699	53,797
(511)	Current tax	9	(3,985)	(4,891)
(41)	Deferred tax	9	(317)	(1,129)
4,794	**Profit after tax**		37,397	47,777
(1,058)	**Profit attributable to non-controlling interests and holders of perpetual capital securities**		(8,254)	(7,947)
3,736	**Profit attributable to ordinary shareholders**		29,143	39,830
US$ 0.97	**Earnings per share for profit attributable to ordinary shareholders**	10	HK$ 7.56	HK$ 10.33

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 11.

\#   See note 47.

\##   Comparative information has been reclassified to conform to the presentation adopted in the current year. See note 7.

\###   New income statement line item included in the current year. See note 7.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

2020 # US$ million		Note	2020 HK$ million	2019 HK$ million
4,794	**Profit after tax**		37,397	47,777
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
(85)	Remeasurement of defined benefit obligations recognised directly in reserves		(664)	(899)
	Equity securities at fair value through other comprehensive income ("FVOCI")			
187	Valuation gains (losses) recognised directly in reserves		1,461	(323)
(69)	Share of other comprehensive income (losses) of associated companies		(540)	300
(233)	Share of other comprehensive income (losses) of joint ventures		(1,815)	564
22	Tax relating to items that will not be reclassified to profit or loss	33 (c)	169	170
(178)			(1,389)	(188)
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Debt securities at FVOCI			
6	Valuation gains recognised directly in reserves		44	104
11	Valuation losses previously in reserves recognised in income statement		89	29
(8)	Losses on cash flow hedges recognised directly in reserves		(65)	(808)
(286)	Losses on net investment hedges recognised directly in reserves		(2,229)	(547)
1,667	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		13,004	(813)
268	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		2,093	4,535
285	Share of other comprehensive income of associated companies		2,227	40
454	Share of other comprehensive income (losses) of joint ventures		3,535	(632)
1	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	33 (c)	9	103
2,398			18,707	2,011
2,220	Other comprehensive income, net of tax		17,318	1,823
7,014	**Total comprehensive income**		54,715	49,600
(1,229)	**Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities**		(9,588)	(7,794)
5,785	**Total comprehensive income attributable to ordinary shareholders**		45,127	41,806

See note 47.

Consolidated Statement of Financial Position

at 31 December 2020

2020# US$ million		Note	2020 HK$ million	2019 HK$ million
	Non-current assets			
16,936	Fixed assets	12	132,101	119,131
10,744	Right-of-use assets	13	83,805	83,708
8,583	Telecommunications licences	14	66,944	63,387
11,725	Brand names and other rights	15	91,453	88,275
40,989	Goodwill	16	319,718	308,986
17,446	Associated companies	17	136,076	144,751
18,136	Interests in joint ventures	18	141,465	143,555
2,555	Deferred tax assets	19	19,926	20,353
1,357	Liquid funds and other listed investments	20	10,588	7,722
1,916	Other non-current assets	21	14,944	14,276
130,387			1,017,020	994,144
	Current assets			
19,994	Cash and cash equivalents	23	155,951	137,127
3,149	Inventories		24,565	23,847
7,155	Trade receivables and other current assets	24	55,809	55,709
30,298			236,325	216,683
160	Assets classified as held for sale	25	1,251	149
30,458			237,576	216,832
	Current liabilities			
6,157	Bank and other debts	26	48,021	39,995
338	Current tax liabilities		2,639	1,869
2,387	Lease liabilities	13	18,621	18,079
13,318	Trade payables and other current liabilities	27	103,881	99,358
22,200			173,162	159,301
36	Liabilities directly associated with assets classified as held for sale	25	284	–
22,236			173,446	159,301
8,222	Net current assets		64,130	57,531
138,609	Total assets less current liabilities		1,081,150	1,051,675
	Non-current liabilities			
38,596	Bank and other debts	26	301,050	304,565
102	Interest bearing loans from non-controlling shareholders	29	798	728
9,698	Lease liabilities	13	75,644	75,609
2,266	Deferred tax liabilities	19	17,672	16,819
488	Pension obligations	30	3,804	3,123
6,682	Other non-current liabilities	31	52,119	53,868
57,832			451,087	454,712
80,777	**Net assets**		630,063	596,963

2020 # US$ million		Note	2020 HK$ million	2019 HK$ million
	Capital and reserves			
494	Share capital	32 (a)	3,856	3,856
31,330	Share premium	32 (a)	244,377	244,377
31,547	Reserves	33	246,063	216,052
63,371	Total ordinary shareholders' funds		494,296	464,285
1,591	Perpetual capital securities	32 (b)	12,415	12,410
15,815	Non-controlling interests		123,352	120,268
80,777	**Total equity**		630,063	596,963

See note 47.

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

Total equity # US$ million		Attributable to: Ordinary shareholders: Share capital and share premium [(a)] HK$ million	Ordinary shareholders: Reserves [(b)] HK$ million	Ordinary shareholders: Total ordinary shareholders' funds HK$ million	Perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
76,534	At 1 January 2020	248,233	216,052	464,285	12,410	120,268	596,963
4,794	Profit for the year	–	29,143	29,143	487	7,767	37,397
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
187	Valuation gains recognised directly in reserves	–	1,211	1,211	–	250	1,461
	Debt securities at FVOCI						
6	Valuation gains recognised directly in reserves	–	44	44	–	–	44
11	Valuation losses previously in reserves recognised in income statement	–	89	89	–	–	89
(85)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(511)	(511)	–	(153)	(664)
(8)	Losses on cash flow hedges recognised directly in reserves	–	(21)	(21)	–	(44)	(65)
(286)	Losses on net investment hedges recognised directly in reserves	–	(1,687)	(1,687)	–	(542)	(2,229)
1,667	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	11,802	11,802	–	1,202	13,004
268	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	2,038	2,038	–	55	2,093
216	Share of other comprehensive income of associated companies	–	1,565	1,565	–	122	1,687
221	Share of other comprehensive income of joint ventures	–	1,314	1,314	–	406	1,720
23	Tax relating to components of other comprehensive income (losses)	–	140	140	–	38	178
2,220	Other comprehensive income, net of tax	–	15,984	15,984	–	1,334	17,318
7,014	Total comprehensive income	–	45,127	45,127	487	9,101	54,715
	Transaction with owners in their capacity as owners:						
(1,137)	Dividends paid relating to 2019	–	(8,870)	(8,870)	–	–	(8,870)
(304)	Dividends paid relating to 2020	–	(2,368)	(2,368)	–	–	(2,368)
(700)	Dividends paid to non-controlling interests	–	–	–	–	(5,462)	(5,462)
(62)	Distribution paid on perpetual capital securities	–	–	–	(482)	–	(482)
1	Unclaimed dividends write back of a subsidiary	–	7	7	–	–	7
(609)	Relating to purchase of non-controlling interests [(c)]	–	(3,943)	(3,943)	–	(806)	(4,749)
40	Relating to partial disposal / disposal of subsidiary companies	–	58	58	–	251	309
(2,771)		–	(15,116)	(15,116)	(482)	(6,017)	(21,615)
80,777	**At 31 December 2020**	248,233	246,063	494,296	12,415	123,352	630,063

Total equity # US$ million		Attributable to: Ordinary shareholders: Share capital and share premium (a) HK$ million	Ordinary shareholders: Reserves (b) HK$ million	Ordinary shareholders: Total ordinary shareholders' funds HK$ million	Perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
73,734	At 1 January 2019	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
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
(41)	Valuation losses recognised directly in reserves	–	(228)	(228)	–	(95)	(323)
	Debt securities at FVOCI						
13	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)	Losses on cash flow hedges recognised directly in reserves	–	(692)	(692)	–	(116)	(808)
(70)	Losses on net investment hedges 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)
	Transaction with owners in their capacity as owners:						
(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

\# See note 47.
(a) See note 32(a) for further details on share capital and share premium.
(b) See note 33 for further details on reserves.
(c) See note 33(b).

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

2020# US$ million		Note	2020 HK$ million	2019 HK$ million
	Operating activities			
11,163	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	34 (a)	87,072	95,291
(1,383)	Interest expenses and other finance costs paid (net of capitalisation)		(10,789)	(14,621)
(465)	Tax paid		(3,628)	(5,823)
9,315	**Funds from operations (before payment of lease liabilities)**		72,655	74,847
66	Changes in working capital	34 (b)	516	(5,577)
9,381	**Net cash from operating activities**		73,171	69,270
	Investing activities			
(3,475)	Purchase of fixed assets		(27,104)	(32,190)
(87)	Additions to telecommunications licences		(679)	(1,286)
(229)	Additions to brand names and other rights		(1,791)	(2,817)
–	Purchase of subsidiary companies, net of cash acquired	34 (c)	–	(30)
(17)	Additions to other unlisted investments		(131)	(17)
206	Repayments of loans from associated companies and joint ventures		1,609	641
(107)	Purchase of and advances to associated companies and joint ventures		(833)	(885)
72	Proceeds from disposal of fixed assets		564	150
2,664	Proceeds from disposal of subsidiary companies, net of cash disposed	34 (d)	20,780	(1,522)
–	Cash disposed arising from de-consolidation of subsidiaries classified as held for sale		–	(2,429)
257	Proceeds from partial disposal / disposal of associated companies and joint ventures		2,005	2,388
2	Proceeds from disposal of other unlisted investments		13	130
(714)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(5,567)	(37,867)
94	Disposal of liquid funds and other listed investments		730	503
(209)	Additions to liquid funds and other listed investments		(1,627)	(55)
(829)	**Cash flows used in investing activities**		(6,464)	(37,419)
8,552	**Net cash inflow before financing activities**		66,707	31,851
	Financing activities			
5,691	New borrowings	34 (e)	44,391	211,526
(7,225)	Repayment of borrowings	34 (e)	(56,361)	(211,455)
(2,309)	Payment of lease liabilities	34 (e)	(18,010)	(15,969)
–	Net loans to non-controlling shareholders	34 (e)	–	(2)
–	Capital redemption by non-controlling shareholders		–	(10)
(134)	Payments to acquire additional interests in subsidiary companies		(1,048)	(478)
40	Proceeds from partial disposal of subsidiary companies		309	2,201
(1,441)	Dividends paid to ordinary shareholders		(11,238)	(12,225)
(698)	Dividends paid to non-controlling interests		(5,444)	(6,910)
(62)	Distribution paid on perpetual capital securities		(482)	(398)
(6,138)	**Cash flows used in financing activities**		(47,883)	(33,720)
2,414	Increase (decrease) in cash and cash equivalents		18,824	(1,869)
17,580	Cash and cash equivalents at 1 January		137,127	138,996
19,994	**Cash and cash equivalents at 31 December**		155,951	137,127

2020# US$ million		Note	2020 HK$ million	2019 HK$ million
	Analysis of cash, liquid funds and other listed investments			
19,994	Cash and cash equivalents, as above		155,951	137,127
1,357	Liquid funds and other listed investments	20	10,588	7,722
21,351	**Total cash, liquid funds and other listed investments**		166,539	144,849
45,082	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	26	351,642	347,497
102	Interest bearing loans from non-controlling shareholders	29	798	728
23,833	**Net debt**		185,901	203,376
(102)	Interest bearing loans from non-controlling shareholders		(798)	(728)
23,731	**Net debt (excluding interest bearing loans from non-controlling shareholders)**		185,103	202,648

See note 47.

Notes to the Financial Statements

1 General information

CK Hutchison Holdings Limited (the "Company") is a company incorporated in the Cayman Islands with limited liability and the shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") as at and for the year ended 31 December 2020 (the "Annual Financial Statements") were authorised for issue by the Company's board of directors on 18 March 2021.

For a detailed discussion about the performance of the Group's businesses for the current year, including the impacts of the Coronavirus Disease 2019 ("COVID-19") pandemic on, and relevant principal risk and uncertainties affecting, the Group's operations, and measures taken to manage these impacts, and other important corporate transactions concluded during the 2020 financial year, please refer to the Chairman's Statement, Operations Review and Risk Factors, included elsewhere in the Annual Report outside the Annual Financial Statements.

For a detailed discussion about the Group's liquidity and financial profile, please refer to the Group Capital Resources and Liquidity, included elsewhere in the Annual Report outside the Annual Financial Statements.

2 Use of judgements, assumptions and estimates

The preparation of financial statements under Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") requires entities to make judgements, estimates and assumptions about the reported amounts and the accompanying disclosures.

In preparing the Annual Financial Statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions that the Group considers are relevant and reasonable. It is reasonably possible that actual conditions could differ significantly from our expectations, given the road to post-pandemic normal and economic recovery will not be straightforward. Hence, our accounting estimates and assumptions could change over time in response to how economic and market conditions develop.

Uncertainty about these judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected, and the amounts and timing of the results of operations and cash flows, and the accompanying disclosures in future periods.

Note 43 sets out further information on our significant accounting judgements, estimates and assumptions applied in preparing the Annual Financial Statements.

3 Basis of preparation

Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and COVID-19 mitigating actions which have been and may be taken to reduce discretionary spend and other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, management has determined that, at the date on which the Annual Financial Statements were authorised for issue, the use of the going concern basis of accounting to prepare the Annual Financial Statements is appropriate.

The Annual 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 group 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 directly associated with non-current assets classified as held for sale and 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 classified as held for sale and liabilities directly associated with these assets are disclosed separately in note 25.

The Annual Financial Statements have been prepared in accordance with HKFRS and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. 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 2020. In addition, the Group has early adopted Amendment to HKFRS 16: COVID-19-Related Rent Concessions ahead of its effective date. These changes did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. Other than these changes, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the Company's consolidated financial statements for the year ended 31 December 2019. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 41.

4 Revenue

(a) An analysis of revenue of the Company and subsidiary companies is as follows:

	2020 **HK$ million**	2019 HK$ million
Sale of goods	**148,712**	163,500
Revenue from services	**112,060**	129,072
Interest	**5,398**	5,916
Dividend income	**226**	533
	266,396	299,021

4 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 recognised at a point in time HK$ million	Revenue from contracts with customers recognised over time HK$ million	Subtotal HK$ million	Revenue from other sources HK$ million	2020 Total HK$ million
Ports and Related Services	–	24,926	24,926	157	25,083
Retail	121,284	64	121,348	–	121,348
Infrastructure	3,866	–	3,866	3,480	7,346
Energy	–	–	–	–	–
CK Hutchison Group Telecom					
3 Group Europe	*13,047*	*72,736*	*85,783*	*4*	*85,787*
Hutchison Telecommunications Hong Kong Holdings	*1,260*	*3,285*	*4,545*	–	*4,545*
Corporate and Others	*2*	*56*	*58*	*143*	*201*
	14,309	76,077	90,386	147	90,533
Hutchison Asia Telecommunications	–	9,146	9,146	1	9,147
Finance & Investments and Others	10,865	162	11,027	1,912	12,939
	150,324	110,375	260,699	5,697	266,396

	Revenue from contracts with customers recognised at a point in time HK$ million	Revenue from contracts with customers recognised over time HK$ million	Subtotal HK$ million	Revenue from other sources HK$ million	2019 Total 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
Energy	–	–	–	–	–
CK Hutchison 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

4 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	
	recognised at a point in time	recognised over time	Subtotal	from other sources	2020 Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Hong Kong	30,336	3,227	33,563	230	33,793
Mainland China	24,082	359	24,441	17	24,458
The People's Republic of China	54,418	3,586	58,004	247	58,251
Europe	60,430	82,709	143,139	2,540	145,679
Canada	–	–	–	236	236
Asia, Australia and Others	24,611	23,918	48,529	762	49,291
	85,041	106,627	191,668	3,538	195,206
	139,459	110,213	249,672	3,785	253,457
Finance & Investments and Others	10,865	162	11,027	1,912	12,939
	150,324	110,375	260,699	5,697	266,396

	Revenue from contracts with customers			Revenue	
	recognised at a point in time	recognised over time	Subtotal	from other sources	2019 Total
	HK$ million	HK$ million	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
The People's Republic of China	60,872	3,923	64,795	708	65,503
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
	91,252	119,199	210,451	6,380	216,831
	152,124	123,122	275,246	7,088	282,334
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

(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.

4 Revenue (continued)

(c) Contract balances related to contracts with customers within the scope of HKFRS 15 (continued)

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers within the scope of HKFRS 15.

	2020 HK$ million	2019 HK$ million
Trade receivables (see note 24)	**16,898**	16,863
Contract assets (see notes 21 and 24)	**8,999**	7,385
Contract liabilities (see note 27)	**(6,160)**	(6,188)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2020, HK$1,577 million (2019: HK$1,587 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 2020, HK$1,024 million (2019: HK$1,042 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$5,028 million (2019: HK$5,106 million) was recognised as revenue in 2020 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 for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

	2020 HK$ million	2019 HK$ million
Within one year	**14,801**	17,293
More than one year	**7,707**	7,534
	22,508	24,827

5 Operating segment information

(a) Basis of presentation of segment information, and description of segments and principal activities

In 2019, the Group has adopted the HKFRS 16 "Leases" 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"), better reflect management's view of the Group's underlying operational performances. HKAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. Accordingly, segmental information is presented on a HKAS 17 basis ("Pre-HKFRS 16 basis"), except where indicated otherwise, together with reconciliations to the total under the Post-HKFRS 16 basis. In addition, section (c) of this note sets out reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics for the Group's consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flows for the current and comparative years, and the Group's consolidated statement of financial position as at 31 December 2020 and 2019.

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 operating divisions.

Ports and Related Services:

This division is the world's leading port network, and has interests in 52 ports comprising 283 operational berths in 26 countries as at 31 December 2020. This division operates container terminals in six of the 10 busiest container ports in the world. 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 world's largest international health and beauty retailer with a 139 million loyalty member base. ASW operated 12 retail brands with 16,167 stores in 27 markets worldwide as at 31 December 2020.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a subsidiary company listed on the Stock Exchange as well as 10% of the economic benefits derived from the Group's direct holdings 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 divesture of an aggregated 90% economic benefits in its direct interest in these six co-owned infrastructure investments. 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 infrastructure investments. Results of these co-owned infrastructure investments following the divesture are included in the segment results on a net of divesture basis.

5 Operating segment information (continued)

(a) Basis of presentation of segment information, and description of segments and principal activities (continued)

Energy:

The operating segment information of the Energy division represents the Group's 40.19% interests in Husky Energy Inc. ("Husky").

Telecommunications:

The Group's telecommunications division consists of CK Hutchison Group Telecom Holdings ("CK Hutchison Group Telecom") and Hutchison Asia Telecommunications.

In July 2019, the Group formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom to consolidate the **3** Group businesses in Europe ("**3** Group Europe") and a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the Stock Exchange. In November 2020, the Group entered into agreements to dispose interests in its European telecommunications tower assets in six countries for an aggregate consideration of €10 billion. Transactions in respect of three countries were completed in December 2020. See note 5(b)(xviii) for further details. For segment information presentation purposes, CK Hutchison 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 CK Hutchison Group Telecom's Corporate and Others (which covers CK Hutchison Group Telecom's corporate head office operations and the returns earned on its holdings of cash and liquid investments).

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position. Finance & Investments and Others 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 25.05% interest in a listed associated company TPG Telecom Limited ("TPG") (formerly known as Vodafone Hutchison Australia ("VHA")), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated company Hutchison China MediTech ("HUTCHMED"), TOM Group and CK Life Sciences Int'l., (Holdings) Inc., 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.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities

(i) An analysis of revenue by segments

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$71 million (2019: HK$61 million), Hutchison Telecommunications Hong Kong Holdings of HK$14 million (2019: HK$14 million) and Hutchison Asia Telecommunications of HK$1 million (2019: HK$3 million).

	Revenue							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2020 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Ports and Related Services	**25,083**	**7,782**	**32,865**	**8%**	26,996	8,379	35,375	8%
Retail	**121,348**	**38,271**	**159,619**	**40%**	132,493	36,732	169,225	38%
Infrastructure	**7,346**	**45,446**	**52,792**	**13%**	12,837	38,354	51,191	12%
Energy	**–**	**31,179**	**31,179**	**8%**	–	47,618	47,618	11%
CK Hutchison Group Telecom								
3 Group Europe	*85,787*	*12*	*85,799*	*21%*	*87,505*	*11*	*87,516*	*20%*
Hutchison Telecommunications Hong Kong Holdings	*4,545*	*–*	*4,545*	*1%*	*5,582*	*–*	*5,582*	*1%*
Corporate and Others	*201*	*118*	*319*	*–*	*292*	*127*	*419*	*–*
	90,533	**130**	**90,663**	**22%**	93,379	138	93,517	21%
Hutchison Asia Telecommunications	**9,147**	**–**	**9,147**	**2%**	8,984	–	8,984	2%
Finance & Investments and Others	**12,939**	**14,642**	**27,581**	**7%**	16,687	17,259	33,946	8%
	266,396	**137,450**	**403,846**	**100%**	291,376	148,480	439,856	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	**–**	**1,074**	**1,074**		–	1,098	1,098	
Divesture of infrastructure investments	**–**	**857**	**857**		7,645	4,481	12,126	
	266,396	**139,381**	**405,777**		299,021	154,059	453,080	
HKFRS 16 impact	**–**	**–**	**–**		–	–	–	
	266,396	**139,381**	**405,777**		299,021	154,059	453,080	

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

The Group uses two measures of segment results, EBITDA (see note 5(b)(xiv)) and EBIT (see note 5(b)(xv)). Analyses of segment results by EBITDA and EBIT are set out in (ii), (iii), (ix), (x) and (xiii) below.

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) (xiv)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Ports and Related Services	7,672	3,242	10,914	12%	9,806	3,599	13,405	12%
Retail	11,108	3,289	14,397	15%	13,676	3,215	16,891	15%
Infrastructure	3,574	25,492	29,066	30%	7,437	21,051	28,488	25%
Energy (xvi)	–	(23,003)	(23,003)	-24%	–	3,139	3,139	3%
CK Hutchison Group Telecom								
3 Group Europe (xvii)	*31,377*	*1*	*31,378*	*32%*	*33,510*	*1*	*33,511*	*30%*
Hutchison Telecommunications Hong Kong Holdings	*1,278*	*63*	*1,341*	*1%*	*1,320*	*69*	*1,389*	*1%*
Corporate and Others (xviii)	*15,824*	*(3)*	*15,821*	*17%*	*458*	*(17)*	*441*	*1%*
	48,479	61	48,540	50%	35,288	53	35,341	32%
Hutchison Asia Telecommunications	2,034	–	2,034	2%	2,167	–	2,167	2%
Finance & Investments and Others (xix)	13,143	1,853	14,996	15%	8,768	3,869	12,637	11%
EBITDA (see note 5(b)(xiii))	86,010	10,934	96,944	100%	77,142	34,926	112,068	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	–	740	740		–	756	756	
EBITDA	86,010 ^	11,674 ^	97,684 ^		77,142 ^	35,682 ^	112,824 ^	
Depreciation and amortisation	(23,550)	(19,812)	(43,362)		(23,097)	(18,136)	(41,233)	
Interest expenses and other finance costs	(7,166)	(7,973)	(15,139)		(9,269)	(6,388)	(15,657)	
Current tax	(4,004)	(3,553)	(7,557)		(4,612)	(3,202)	(7,814)	
Deferred tax credit (charge)	(431)	6,518	6,087		(1,122)	1,235	113	
Non-controlling interests	(8,240)	(473)	(8,713)		(7,865)	(480)	(8,345)	
	42,619	(13,619)	29,000		31,177	8,711	39,888	
HKFRS 16 impact								
EBITDA	22,073 ^	3,331 ^	25,404 ^		20,644 ^	3,337 ^	23,981 ^	
Depreciation and amortisation	(18,108)	(2,846)	(20,954)		(16,873)	(2,872)	(19,745)	
Interest expenses and other finance costs	(3,684)	(768)	(4,452)		(3,623)	(837)	(4,460)	
Current tax	19	–	19		(20)	–	(20)	
Deferred tax	114	26	140		65	37	102	
Non-controlling interests	(14)	–	(14)		84	–	84	
	43,019	(13,876)	29,143		31,454	8,376	39,830	
^ Reconciliation to Post-HKFRS 16 basis EBITDA:								
Pre-HKFRS 16 basis EBITDA per above	86,010	11,674	97,684		77,142	35,682	112,824	
HKFRS 16 impact per above	22,073	3,331	25,404		20,644	3,337	23,981	
Post-HKFRS 16 basis EBITDA (see note 34(a)(i))	108,083	15,005	123,088		97,786	39,019	136,805	

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iii) An analysis of EBIT by segments

	EBIT (LBIT) (xv)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Ports and Related Services	4,793	1,924	6,717	12%	6,827	2,234	9,061	13%
Retail	8,434	2,499	10,933	20%	11,164	2,507	13,671	19%
Infrastructure	3,206	15,282	18,488	34%	5,320	13,900	19,220	27%
Energy (xvi)	–	(28,096)	(28,096)	-52%	–	(3,004)	(3,004)	-4%
CK Hutchison Group Telecom								
3 Group Europe (xvii)								
EBITDA before the following non-cash items:	31,377	1	31,378		33,510	1	33,511	
Depreciation	(9,237)	–	(9,237)		(9,139)	–	(9,139)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(5,871)	–	(5,871)		(4,260)	–	(4,260)	
EBIT — 3 Group Europe	16,269	1	16,270	30%	20,111	1	20,112	28%
Hutchison Telecommunications Hong Kong Holdings	479	17	496	1%	559	22	581	1%
Corporate and Others (xviii)	15,818	(3)	15,815	30%	455	(17)	438	1%
	32,566	15	32,581	61%	21,125	6	21,131	30%
Hutchison Asia Telecommunications	544	–	544	1%	1,055	–	1,055	1%
Finance & Investments and Others (xix)	12,917	(230)	12,687	24%	8,554	1,420	9,974	14%
EBIT (LBIT) (see note 5(b)(xiii))	62,460	(8,606)	53,854	100%	54,045	17,063	71,108	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	–	468	468		–	483	483	
EBIT (LBIT)	62,460 ^	(8,138) ^	54,322 ^		54,045 ^	17,546 ^	71,591 ^	
Interest expenses and other finance costs	(7,166)	(7,973)	(15,139)		(9,269)	(6,388)	(15,657)	
Current tax	(4,004)	(3,553)	(7,557)		(4,612)	(3,202)	(7,814)	
Deferred tax credit (charge)	(431)	6,518	6,087		(1,122)	1,235	113	
Non-controlling interests	(8,240)	(473)	(8,713)		(7,865)	(480)	(8,345)	
	42,619	(13,619)	29,000		31,177	8,711	39,888	
HKFRS 16 impact								
EBIT	3,965 ^	485 ^	4,450 ^		3,771 ^	465 ^	4,236 ^	
Interest expenses and other finance costs	(3,684)	(768)	(4,452)		(3,623)	(837)	(4,460)	
Current tax	19	–	19		(20)	–	(20)	
Deferred tax	114	26	140		65	37	102	
Non-controlling interests	(14)	–	(14)		84	–	84	
	43,019	(13,876)	29,143		31,454	8,376	39,830	
^ Reconciliation to Post-HKFRS 16 basis EBIT (LBIT):								
Pre-HKFRS 16 basis EBIT (LBIT) per above	62,460	(8,138)	54,322		54,045	17,546	71,591	
HKFRS 16 impact per above	3,965	485	4,450		3,771	465	4,236	
Post-HKFRS 16 basis EBIT (LBIT)	66,425	(7,653)	58,772		57,816	18,011	75,827	

5 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 HK$ million	**Associates and JV HK$ million**	**2020 Total HK$ million**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million
Ports and Related Services	**2,879**	**1,318**	**4,197**	2,979	1,365	4,344
Retail	**2,674**	**790**	**3,464**	2,512	708	3,220
Infrastructure	**368**	**10,210**	**10,578**	2,117	7,151	9,268
Energy	**–**	**5,093**	**5,093**	–	6,143	6,143
CK Hutchison Group Telecom						
3 Group Europe	***15,108***	**–**	***15,108***	*13,399*	–	*13,399*
Hutchison Telecommunications Hong Kong Holdings	***799***	***46***	***845***	*761*	*47*	*808*
Corporate and Others	***6***	**–**	***6***	*3*	–	*3*
	15,913	**46**	**15,959**	14,163	47	14,210
Hutchison Asia Telecommunications	**1,490**	**–**	**1,490**	1,112	–	1,112
Finance & Investments and Others	**226**	**2,083**	**2,309**	214	2,449	2,663
	23,550	**19,540**	**43,090**	23,097	17,863	40,960
Portion attributable to:						
Non-controlling interests of HPH Trust	**–**	**272**	**272**	–	273	273
	23,550	**19,812**	**43,362**	23,097	18,136	41,233
Divesture of infrastructure investments	**–**	**156**	**156**	(1,841)	–	(1,841)
	23,550	**19,968**	**43,518**	21,256	18,136	39,392
HKFRS 16 impact	**18,108**	**2,846**	**20,954**	16,873	2,872	19,745
	41,658	**22,814**	**64,472**	38,129	21,008	59,137

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(v) An analysis of capital expenditure by segments

	Capital expenditure (xxv)									
	Fixed assets@	Telecom-munications licences@	Brand names and other rights@	Assets classified as held for sale	2020 Total	Fixed assets@	Telecom-munications licences@	Brand names and other rights@	Assets classified as held for sale	2019 Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	1,712	–	–	–	1,712	3,037	–	–	–	3,037
Retail	1,947	–	–	–	1,947	3,072	–	–	–	3,072
Infrastructure	204	–	1	–	205	363	–	75	6,744	7,182
Energy	–	–	–	–	–	–	–	–	–	–
CK Hutchison Group Telecom										
3 Group Europe	*18,483*	*477*	*1,772*	–	*20,732*	*15,397*	*1,026*	*2,735*	–	*19,158*
Hutchison Telecommunications Hong Kong Holdings	*593*	*202*	–	–	*795*	*503*	*203*	–	–	*706*
Corporate and Others	*2*	–	*13*	–	*15*	*4*	–	*3*	–	*7*
	19,078	679	1,785	–	21,542	15,904	1,229	2,738	–	19,871
Hutchison Asia Telecommunications	4,003	–	–	–	4,003	2,845	57	–	–	2,902
Finance & Investments and Others	174	–	5	–	179	318	–	4	–	322
	27,118	679	1,791	–	29,588	25,539	1,286	2,817	6,744	36,386
HKFRS 16 impact	(14)	–	–	–	(14)	(93)	–	–	–	(93)
	27,104	679	1,791	–	29,574	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.

(vi) An analysis of total assets by segments

	Total assets									
	Segment assets(xxi)	Deferred tax assets	Assets classified as held for sale(xxiii)	Investments in associated companies and interests in joint ventures	2020 Total assets	Segment assets(xxi)	Deferred tax assets	Assets classified as held for sale(xxiii)	Investments in associated companies and interests in joint ventures	2019 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	73,386	152	–	19,370	92,908	74,648	189	–	20,250	95,087
Retail	201,517	1,043	–	16,451	219,011	200,111	908	–	14,338	215,357
Infrastructure	61,119	6	–	171,174	232,299	60,929	4	–	169,167	230,100
Energy	–	–	–	39,208	39,208	–	–	–	61,706	61,706
CK Hutchison Group Telecom										
3 Group Europe	*334,695*	*16,696*	*979*	*10*	*352,380*	*304,498*	*17,342*	*149*	*9*	*321,998*
Hutchison Telecommunications Hong Kong Holdings	*15,730*	*84*	–	*282*	*16,096*	*15,345*	*168*	–	*335*	*15,848*
Corporate and Others	*30,603*	–	–	*36*	*30,639*	*15,516*	–	–	*28*	*15,544*
	381,028	16,780	979	328	399,115	335,359	17,510	149	372	353,390
Hutchison Asia Telecommunications	17,508	–	–	–	17,508	15,782	–	–	–	15,782
Finance & Investments and Others	147,044	34	–	32,141	179,219	141,436	29	–	23,550	165,015
	881,602	18,015	979	278,672	1,179,268	828,265	18,640	149	289,383	1,136,437
HKFRS 16 impact	74,276	1,911	272	(1,131)	75,328	73,903	1,713	–	(1,077)	74,539
	955,878	19,926	1,251	277,541	1,254,596	902,168	20,353	149	288,306	1,210,976

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vii) An analysis of total liabilities by segments

	Total liabilities								
	Segment liabilities (xxi)	Current & non-current borrowings (xxii) and other non-current liabilities	Liabilities directly associated with assets classified as held for sale (xxiii)	Current & deferred tax liabilities	2020 Total liabilities	Segment liabilities (xxi)	Current & non-current borrowings (xxii) and other non-current liabilities	Current & deferred tax liabilities	2019 Total liabilities
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	9,138	15,342	–	4,165	28,645	11,982	17,384	4,032	33,398
Retail	26,315	16,840	–	10,404	53,559	25,799	12,905	9,819	48,523
Infrastructure	6,359	33,973	–	669	41,001	5,875	32,298	604	38,777
Energy	–	–	–	–	–	–	–	–	–
CK Hutchison Group Telecom									
3 Group Europe	*39,493*	*22,506*	*1*	*899*	*62,899*	*38,325*	*22,745*	*230*	*61,300*
Hutchison Telecommunications Hong Kong Holdings	*1,662*	*565*	–	–	*2,227*	*1,554*	*482*	*24*	*2,060*
Corporate and Others	*4,443*	*80,171*	–	*11*	*84,625*	*597*	*81,976*	*31*	*82,604*
	45,598	103,242	1	910	149,751	40,476	105,203	285	145,964
Hutchison Asia Telecommunications	11,999	13,075	–	2	25,076	11,241	14,304	2	25,547
Finance & Investments and Others	9,971	219,718	–	5,069	234,758	8,987	217,291	5,000	231,278
	109,380	402,190	1	21,219	532,790	104,360	399,385	19,742	523,487
HKFRS 16 impact	92,570	(202)	283	(908)	91,743	91,809	(229)	(1,054)	90,526
	201,950	401,988	284	20,311	624,533	196,169	399,156	18,688	614,013

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(viii) An analysis of revenue by geographical locations

	Revenue (xx)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Hong Kong	33,793	4,475	38,268	9%	35,033	4,498	39,531	9%
Mainland China	24,458	8,131	32,589	8%	30,470	8,059	38,529	9%
The People's Republic of China	58,251	12,606	70,857	17%	65,503	12,557	78,060	18%
Europe	145,679	64,792	210,471	52%	155,782	56,566	212,348	48%
Canada (xxiv)	236	30,638	30,874	8%	448	47,280	47,728	11%
Asia, Australia and Others	49,291	14,772	64,063	16%	52,956	14,818	67,774	15%
	195,206	110,202	305,408	76%	209,186	118,664	327,850	74%
	253,457	122,808	376,265	93%	274,689	131,221	405,910	92%
Finance & Investments and Others	12,939	14,642	27,581	7%	16,687	17,259	33,946	8%
	266,396	137,450	403,846**	100%	291,376	148,480	439,856**	100%

** see note 5(b)(i) for reconciliation of segment revenue to revenue presented in the consolidated income statement.

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) (xiv)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Hong Kong	2,374	2,055	4,429	5%	1,811	1,861	3,672	3%
Mainland China	3,806	3,956	7,762	8%	5,988	4,526	10,514	10%
The People's Republic of China	6,180	6,011	12,191	13%	7,799	6,387	14,186	13%
Europe	56,471	18,912	75,383	78%	47,409	14,358	61,767	55%
Canada (xxiv)	238	(24,395)	(24,157)	-25%	347	1,555	1,902	2%
Asia, Australia and Others	9,978	8,553	18,531	19%	12,819	8,757	21,576	19%
	66,687	3,070	69,757	72%	60,575	24,670	85,245	76%
	72,867	9,081	81,948	85%	68,374	31,057	99,431	89%
Finance & Investments and Others	13,143	1,853	14,996	15%	8,768	3,869	12,637	11%
	86,010	10,934	96,944 ##	100%	77,142	34,926	112,068 ##	100%

see note 5(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the consolidated income statement.

5 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 HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
Hong Kong	1,164	1,049	2,213	4%	706	861	1,567	2%
Mainland China	2,726	2,726	5,452	10%	4,947	3,068	8,015	11%
The People's Republic of China	3,890	3,775	7,665	14%	5,653	3,929	9,582	13%
Europe	39,458	11,917	51,375	95%	30,370	10,306	40,676	57%
Canada (xxiv)	238	(29,316)	(29,078)	-54%	324	(4,206)	(3,882)	-5%
Asia, Australia and Others	5,957	5,248	11,205	21%	9,144	5,614	14,758	21%
	45,653	(12,151)	33,502	62%	39,838	11,714	51,552	73%
	49,543	(8,376)	41,167	76%	45,491	15,643	61,134	86%
Finance & Investments and Others	12,917	(230)	12,687	24%	8,554	1,420	9,974	14%
	62,460	(8,606)	53,854 @@	100%	54,045	17,063	71,108 @@	100%

@@ see note 5(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the consolidated income statement.

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure (xxv)									
	Fixed assets @ HK$ million	Telecommunications licences @ HK$ million	Brand names and other rights @ HK$ million	Assets classified as held for sale HK$ million	2020 Total HK$ million	Fixed assets @ HK$ million	Telecommunications licences @ HK$ million	Brand names and other rights @ HK$ million	Assets classified as held for sale HK$ million	2019 Total HK$ million
Hong Kong	1,075	202	–	–	1,277	1,295	203	–	–	1,498
Mainland China	670	–	–	–	670	958	–	–	–	958
The People's Republic of China	1,745	202	–	–	1,947	2,253	203	–	–	2,456
Europe	19,537	477	1,772	–	21,786	17,072	1,026	2,738	6,711	27,547
Canada	–	–	–	–	–	–	–	–	33	33
Asia, Australia and Others	5,662	–	14	–	5,676	5,896	57	75	–	6,028
	25,199	477	1,786	–	27,462	22,968	1,083	2,813	6,744	33,608
	26,944	679	1,786	–	29,409	25,221	1,286	2,813	6,744	36,064
Finance & Investments and Others	174	–	5	–	179	318	–	4	–	322
	27,118	679	1,791	–	29,588	25,539	1,286	2,817	6,744	36,386
HKFRS 16 impact	(14)	–	–	–	(14)	(93)	–	–	–	(93)
	27,104	679	1,791	–	29,574	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.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xii) An analysis of total assets by geographical locations

	Total assets									
	Segment assets [xxi]	Deferred tax assets	Assets classified as held for sale [xxiii]	Investments in associated companies and interests in joint ventures	2020 Total assets	Segment assets [xxi]	Deferred tax assets	Assets classified as held for sale [xxiii]	Investments in associated companies and interests in joint ventures	2019 Total assets
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Hong Kong	52,168	119	–	9,782	62,069	51,207	211	–	10,417	61,835
Mainland China	43,312	551	–	25,534	69,397	43,132	466	–	23,077	66,675
The People's Republic of China	95,480	670	–	35,316	131,466	94,339	677	–	33,494	128,510
Europe	498,704	16,942	979	115,899	632,524	463,304	17,575	149	115,288	596,316
Canada [xxiv]	3,430	6	–	38,019	41,455	3,430	4	–	62,883	66,317
Asia, Australia and Others	136,944	363	–	57,297	194,604	125,756	355	–	54,168	180,279
	639,078	17,311	979	211,215	868,583	592,490	17,934	149	232,339	842,912
	734,558	17,981	979	246,531	1,000,049	686,829	18,611	149	265,833	971,422
Finance & Investments and Others	147,044	34	–	32,141	179,219	141,436	29	–	23,550	165,015
	881,602	18,015	979	278,672	1,179,268	828,265	18,640	149	289,383	1,136,437
HKFRS 16 impact	74,276	1,911	272	(1,131)	75,328	73,903	1,713	–	(1,077)	74,539
	955,878	19,926	1,251	277,541	1,254,596	902,168	20,353	149	288,306	1,210,976

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xiii) An analysis of results (EBITDA and EBIT) before net gains from major transaction activities and share of Husky's impairments and other charges by segments

The Group's EBITDA and EBIT in 2020 included the net gain attributable to shareholders from the disposal of interests in the Group's European telecommunications tower assets that completed in 2020 of HK$16.6 billion (see note 5(b)(xviii)), as well as a dilution gain from the merger of VHA with TPG Corporation Limited of HK$10.1 billion (see note 5(b)(xix)). These gains were partly offset by the Group's share of Husky's impairments and other charges of HK$24.9 billion (see note 5(b)(xvi)) in 2020. For the comparative year, the Group's 2019 EBITDA and EBIT included a net gain attributable to shareholders of approximately HK$6.9 billion (see note 5(b)(xix)) arising from the derecognition of HUTCHMED as a subsidiary, which was mostly offset by the Group's share of Husky's impairments and other charges, before tax, of HK$6.0 billion (see note 5(b)(xvi)) in that year.

Set out below are analyses of EBITDA and EBIT before the aforementioned items.

An analysis of EBITDA by segments

	EBITDA (LBITDA) (xiv)							
	Company and Subsidiaries	**Associates and JV**	**2020 Total**		Company and Subsidiaries	Associates and JV	2019 Total	
	HK$ million	**HK$ million**	**HK$ million**	**%**	HK$ million	HK$ million	HK$ million	%
EBITDA before the following one-off items								
Ports and Related Services	**7,672**	**3,242**	**10,914**	**11%**	9,806	3,599	13,405	12%
Retail	**11,108**	**3,289**	**14,397**	**15%**	13,676	3,215	16,891	15%
Infrastructure	**3,574**	**25,492**	**29,066**	**31%**	7,437	21,051	28,488	26%
Energy	**–**	**1,906**	**1,906**	**2%**	–	9,122	9,122	8%
CK Hutchison Group Telecom								
3 Group Europe (xvii)	*31,377*	*1*	*31,378*	*33%*	*33,510*	*1*	*33,511*	*30%*
Hutchison Telecommunications Hong Kong Holdings	*1,278*	*63*	*1,341*	*2%*	*1,320*	*69*	*1,389*	*1%*
Corporate and Others	*(759)*	*(3)*	*(762)*	*-1%*	*458*	*(17)*	*441*	*1%*
	31,896	**61**	**31,957**	**34%**	35,288	53	35,341	32%
Hutchison Asia Telecommunications	**2,034**	**–**	**2,034**	**2%**	2,167	–	2,167	2%
Finance & Investments and Others	**3,038**	**1,853**	**4,891**	**5%**	1,883	3,869	5,752	5%
	59,322	**35,843**	**95,165**	**100%**	70,257	40,909	111,166	100%
One-off items								
Gains from disposal of European telecommunications tower assets (xviii)	**16,583**	**–**	**16,583**		–	–	–	
Dilution gain from merger of VHA and TPG Corporation Limited (xix)	**10,105**	**–**	**10,105**		–	–	–	
Gain from derecognition of HUTCHMED as a subsidiary (xix)	**–**	**–**	**–**		6,885	–	6,885	
Share of Husky's impairments and other charges (xvi)	**–**	**(24,909)**	**(24,909)**		–	(5,983)	(5,983)	
	86,010	**10,934**	**96,944 ##**		77,142	34,926	112,068 ##	

\## see note 5(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the consolidated income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xiii) An analysis of results (EBITDA and EBIT) before net gains from major transaction activities and share of Husky's impairments and other charges by segments (continued)

An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) (xiv)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2020 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
EBITDA before the following one-off items								
Hong Kong	**2,374**	**2,055**	**4,429**	**5%**	1,811	1,861	3,672	3%
Mainland China	**3,806**	**3,956**	**7,762**	**8%**	5,988	4,526	10,514	9%
The People's Republic of China	**6,180**	**6,011**	**12,191**	**13%**	7,799	6,387	14,186	12%
Europe	**39,888**	**18,912**	**58,800**	**62%**	47,409	14,358	61,767	56%
Canada (xxiv)	**238**	**514**	**752**	**1%**	347	7,538	7,885	7%
Asia, Australia and Others	**9,978**	**8,553**	**18,531**	**19%**	12,819	8,757	21,576	20%
	50,104	**27,979**	**78,083**	**82%**	60,575	30,653	91,228	83%
	56,284	**33,990**	**90,274**	**95%**	68,374	37,040	105,414	95%
Finance & Investments and Others	**3,038**	**1,853**	**4,891**	**5%**	1,883	3,869	5,752	5%
	59,322	**35,843**	**95,165**	**100%**	70,257	40,909	111,166	100%
One-off items								
Gains from disposal of European telecommunications tower assets (xviii)	**16,583**	**–**	**16,583**		–	–	–	
Dilution gain from merger of VHA and TPG Corporation Limited (xix)	**10,105**	**–**	**10,105**		–	–	–	
Gain from derecognition of HUTCHMED as a subsidiary (xix)	**–**	**–**	**–**		6,885	–	6,885	
Share of Husky's impairments and other charges (xvi)	**–**	**(24,909)**	**(24,909)**		–	(5,983)	(5,983)	
	86,010	**10,934**	**96,944 ##**		77,142	34,926	112,068 ##	

see note 5(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the consolidated income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xiii) An analysis of results (EBITDA and EBIT) before net gains from major transaction activities and share of Husky's impairments and other charges by segments (continued)

An analysis of EBIT by segments

	EBIT (LBIT) (xv)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
EBIT before the following one-off items								
Ports and Related Services	4,793	1,924	6,717	13%	6,827	2,234	9,061	13%
Retail	8,434	2,499	10,933	21%	11,164	2,507	13,671	19%
Infrastructure	3,206	15,282	18,488	35%	5,320	13,900	19,220	27%
Energy	–	(3,187)	(3,187)	-6%	–	2,979	2,979	4%
CK Hutchison Group Telecom								
3 Group Europe (xvii)	*16,269*	*1*	*16,270*	*31%*	*20,111*	*1*	*20,112*	*29%*
Hutchison Telecommunications Hong Kong Holdings	*479*	*17*	*496*	*1%*	*559*	*22*	*581*	*1%*
Corporate and Others	*(765)*	*(3)*	*(768)*	*-1%*	*455*	*(17)*	*438*	*1%*
	15,983	15	15,998	31%	21,125	6	21,131	31%
Hutchison Asia Telecommunications	544	–	544	1%	1,055	–	1,055	2%
Finance & Investments and Others	2,812	(230)	2,582	5%	1,669	1,420	3,089	4%
	35,772	16,303	52,075	100%	47,160	23,046	70,206	100%
One-off items								
Gains from disposal of European telecommunications tower assets (xviii)	16,583	–	16,583		–	–	–	
Dilution gain from merger of VHA and TPG Corporation Limited (xix)	10,105	–	10,105		–	–	–	
Gain from derecognition of HUTCHMED as a subsidiary (xix)	–	–	–		6,885	–	6,885	
Share of Husky's impairments and other charges (xvi)	–	(24,909)	(24,909)		–	(5,983)	(5,983)	
	62,460	(8,606)	53,854 @@		54,045	17,063	71,108 @@	

@@ see note 5(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the consolidated income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xiii) An analysis of results (EBITDA and EBIT) before net gains from major transaction activities and share of Husky's impairments and other charges by segments (continued)

An analysis of EBIT by geographical locations

	EBIT (LBIT) [xv]							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2020 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%
EBIT before the following one-off items								
Hong Kong	1,164	1,049	2,213	4%	706	861	1,567	2%
Mainland China	2,726	2,726	5,452	10%	4,947	3,068	8,015	11%
The People's Republic of China	3,890	3,775	7,665	14%	5,653	3,929	9,582	13%
Europe	22,875	11,917	34,792	67%	30,370	10,306	40,676	58%
Canada [xxiv]	238	(4,407)	(4,169)	-8%	324	1,777	2,101	3%
Asia, Australia and Others	5,957	5,248	11,205	22%	9,144	5,614	14,758	22%
	29,070	12,758	41,828	81%	39,838	17,697	57,535	83%
	32,960	16,533	49,493	95%	45,491	21,626	67,117	96%
Finance & Investments and Others	2,812	(230)	2,582	5%	1,669	1,420	3,089	4%
	35,772	16,303	52,075	100%	47,160	23,046	70,206	100%
One-off items								
Gains from disposal of European telecommunications tower assets [xviii]	16,583	–	16,583		–	–	–	
Dilution gain from merger of VHA and TPG Corporation Limited [xix]	10,105	–	10,105		–	–	–	
Gain from derecognition of HUTCHMED as a subsidiary [xix]	–	–	–		6,885	–	6,885	
Share of Husky's impairments and other charges [xvi]	–	(24,909)	(24,909)		–	(5,983)	(5,983)	
	62,460	(8,606)	53,854 @@		54,045	17,063	71,108 @@	

@@ see note 5(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the consolidated income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xiv) 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 that are based on the Group's 10% direct interests in these investments. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation. 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.

(xv) 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 that are based on the Group's 10% direct interests in these investments. EBIT (LBIT) is defined as earnings (losses) 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.

(xvi) The Group's 40.19% owned listed associated company, Husky recognised non-cash after-tax impairments and other charges of C$8.6 billion in 2020. These were primarily related to declines in forecasted long-term commodity prices, reduced capital investment and delayed future development plans, as well as market indicators including the merger with Cenovus Energy Inc. ("Cenovus Energy"). The Group's share of these charges, after consolidation adjustments, is HK$24,909 million at the EBITDA and EBIT levels, and is reported under "Energy" in the segment results. For the comparative year 2019, Husky 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 had the effect of reducing reserves, which in turn reduced 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, was HK$5,983 million at the EBITDA and EBIT levels, and was reported under "Energy" in the segment results.

The Group's share of Husky's impairments and other charges for 2020, after consolidation adjustments, is HK$24,909 million (before tax) and is HK$18,724 million (after tax). The Group's share of Husky's non-cash asset impairments and other charges for 2019, after consolidation adjustments, was HK$5,983 million (before tax) and was HK$4,223 million (after tax). The after tax amount is reported in "Share of profits less losses of associated companies" in the consolidated income statement for the current and comparative years.

In January 2021, Cenovus Energy, a Canadian integrated oil and natural gas company listed on the Toronto and New York stock exchanges, announced the completion of the combination of Cenovus Energy and Husky. The merger creates Canada's third largest oil and natural gas producer, based on total company production, with about 750,000 barrels of oil equivalent per day ("boe/day") of low-cost oil and natural gas production. The combined company also becomes the second-largest Canadian-based refiner and upgrader, with total North American refining and upgrading capacity of approximately 660,000 barrels per day ("bbls/day"). Post-completion, Husky was delisted from the Toronto Stock Exchange and the Group currently holds approximately 15.71% of Cenovus Energy, together with share purchase warrants representing a further 1.08% to 16.79%.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xvii) For the comparative year, included in the EBITDA and EBIT of **3** Group Europe was a one-time income of approximately €110 million (approximately HK$1,028 million) recognised by Wind Tre in the first half of 2019.

(xviii) In December 2020, the Group completed the disposal of interests in telecommunications tower assets in Denmark, Austria and Ireland, and recognised a disposal gain of approximately HK$16,583 million (HK$16,763 million at Post-HKFRS 16 basis). The amount of gain is HK$16,583 million at the EBITDA and EBIT levels, and is reported under "CK Hutchison Group Telecom – Corporate and Others" in the segment results. See note 7(e).

(xix) In the first half of 2020, joint venture VHA and TPG Corporation Limited have completed the merger of their telecommunications businesses in Australia. As a result, the Group's attributable interest in VHA has been diluted from 43.93% to 22.01%. The Group has recognised a gain arising from the dilution during the year. The amount of the gain is HK$10,105 million (HK$10,186 million at Post-HKFRS 16 basis) at EBITDA and EBIT levels and is reported under "Finance & Investments and Others" in the segment results. The gain attributable to ordinary shareholders amounted to HK$9,177 million (HK$9,247 million at Post-HKFRS 16 basis). Pursuant to the merger, VHA was renamed as TPG. The Group accounts for the retained interest as an associated company using the equity method of accounting. In addition, write-downs on certain non-strategic equity investments totalling HK$1,308 million is reported under the "Finance & Investments and Others" in the segment results. For the comparative year 2019, the Group recognised a one-off disposal gain arising from the de-consolidation of former subsidiary HUTCHMED. The disposal gain was HK$6,885 million at the EBITDA and EBIT levels, and was reported under "Finance & Investments and Others" in the segment results. Included in this gain amount was a HK$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in HUTCHMED to its fair value at the date of de-consolidation. See note 7(f) and 7(g).

(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.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xxi) Segment assets and segment liabilities are measured in the same way as in the financial statements.

Segment assets are assets other than deferred tax assets, assets classified as held for sale, and investments in associated companies and interests in joint ventures.

Segment liabilities are liabilities other than bank and other debts, interest bearing loans from non-controlling shareholders, tax liabilities (including deferred tax liabilities), liabilities directly associated with assets classified as held for sale and other non-current liabilities.

The specified non-current assets are non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts. The geographical location of the specified non-current assets is based on the physical location of the asset (for fixed assets, right-of-use assets and other operating assets), the location of the operation in which they are allocated (for assets classified as held for sale, intangible assets and goodwill), and the location of operations (for 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:

	2020 HK$ million	2019 HK$ million
Hong Kong	**74,264**	75,997
Mainland China	**79,034**	78,356
The People's Republic of China	**153,298**	154,353
Europe	**591,099**	563,367
Canada [(xxiv)]	**41,431**	66,207
Asia, Australia and Others	**193,953**	174,976
	826,483	804,550
	979,781	958,903

(xxii) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

(xxiii) See note 25.

(xxiv) Include contribution from the United States for Husky.

(xxv) For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics

(i) Consolidated Income Statement

	2020			2019		
	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million
Revenue	266,396	–	266,396	299,021	–	299,021
Cost of inventories sold	(95,579)	30	(95,549)	(105,983)	24	(105,959)
Staff costs	(35,495)	–	(35,495)	(37,958)	–	(37,958)
Expensed customer acquisition and retention costs	(16,830)	468	(16,362)	(18,247)	492	(17,755)
Depreciation and amortisation	(23,550)	(18,108)	(41,658)	(21,256)	(16,873)	(38,129)
Other expenses and losses	(63,693)	21,211	(42,482)	(67,467)	20,128	(47,339)
Other income and gains	30,910	364	31,274	7,293	–	7,293
Share of profits less losses of:						
Associated companies	(18,463)	(66)	(18,529)	1,579	(55)	1,524
Joint ventures	5,145	(191)	4,954	7,684	(280)	7,404
	48,841	3,708	52,549	64,666	3,436	68,102
Interest expenses and other finance costs	(7,166)	(3,684)	(10,850)	(10,682)	(3,623)	(14,305)
Profit before tax	41,675	24	41,699	53,984	(187)	53,797
Current tax	(4,004)	19	(3,985)	(4,871)	(20)	(4,891)
Deferred tax	(431)	114	(317)	(1,194)	65	(1,129)
Profit after tax	37,240	157	37,397	47,919	(142)	47,777
Profit attributable to non-controlling interests and holders of perpetual capital securities	(8,240)	(14)	(8,254)	(8,031)	84	(7,947)
Profit attributable to ordinary shareholders	29,000	143	29,143	39,888	(58)	39,830
Earnings per share for profit attributable to ordinary shareholders	HK$ 7.52	HK$ 0.04	HK$ 7.56	HK$ 10.34	(HK$ 0.01)	HK$ 10.33

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(ii) Consolidated Statement of Comprehensive Income

	2020			2019		
	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million
Profit after tax	37,240	157	37,397	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	(664)	–	(664)	(899)	–	(899)
Equity securities at FVOCI						
Valuation gains (losses) recognised directly in reserves	1,461	–	1,461	(323)	–	(323)
Share of other comprehensive income (losses) of associated companies	(540)	–	(540)	300	–	300
Share of other comprehensive income (losses) of joint ventures	(1,815)	–	(1,815)	564	–	564
Tax relating to items that will not be reclassified to profit or loss	169	–	169	170	–	170
	(1,389)	–	(1,389)	(188)	–	(188)
Items that have been reclassified or may be subsequently reclassified to profit or loss:						
Debt securities at FVOCI						
Valuation gains recognised directly in reserves	44	–	44	104	–	104
Valuation losses previously in reserves recognised in income statement	89	–	89	29	–	29
Losses on cash flow hedges recognised directly in reserves	(65)	–	(65)	(808)	–	(808)
Losses on net investment hedges recognised directly in reserves	(2,229)	–	(2,229)	(547)	–	(547)
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	13,592	(588)	13,004	(663)	(150)	(813)
Losses 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	4,534	1	4,535
Share of other comprehensive income of associated companies	2,231	(4)	2,227	40	–	40
Share of other comprehensive income (losses) of joint ventures	3,528	7	3,535	(635)	3	(632)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	9	–	9	103	–	103
	19,292	(585)	18,707	2,157	(146)	2,011
Other comprehensive income, net of tax	17,903	(585)	17,318	1,969	(146)	1,823
Total comprehensive income	55,143	(428)	54,715	49,888	(288)	49,600
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(9,705)	117	(9,588)	(7,941)	147	(7,794)
Total comprehensive income attributable to ordinary shareholders	45,438	(311)	45,127	41,947	(141)	41,806

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(iii) Consolidated Statement of Financial Position

	2020			2019		
	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million
Non-current assets						
Fixed assets	132,920	(819)	132,101	119,835	(704)	119,131
Right-of-use assets	–	83,805	83,805	–	83,708	83,708
Leasehold land	6,940	(6,940)	–	7,209	(7,209)	–
Telecommunications licences	66,944	–	66,944	63,387	–	63,387
Brand names and other rights	91,766	(313)	91,453	88,275	–	88,275
Goodwill	319,718	–	319,718	308,986	–	308,986
Associated companies	136,329	(253)	136,076	144,842	(91)	144,751
Interests in joint ventures	142,343	(878)	141,465	144,541	(986)	143,555
Deferred tax assets	18,015	1,911	19,926	18,640	1,713	20,353
Liquid funds and other listed investments	10,588	–	10,588	7,722	–	7,722
Other non-current assets	14,536	408	14,944	14,031	245	14,276
	940,099	76,921	1,017,020	917,468	76,676	994,144
Current assets						
Cash and cash equivalents	155,951	–	155,951	137,127	–	137,127
Inventories	24,565	–	24,565	23,847	–	23,847
Trade receivables and other current assets	57,674	(1,865)	55,809	57,846	(2,137)	55,709
	238,190	(1,865)	236,325	218,820	(2,137)	216,683
Assets classified as held for sale	979	272	1,251	149	–	149
	239,169	(1,593)	237,576	218,969	(2,137)	216,832
Current liabilities						
Bank and other debts	48,096	(75)	48,021	40,054	(59)	39,995
Current tax liabilities	2,646	(7)	2,639	1,870	(1)	1,869
Lease liabilities	–	18,621	18,621	–	18,079	18,079
Trade payables and other current liabilities	105,576	(1,695)	103,881	101,237	(1,879)	99,358
	156,318	16,844	173,162	143,161	16,140	159,301
Liabilities directly associated with assets classified as held for sale	1	283	284	–	–	–
	156,319	17,127	173,446	143,161	16,140	159,301
Net current assets	82,850	(18,720)	64,130	75,808	(18,277)	57,531
Total assets less current liabilities	1,022,949	58,201	1,081,150	993,276	58,399	1,051,675
Non-current liabilities						
Bank and other debts	301,170	(120)	301,050	304,735	(170)	304,565
Interest bearing loans from non-controlling shareholders	798	–	798	728	–	728
Lease liabilities	–	75,644	75,644	–	75,609	75,609
Deferred tax liabilities	18,573	(901)	17,672	17,872	(1,053)	16,819
Pension obligations	3,804	–	3,804	3,123	–	3,123
Other non-current liabilities	52,126	(7)	52,119	53,868	–	53,868
	376,471	74,616	451,087	380,326	74,386	454,712
Net assets	646,478	(16,415)	630,063	612,950	(15,987)	596,963
Capital and reserves						
Share capital	3,856	–	3,856	3,856	–	3,856
Share premium	244,377	–	244,377	244,377	–	244,377
Reserves	258,327	(12,264)	246,063	228,005	(11,953)	216,052
Total ordinary shareholders' funds	506,560	(12,264)	494,296	476,238	(11,953)	464,285
Perpetual capital securities	12,415	–	12,415	12,410	–	12,410
Non-controlling interests	127,503	(4,151)	123,352	124,302	(4,034)	120,268
Total equity	646,478	(16,415)	630,063	612,950	(15,987)	596,963

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(iv) Consolidated Statement of Cash Flows

	2020			2019		
	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million	Pre-HKFRS 16 basis HK$ million	Effect on adoption of HKFRS 16 HK$ million	Post-HKFRS 16 basis HK$ million
	(A)		(B)	(A)		(B)
Operating activities						
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	66,276	20,796	87,072	74,740	20,551	95,291
Interest expenses and other finance costs paid (net of capitalisation)	(7,105)	(3,684)	(10,789)	(10,998)	(3,623)	(14,621)
Tax paid	(3,628)	–	(3,628)	(5,823)	–	(5,823)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	55,543	17,112	72,655	57,919	16,928	74,847
Changes in working capital	(332)	848	516	(4,583)	(994)	(5,577)
Net cash from operating activities	55,211	17,960	73,171	53,336	15,934	69,270
Investing activities						
Purchase of fixed assets	(27,118)	14	(27,104)	(32,283)	93	(32,190)
Additions to telecommunications licences	(679)	–	(679)	(1,286)	–	(1,286)
Additions to brand names and other rights	(1,791)	–	(1,791)	(2,817)	–	(2,817)
Purchase of subsidiary companies, net of cash acquired	–	–	–	(30)	–	(30)
Additions to other unlisted investments	(131)	–	(131)	(17)	–	(17)
Repayments of loans from associated companies and joint ventures	1,609	–	1,609	641	–	641
Purchase of and advances to associated companies and joint ventures	(833)	–	(833)	(885)	–	(885)
Proceeds from disposal of fixed assets	564	–	564	150	–	150
Proceeds from disposal of subsidiary companies, net of cash disposed	20,780	–	20,780	(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	2,005	–	2,005	2,388	–	2,388
Proceeds from disposal of other unlisted investments	13	–	13	130	–	130
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(5,581)	14	(5,567)	(37,960)	93	(37,867)
Disposal of liquid funds and other listed investments	730	–	730	503	–	503
Additions to liquid funds and other listed investments	(1,627)	–	(1,627)	(55)	–	(55)
Cash flows used in investing activities	(6,478)	14	(6,464)	(37,512)	93	(37,419)
Net cash inflow before financing activities	48,733	17,974	66,707	15,824	16,027	31,851
Financing activities						
New borrowings	44,405	(14)	44,391	211,526	–	211,526
Repayment of borrowings	(56,411)	50	(56,361)	(211,397)	(58)	(211,455)
Payment of lease liabilities	–	(18,010)	(18,010)	–	(15,969)	(15,969)
Net loans to non-controlling shareholders	–	–	–	(2)	–	(2)
Capital redemption by non-controlling shareholders	–	–	–	(10)	–	(10)
Payment to acquire additional interests in subsidiary companies	(1,048)	–	(1,048)	(478)	–	(478)
Proceeds from partial disposal of subsidiary companies	309	–	309	2,201	–	2,201
Dividends paid to ordinary shareholders	(11,238)	–	(11,238)	(12,225)	–	(12,225)
Dividends paid to non-controlling interests	(5,444)	–	(5,444)	(6,910)	–	(6,910)
Distribution paid on perpetual capital securities	(482)	–	(482)	(398)	–	(398)
Cash flows used in financing activities	(29,909)	(17,974)	(47,883)	(17,693)	(16,027)	(33,720)
Increase (decrease) in cash and cash equivalents	18,824	–	18,824	(1,869)	–	(1,869)
Cash and cash equivalents at 1 January	137,127	–	137,127	138,996	–	138,996
Cash and cash equivalents at 31 December	155,951	–	155,951	137,127	–	137,127

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(iv) Consolidated Statement of Cash Flows (continued)

	2020			2019		
	Pre-HKFRS 16 basis	**Effect on adoption of HKFRS 16**	**Post-HKFRS 16 basis**	Pre-HKFRS 16 basis	Effect on adoption of HKFRS 16	Post-HKFRS 16 basis
	HK$ million	**HK$ million**	**HK$ million**	HK$ million	HK$ million	HK$ million
Analysis of cash, liquid funds and other listed investments						
Cash and cash equivalents, as above	**155,951**	**–**	**155,951**	137,127	–	137,127
Liquid funds and other listed investments	**10,588**	**–**	**10,588**	7,722	–	7,722
Total cash, liquid funds and other listed investments	**166,539**	**–**	**166,539**	144,849	–	144,849
Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	**351,837**	**(195)**	**351,642**	347,726	(229)	347,497
Interest bearing loans from non-controlling shareholders	**798**	**–**	**798**	728	–	728
Net debt	**186,096**	**(195)**	**185,901**	203,605	(229)	203,376
Interest bearing loans from non-controlling shareholders	**(798)**	**–**	**(798)**	(728)	–	(728)
Net debt (excluding interest bearing loans from non-controlling shareholders)	**185,298**	**(195)**	**185,103**	202,877	(229)	202,648

6 Directors' emoluments

	2020 HK$ million	2019 HK$ million
Directors' emoluments	487	581

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 expenses and losses" in the income statement.

As at 31 December 2020 and 31 December 2019, the Company and its subsidiary companies do not have share option scheme. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2019: nil).

In 2020, the five individuals whose emoluments were the highest for the year were directors of the Company. 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.

Further details of the directors' emoluments are set out in table below:

(a) Directors' emolument expenses recognised in the Group's income statement:

	2020					
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
Victor T K LI (1) (2)						
Paid by the Company	0.28	4.89	55.21	–	–	60.38
Paid by CKI	0.10	–	25.93	–	–	26.03
	0.38	4.89	81.14	–	–	86.41
FOK Kin Ning, Canning (3)	0.22	11.56	153.22	1.04	–	166.04
Frank John SIXT (3) (4)	0.25	8.66	99.96	0.75	–	109.62
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	7.85	–	–	9.69
Paid by CKI	0.08	1.80	10.26	–	–	12.14
	0.30	3.42	18.11	–	–	21.83
KAM Hing Lam						
Paid by the Company	0.22	2.42	7.30	–	–	9.94
Paid by CKI	0.08	4.20	9.42	–	–	13.70
	0.30	6.62	16.72	–	–	23.64
LAI Kai Ming, Dominic (3)	0.22	5.94	50.25	0.48	–	56.89
Edith SHIH (3) (4)	0.25	4.58	14.25	0.33	–	19.41
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)						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley (6) (7)	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent (1) (2) (6) (7)	0.41	–	–	–	–	0.41
Michael David KADOORIE (6)	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose (6)	0.22	–	–	–	–	0.22
William SHURNIAK (6) (8)	0.21	–	–	–	–	0.21
Paul Joseph TIGHE (6) (9)	–	–	–	–	–	–
WONG Chung Hin (6) (10)	0.15	–	–	–	–	0.15
WONG Kwai Lam (2) (6) (7) (11)	0.26	–	–	–	–	0.26
WONG Yick-ming, Rosanna (1) (2) (4) (6)	0.32	–	–	–	–	0.32
Total	5.24	45.67	433.65	2.60	–	487.16

6 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement (continued):

	2019					
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
Victor T K LI [1] [2]						
Paid by the Company	0.28	4.89	78.87	–	–	84.04
Paid by CKI	0.08	–	33.24	–	–	33.32
	0.36	4.89	112.11	–	–	117.36
FOK Kin Ning, Canning [1] [3]	0.22	11.56	215.09	1.04	–	227.91
Frank John SIXT [1] [3]	0.22	8.65	67.58	0.75	–	77.20
IP Tak Chuen, Edmond [1]						
Paid by the Company	0.22	1.62	11.21	–	–	13.05
Paid by CKI	0.08	1.80	12.07	–	–	13.95
	0.30	3.42	23.28	–	–	27.00
KAM Hing Lam [1]						
Paid by the Company	0.22	2.42	10.43	–	–	13.07
Paid by CKI	0.08	4.20	12.07	–	–	16.35
	0.30	6.62	22.50	–	–	29.42
LAI Kai Ming, Dominic [1] [3]	0.22	5.92	67.00	0.48	–	73.62
Edith SHIH [1] [3]	0.22	4.44	20.36	0.32	–	25.34
CHOW Kun Chee, Roland [1] [5]	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan [1] [5]	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles [1] [5]	0.22	–	–	–	–	0.22
LEUNG Siu Hon [1] [5]	0.22	–	–	–	–	0.22
George Colin MAGNUS [1] [5]						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley [1] [6] [7]	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent [1] [2] [6] [7]	0.41	–	–	–	–	0.41
Michael David KADOORIE [1] [6]	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose [1] [6]	0.22	–	–	–	–	0.22
William SHURNIAK [1] [6] [7]	0.35	–	–	–	–	0.35
WONG Chung Hin [1] [2] [6] [7]	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna [1] [2] [6]	0.28	–	–	–	–	0.28
Total	5.26	45.50	527.92	2.59	–	581.27

(1) Member of the Nomination Committee. All Directors were members of the Nomination Committee until 25 November 2020. Following the change of composition of the Nomination Committee on 26 November 2020, the Committee comprises Dr Wong Yick-ming, Rosanna (chairman of the Nomination Committee), Mr Victor T K Li and Mr Cheng Hoi Chuen, Vincent.

(2) Member of the Remuneration Committee.

(3) Directors' fees to these Directors from the Company's listed subsidiaries during the period they served as directors have been paid to the Company and are not included in the amounts above.

(4) Member of the Sustainability Committee.

(5) Non-executive Director.

(6) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK$2.14 million (2019: HK$2.24 million).

(7) Member of the Audit Committee.

(8) Former member of the Audit Committee and Nomination Committee. Passed away on 9 August 2020.

(9) Appointed on 28 December 2020. The amount of director's fee shown above is a result of rounding.

(10) Former member of the Audit Committee, Nomination Committee and Remuneration Committee. Retired on 14 May 2020.

(11) Appointed on 14 May 2020.

7 Presentation of other expenses and losses, other income and gains and cost of goods sold

In the current year, the Group presents an additional line item "Other income and gains" in the consolidated income statement to provide information in respect of the profit and loss effects arising from, amongst others, major corporate transactions that completed in 2020. As a result, comparative information has been reclassified to conform to this presentation. See below for further details on "Other expenses and losses", "Other income and gains" and "Cost of goods sold" for the current and comparative years.

	2020 HK$ million	2019 HK$ million
Other expenses and losses:		
Cost of providing services [a]	**24,103**	26,034
Office and general administrative expenses and others	**8,594**	9,828
Expenses for short-term, low-value assets leases and payment for variable rent	**4,414**	5,559
Advertising and promotion expenses	**3,782**	3,998
Legal and professional fees	**1,300**	1,559
Auditors' remuneration [b]	**289**	361
	42,482	47,339

	2020 HK$ million	2019 HK$ million
Other income and gains:		
Rent concessions [c]	**(737)**	–
Employment and other subsidies [d]	**(2,261)**	–
Gains on disposal of European telecommunications tower assets [e]	**(16,763)**	–
Dilution gain [f]	**(10,186)**	–
Gains and losses on disposal of subsidiaries [g]	**4**	(7,518)
Gains and losses on disposals of interests in associated companies and joint ventures	**(1,331)**	225
	(31,274)	(7,293)

	2020 HK$ million	2019 HK$ million
Cost of goods sold:		
included in "Cost of inventories sold"	**95,549**	105,959
included in "Expensed customer acquisition and retention costs"	**10,536**	11,579
	106,085	117,538

7 Presentation of other expenses and losses, other income and gains and cost of goods sold (continued)

(a) Cost of providing services of HK$24,103 million (2019: HK$26,034 million) includes telecommunication network related costs of HK$13,222 million (2019: HK$14,873 million), repair and maintenance of HK$5,828 million (2019: HK$5,199 million) and others of HK$5,053 million (2019: HK$5,962 million).

(b) Auditors' remuneration of HK$289 million (2019: HK$361 million) are charged for audit and audit related work performed by the Company's auditor, PricewaterhouseCoopers of HK$211 million (2019: HK$246 million) and performed by other auditors of HK$13 million (2019: HK$23 million), and for non-audit work, including tax compliance and other tax services, and financial due diligence services, performed by the Company's auditor, PricewaterhouseCoopers of HK$24 million (2019: HK$26 million) and performed by other auditors of HK$41 million (2019: HK$66 million).

(c) Benefits derived from changes in lease payments arising from COVID-19 related rent concessions.

(d) Benefits received from governments and other authorities under COVID-19 related employment and other support schemes.

(e) On 12 November 2020, the Group entered into agreements with Cellnex Telecom, S.A. ("Cellnex"), a company incorporated and listed in Spain, to sell the Group's interests in telecommunications tower assets supporting the Group's mobile telecommunications businesses in Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom. The aggregate consideration to be received by the Group is €10 billion (subject to closing adjustments). Each of the six transactions is subject to its own terms and conditions, and closing of each transaction can occur on a standalone basis as each transaction is independent and not inter-conditional upon the others. The Austrian transaction, Denmark transaction and Ireland transaction were completed in December 2020. The amount of the gains from these three disposal transactions is HK$16,763 million and is reported under "Other income and gains" in the current year's consolidated income statement. The Sweden transaction was completed after the reporting date in January 2021 and resulted in a gain attributable to shareholders of approximately HK$6.6 billion to be reported in the Group's 2021 results. Subject to regulatory approval, it is anticipated that closings in respect of the Italy transaction and the United Kingdom transaction will take place within 2021. See note 5(b)(xviii).

(f) In the first half of 2020, joint venture VHA and TPG Corporation Limited have completed the merger of their telecommunications businesses in Australia. As a result, the Group's attributable interest in VHA has been diluted from 43.93% to 22.01%. The Group has recognised a gain arising from the dilution. The amount of the gain is HK$10,186 million and is reported under "Other income and gains" in the current year's consolidated income statement. Pursuant to the merger, VHA was renamed as TPG. Upon completion of the merger, the Group no longer has joint control but has significant influence over TPG. Accordingly, the Group continues to apply the method of equity accounting to account for its retained interests in TPG. For balance sheet classification, the Group classifies its interests in TPG from "Interests in joint ventures" to "Associated companies" with effect from the merger completion date of 26 June 2020. See note 5(b)(xix).

(g) The comparative amount includes a HK$6,885 million gain arising from the de-consolidation of former subsidiary HUTCHMED. Included in this amount was a HK$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in HUTCHMED to its fair value at the date of de-consolidation. See note 5(b)(xix).

8 Interest expenses and other finance costs

	2020 HK$ million	2019 HK$ million
Bank loans and overdrafts	**1,660**	2,257
Other loans	**1**	5
Notes and bonds	**5,210**	8,282
Interest bearing loans from non-controlling shareholders	**11**	241
Other finance costs	**241**	413
	7,123	11,198
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**320**	315
Other non-cash interest adjustments [(a)]	**(259)**	(631)
	7,184	10,882
Less: interest capitalised [(b)]	**(37)**	(219)
Interest on lease liabilities	**3,703**	3,642
	10,850	14,305

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK$702 million (2019: HK$1,037 million) net with HK$443 million (2019: HK$406 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) For the year ended 31 December 2019, borrowing costs have been capitalised at various applicable rates ranging from 4.3% to 5.9% per annum.

9 Tax

	2020 HK$ million	2019 HK$ million
Current tax charge		
Hong Kong	**40**	308
Outside Hong Kong	**3,945**	4,583
	3,985	4,891
Deferred tax charge		
Hong Kong	**95**	72
Outside Hong Kong	**222**	1,057
	317	1,129
	4,302	6,020

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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.

9 Tax (continued)

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the jurisdiction concerned, and the Group's tax charge (credit) for the years were as follows:

	2020 HK$ million	2019 HK$ million
Tax calculated at the domestic rates applicable in the jurisdiction concerned	6,055	8,760
Tax effect of:		
Tax losses not recognised	3,071	1,638
Income not subject to tax	(1,900)	(1,311)
Expenses not deductible for tax purposes	1,132	1,363
Recognition of previously unrecognised tax losses	(22)	(214)
Utilisation of previously unrecognised tax losses	(103)	(894)
Under (over) provision in prior years	(94)	19
Other temporary differences	(3,315)	(3,522)
Effect of change in tax rate	(522)	181
Total tax for the year	4,302	6,020

10 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$29,143 million (2019: HK$39,830 million) and 3,856,240,500 shares in issue in 2020 (2019: 3,856,240,500 shares).

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019. Certain of the Company's associated companies have employee share options outstanding as at 31 December 2020 and 31 December 2019. The employee share options of these associated companies outstanding as at 31 December 2020 and 31 December 2019 did not have a dilutive effect on earnings per share.

11 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2020 HK$ million	2019 HK$ million
Distribution paid on perpetual capital securities	482	398

(b) Dividends

	2020 HK$ million	2019 HK$ million
Interim dividend, paid of HK$0.614 per share (2019: HK$0.87 per share)	2,368	3,355
Final dividend, proposed of HK$1.70 per share (2019: HK$2.30 per share)	6,555	8,870
	8,923	12,225

In 2020, the calculation of the interim dividend and final dividend is based on 3,856,240,500 shares (2019: 3,856,240,500 shares) in issue.

12 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 2019	25,892	51,012	63,534	140,438
Additions	1,494	4,293	19,659	25,446
Relating to subsidiaries acquired (see note 34(c))	38	–	3	41
Disposals	(54)	(425)	(781)	(1,260)
Relating to subsidiaries disposed (see note 34(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 25)	–	(55)	–	(55)
At 31 December 2019 and 1 January 2020	**27,507**	**65,638**	**71,077**	**164,222**
Additions	**1,229**	**5,440**	**20,435**	**27,104**
Disposals	**(193)**	**(1,494)**	**(1,040)**	**(2,727)**
Relating to subsidiaries disposed (see note 34(d))	**–**	**(2,425)**	**(165)**	**(2,590)**
Transfer between categories	**174**	**10,806**	**(10,970)**	**10**
Exchange translation differences	**522**	**4,516**	**3,813**	**8,851**
Transfer to assets classified as held for sale (see note 25)	**–**	**(1,397)**	**–**	**(1,397)**
At 31 December 2020	**29,239**	**81,084**	**83,150**	**193,473**
Accumulated depreciation and impairment				
At 1 January 2019	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 34(d))	(4)	–	(106)	(110)
Transfer between categories	–	306	(1)	305
Exchange translation differences	39	64	(45)	58
At 31 December 2019 and 1 January 2020	**4,357**	**18,767**	**21,967**	**45,091**
Charge for the year	**1,062**	**8,359**	**6,833**	**16,254**
Disposals	**(185)**	**(972)**	**(829)**	**(1,986)**
Relating to subsidiaries disposed (see note 34(d))	**–**	**(696)**	**(18)**	**(714)**
Transfer between categories	**1**	**(3)**	**12**	**10**
Exchange translation differences	**166**	**1,651**	**1,374**	**3,191**
Transfer to assets classified as held for sale (see note 25)	**–**	**(474)**	**–**	**(474)**
At 31 December 2020	**5,401**	**26,632**	**29,339**	**61,372**
Net book value				
At 31 December 2020	**23,838**	**54,452**	**53,811**	**132,101**
At 31 December 2019	23,150	46,871	49,110	119,131
At 1 January 2019	22,553	40,175	47,317	110,045

12 Fixed assets (continued)

(a) Net book value of other assets of HK$53,811 million (2019: HK$49,110 million) primarily relate to fixed assets used in business of Ports and related services of HK$17,970 million (2019: HK$18,665 million), Telecommunications of HK$25,043 million (2019: HK$19,144 million), and Infrastructure of HK$1,521 million (2019: HK$1,503 million).

As at 31 December 2020, other assets with a net book value of HK$17,055 million (2019: HK$15,353 million) are assets under construction.

(b) The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is as follows:

	2020 HK$ million	2019 HK$ million
Within 1 year	**151**	99
Between 1 and 2 years	**53**	23
Between 2 and 3 years	**29**	6
Between 3 and 4 years	**6**	3
Between 4 and 5 years	**3**	1
After 5 years	**10**	3
	252	135

13 Leases

(a) Group as a lessee — amounts recognised in the consolidated statement of financial position

	2020 HK$ million	2019 HK$ million
Right-of-use assets		
Container terminals	**18,250**	16,749
Retail stores	**25,186**	26,489
Telecommunications network infrastructure sites	**28,818**	28,495
Leasehold land	**6,939**	7,209
Other assets	**4,612**	4,766
	83,805	83,708
Lease liabilities		
Current	**18,621**	18,079
Non-current	**75,644**	75,609
	94,265	93,688

On leases that commenced during the year, the Group has recognised HK$20,028 million (2019: HK$17,918 million) of right-of-use assets, and HK$20,008 million (2019: HK$17,851 million) of lease liabilities.

13 Leases (continued)

(b) Group as a lessee – amounts recognised in the consolidated income statement

	2020 HK$ million	2019 HK$ million
Depreciation charge of right-of-use assets (included in "Depreciation and amortisation")		
Container terminals	**1,089**	1,119
Retail stores	**7,895**	7,917
Telecommunications network infrastructure sites	**7,723**	6,597
Leasehold land	**369**	374
Other assets	**1,455**	1,277
	18,531	17,284
Interest on lease liabilities (included in "Interest expenses and other finance costs")	**3,703**	3,642
Expenses relating to short-term leases (included in "Other expenses and losses")	**881**	1,077
Expense relating to leases of low-value assets that are not short term leases (included in "Other expenses and losses")	**1,189**	1,375
Expense relating to variable lease payments not included in lease liabilities (included in "Other expenses and losses")	**2,344**	3,107
	8,117	9,201
Total charges recognised in profit or loss for leases	**26,648**	26,485

(c) Group as a lessee – amounts recognised in the consolidated statement of cash flows

	2020 HK$ million	2019 HK$ million
Within operating cash flows	**7,518**	9,189
Within financing cash flows (see note 34(e))	**18,010**	15,969
Total cash outflows for leases	**25,528**	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$22 million (2019: approximately 0.1% or HK$27 million).

13 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 2020, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK$17,994 million (2019: 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 2020, residual value guarantee of HK$12 million (2019: 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

At 31 December 2020, the Group is committed to leases that are not yet commenced, and the lease payments payable under which amounted to HK$404 million (2019: HK$873 million). This amount has not been included in calculating the lease liabilities as at 31 December 2020.

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

	2020 HK$ million	2019 HK$ million
Income from subleasing right-of-use assets (included in "Other expenses and losses")	**191**	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:

	2020 HK$ million	2019 HK$ million
Within 1 year	**138**	169
Between 1 and 2 years	**83**	119
Between 2 and 3 years	**70**	82
Between 3 and 4 years	**51**	63
Between 4 and 5 years	**45**	35
After 5 years	**209**	189
	596	657

In addition, the Group has recognised income of HK$258 million (2019: HK$152 million) from leasing of fixed assets for the year ended 31 December 2020.

14 Telecommunications licences

	2020 HK$ million	2019 HK$ million
Net book value		
At 1 January	**63,387**	64,221
Additions	**679**	1,286
Amortisation for the year	**(1,485)**	(1,311)
Disposal	**–**	(28)
Exchange translation differences	**4,363**	(781)
At 31 December	**66,944**	63,387
Cost	**73,354**	68,022
Accumulated amortisation and impairment	**(6,410)**	(4,635)
	66,944	63,387

The Group's telecommunications licences in the UK and Italy (except for a licence with carrying value at 31 December 2020 of HK$133 million (2019: HK$243 million)) are considered to have an indefinite useful life. The carrying value of these telecommunications licences at 31 December 2020 of approximately HK$55 billion (2019: HK$51 billion) has been allocated to the Telecommunications segment.

15 Brand names and other rights

	Brand names HK$ million	Other rights HK$ million	Total HK$ million
Net book value			
At 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 34(d))	(2)	–	(2)
Exchange translation differences	(560)	(242)	(802)
At 31 December 2019 and 1 January 2020	**68,463**	**19,812**	**88,275**
Additions	**–**	**1,791**	**1,791**
Amortisation for the year	**(11)**	**(2,654)**	**(2,665)**
Disposal	**–**	**(13)**	**(13)**
Relating to subsidiaries disposed (see note 34(d))	**–**	**(5)**	**(5)**
Exchange translation differences	**2,426**	**1,644**	**4,070**
At 31 December 2020	**70,878**	**20,575**	**91,453**
Cost	**70,945**	**30,312**	**101,257**
Accumulated amortisation	**(67)**	**(9,737)**	**(9,804)**
	70,878	**20,575**	**91,453**

15 Brand names and other rights (continued)

Brand names are considered to have an indefinite useful life. The carrying value of brand names at 31 December 2020 of approximately HK$51 billion (2019: HK$50 billion) and approximately HK$20 billion (2019: HK$18 billion) has been allocated to Retail segment and the Telecommunications segments, respectively.

Other rights primarily include operating and service content rights of approximately HK$10,135 million (2019: HK$9,139 million) and resource consents and customer lists of approximately HK$10,440 million (2019: HK$10,279 million). Other rights are amortised over their finite useful lives.

16 Goodwill

	2020 **HK$ million**	2019 HK$ million
Cost		
At 1 January	**308,986**	323,160
Relating to subsidiaries disposed (see note 34(d))	**(703)**	(10,438)
Exchange translation differences	**11,435**	(3,736)
At 31 December	**319,718**	308,986

As at 31 December 2020, the carrying amount of goodwill has been mainly allocated to Telecommunications segment of approximately HK$134 billion (2019: HK$123 billion), Retail segment of approximately HK$114 billion (2019: HK$114 billion), and Infrastructure segment of approximately HK$39 billion (2019: HK$39 billion).

The impairment test for the Telecommunications segment is carried out at the end of the reporting period and the recoverable amount is determined based on value in use calculation. Value in use is measured using discount cash flow projections for the next five years and a calculated terminal value at the end of the five-year period. The cash flows are based on the latest approved financial budgets of the relevant Telecommunications businesses for the next five years. The Group prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, 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, include the revenues, service margin and operating costs, and growth rates used for the budget periods, and selection of discount rates and the terminal growth rate used to extrapolate cash flow projections to estimate the terminal value at the end of the five-year period. The value in use amount derived from the cash flow projections is sensitive to the discount rate used for the cash flow projections as well as the growth rate used for extrapolation purposes. A discount rate (pre-tax) ranging from 0.3% to 9.4% (2019: 1.1% to 9.7%) has been applied. A growth rate, for the purpose of impairment testing calculation, ranging from 0% to 2% p.a. (2019: 1% to 2% p.a.), which is not expected to exceed the anticipated economic growth for the underlying business units, is used to extrapolate cash flow projections to estimate the terminal value of the underlying business units at the end of the five-year period.

16 Goodwill (continued)

The impairment test for the Retail segment is carried out at the end of the reporting period and the recoverable amount is determined based on fair value less costs of disposal calculation. Fair value is measured using discount cash flow projections for the next five years and a calculated terminal value at the end of the five-year period. The cash flows are based on the latest approved financial budgets for the next five years. The Group prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, 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, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates used for the budget periods, and selection of discount rates and the terminal growth rate used to extrapolate cash flow projections to estimate the terminal value at the end of the five-year period. The fair value less cost of disposal amount derived from the cash flow projections is sensitive to the discount rate used for the discount cash flow projections as well as the growth rate used for extrapolation purposes. A discount rate (pre-tax) of 5.7% (2019: 6.6%) has been applied. In estimating the terminal value at the end of the five year period a growth rate, for the purpose of impairment testing calculation, of 2.1% p.a. (2019: 2.4% p.a.), which is not expected to exceed the anticipated economic growth for the business, has been used to extrapolate cash flow projections.

The results of the impairment tests undertaken as at 31 December 2020 and 2019 indicated no impairment charge was necessary for the Group. 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.

Please refer to note 43(b)(i) for significant accounting judgement applied, estimates and assumptions made in assessing whether goodwill has suffered any impairment.

17 Associated companies

	2020 HK$ million	2019 HK$ million
Unlisted shares	**9,420**	9,112
Listed shares, Hong Kong	**61,070**	61,070
Listed shares, outside Hong Kong	**104,123**	91,772
Share of undistributed post acquisition reserves	**(42,262)**	(20,893)
	132,351	141,061
Amounts due from (net with amounts due to) associated companies [a]	**3,725**	3,690
	136,076	144,751

No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the amounts due from associated companies as they were considered to be of low credit risk. The expected credit loss was minimal as the amounts were due from companies which the Group has significant influence, and where applicable, including participation in their financial and operating policies, and which are subject to the Group's financial and investment requirements. These amounts had no recent history of default. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

The market value of the above listed investments at 31 December 2020 was HK$99,125 million (2019: HK$97,118 million), inclusive of HK$15,352 million (2019: HK$25,005 million) and HK$32,120 million (2019: HK$43,747 million) for material associated companies, namely Husky 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 37.

(a) Amounts due from (net with amounts due to) associated companies

	2020 HK$ million	2019 HK$ million
Amounts due from associated companies [i]		
Interest free	**470**	719
Interest bearing at fixed rates [ii]	**3,064**	2,795
Interest bearing at floating rates [iii]	**908**	905
	4,442	4,419
Amount due to associated companies [iv]		
Interest free	**717**	729
Amounts due from (net with amounts due to) associated companies	**3,725**	3,690

(i) At 31 December 2020 and 2019, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK$711 million which are repayable within one to four years (2019: HK$936 million which are repayable within one to two years).

(ii) At 31 December 2020, HK$3,064 million (2019: HK$2,795 million) bear interests at fixed rates ranging from approximately 4.7% to 11.2% (2019: 4.7% to 11.2%) per annum.

(iii) At 31 December 2020, HK$908 million (2019: HK$905 million) bear interests at floating rates ranging from approximately 1.6% to 2.1% (2019: 1.7% to 3.8%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.

(iv) At 31 December 2020 and 2019, the amount due to an associated company is unsecured and has no fixed terms of repayment.

17 Associated companies (continued)

(b) Material associated companies

Set out below are additional information in respect of the Group's material associated companies:

	2020 Husky HK$ million	2020 Power Assets HK$ million	2019 Husky HK$ million	2019 Power Assets HK$ million
Dividends received from associated companies	633	2,149	1,164	2,149
Gross amount of the following items of the associated companies [i]:				
Total revenue	77,574	1,270	118,473	1,348
EBITDA (LBITDA)	(56,591)	18,830	8,658	18,270
EBIT (LBIT)	(69,714)	13,062	(7,399)	12,995
Other comprehensive income (losses)	572	(883)	1,145	804
Total comprehensive income (losses)	(54,376)	5,250	(3,586)	7,935
Current assets	19,062	6,062	29,332	5,015
Non-current assets	170,078	125,177	231,865	126,243
Current liabilities	14,567	7,406	27,538	4,324
Non-current liabilities	72,136	1,380	76,074	3,755
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	97,419	122,453	152,696	123,179
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	36.0%	40.2%	36.0%
Group's share of net assets	39,150	44,034	61,369	44,295
Amount due from associated company	30	–	300	–
Carrying amount	39,180	44,034	61,669	44,295

For information, the carrying amount of the Group's interests in all individually immaterial associated companies that are accounted for using the equity method of accounting is HK$52,862 million (2019: HK$38,787 million).

	2020 Husky HK$ million	2020 Power Assets HK$ million	2020 Other associated companies HK$ million	2020 Total HK$ million	2019 Husky HK$ million	2019 Power Assets HK$ million	2019 Other associated companies HK$ million	2019 Total HK$ million
Group's share of the following items of the associated companies [i]:								
Profits less losses after tax	(22,085)	2,205	1,351	(18,529)	(1,902)	2,564	862	1,524
Other comprehensive income (losses)	230	(318)	1,775	1,687	460	289	(409)	340
Total comprehensive income (losses)	(21,855)	1,887	3,126	(16,842)	(1,442)	2,853	453	1,864

(i) After translation into Hong Kong dollars and consolidation adjustments.

Particulars regarding the principal associated companies are set forth on pages 259 to 262.

18 Interests in joint ventures

	2020 HK$ million	2019 HK$ million
Unlisted shares	**98,594**	101,422
Share of undistributed post acquisition reserves	**3,854**	197
	102,448	101,619
Amounts due from (net with amounts due to) joint ventures [(a)]	**39,017**	41,936
	141,465	143,555

No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the amounts due from joint ventures as they were considered to be of low credit risk. The expected credit loss was minimal as the amounts were due from companies which the Group has joint control, and where applicable, including participation in their financial and operating policies, and which are subject to the Group's stringent financial and investment requirements. These amounts had no recent history of default. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 37.

(a) Amounts due from (net with amounts due to) joint ventures

	2020 HK$ million	2019 HK$ million
Amounts due from joint ventures [(i)]		
Interest free	**2,145**	2,101
Interest bearing at fixed rates [(ii)]	**17,402**	21,345
Interest bearing at floating rates [(iii)]	**19,850**	18,896
	39,397	42,342
Amounts due to joint ventures [(iv)]		
Interest free	**380**	353
Interest bearing at floating rates [(v)]	**–**	53
Amounts due from (net with amounts due to) joint ventures	**39,017**	41,936

(i) At 31 December 2020 and 2019, the amounts due from joint ventures are unsecured and have no fixed terms of repayment except for HK$69 million which are repayable within one to five years (2019: HK$448 million which are repayable within one to two years).

(ii) At 31 December 2020, HK$17,402 million (2019: HK$21,345 million) bear interests at fixed rates ranging from approximately 4.4% to 11.0% (2019: 4.4% to 11.0%) per annum.

(iii) At 31 December 2020, HK$19,850 million (2019: HK$18,896 million) bear interests at floating rates ranging from approximately 1.7% to 14.1% (2019: 2.0% to 14.1%) 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 2020 and 2019, the amounts due to joint ventures are unsecured and have no fixed terms of repayment (2019: HK$53 million which are repayable within one year).

(v) At 31 December 2019, HK$53 million bear interests at floating rates ranging from approximately 1.2% to 1.4% per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

18 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:

	2020 HK$ million	2019 HK$ million
Profits less losses after tax [i]	**4,954**	7,404
Other comprehensive income (losses)	**1,720**	(68)
Total comprehensive income	**6,674**	7,336
Capital commitments	**1,880**	1,879

(i) During the period from the second half of 2012 to 26 June 2020, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder pursuant to the applicable terms of the shareholders' agreement. HTAL's share of VHA's results from 1 January 2020 to 26 June 2020 is a loss of HK$301 million (2019: HK$552 million) and is reported under "Other expenses and losses" in the consolidated income statement. See note 7(f).

As at 31 December 2020 and 2019, no interests in joint ventures are individually material to the Group. Particulars regarding the principal joint ventures are set forth on pages 259 to 262.

19 Deferred tax

	2020 HK$ million	2019 HK$ million
Deferred tax assets	**19,926**	20,353
Deferred tax liabilities	**17,672**	16,819
Net deferred tax assets	**2,254**	3,534

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2020 HK$ million	2019 HK$ million
At 1 January	**3,534**	3,619
Relating to subsidiaries disposed (see note 34(d))	**(1,991)**	24
Transfer to current tax	**31**	2
Net credit to other comprehensive income	**178**	136
Net credit (charge) to the income statement		
Tax losses	**(1,164)**	(1,153)
Accelerated depreciation allowances	**1,002**	217
Fair value adjustments arising from acquisitions	**(561)**	(211)
Withholding tax on undistributed profits	**59**	41
Other temporary differences	**347**	116
Exchange translation differences	**878**	743
Transfer to assets classified as held for sale (see note 25)	**(59)**	–
At 31 December	**2,254**	3,534

19 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

	2020 HK$ million	2019 HK$ million
Tax losses	**15,446**	16,778
Accelerated depreciation allowances	**(3,700)**	(4,018)
Fair value adjustments arising from acquisitions	**(11,191)**	(10,030)
Revaluation of investment properties and other investments	**39**	30
Withholding tax on undistributed profits	**(335)**	(400)
Other temporary differences	**1,995**	1,174
	2,254	3,534

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the 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 2020, the Group has recognised accumulated deferred tax assets amounting to HK$19,926 million (2019: HK$20,353 million) of which HK$16,856 million (2019: HK$17,535 million) relates to **3** Group Europe.

Note 43(b)(v) 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$37,268 million at 31 December 2020 (2019: HK$27,876 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$163,468 million (2019: HK$115,009 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$120,370 million (2019: HK$101,435 million) can be carried forward indefinitely and the balances expire in the following years:

	2020 HK$ million	2019 HK$ million
In the first year	**1,294**	5,015
In the second year	**2,413**	1,753
In the third year	**5,815**	2,586
In the fourth year	**3,357**	1,144
After the fourth year	**30,219**	3,076
	43,098	13,574

20 Liquid funds and other listed investments

	2020 HK$ million	2019 HK$ million
Financial assets at amortised cost		
Managed funds – cash and cash equivalents, outside Hong Kong [c]	**50**	42
Financial assets at FVOCI [d]		
Listed equity securities, Hong Kong [e]	**3,423**	2,293
Listed equity securities, outside Hong Kong [e]	**198**	213
Managed funds – listed equity securities, outside Hong Kong [e]	**226**	202
Managed funds – listed debt securities, outside Hong Kong [b] [f]	**6,691**	4,933
	10,538	7,641
Financial assets at fair value through profit or loss – listed equity securities	**–**	39
	10,588	7,722

(a) At 31 December, liquid funds and other listed investments totalling HK$10,588 million (2019: HK$7,722 million) are denominated in the following currencies:

	2020			2019		
	Financial assets at amortised cost	**Financial assets at FVOCI**	**Financial assets at fair value through profit or loss**	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at fair value through profit or loss
	Percentage	**Percentage**	**Percentage**	Percentage	Percentage	Percentage
HK dollars	**–**	**32%**	**–**	–	30%	–
US dollars	**69%**	**65%**	**–**	50%	66%	100%
Other currencies	**31%**	**3%**	**–**	50%	4%	–
	100%	**100%**	**–**	100%	100%	100%

20 Liquid funds and other listed investments (continued)

(b) At 31 December, listed debt securities totalling HK$6,691 million (2019: HK$4,933 million) presented above are analysed as follows:

	2020	2019
	Financial assets at FVOCI	Financial assets at FVOCI
	Percentage	Percentage
Credit ratings		
Aaa / AAA	**30%**	25%
Aa1 / AA+	**69%**	74%
Other investment grades	**1%**	–
Unrated	**–**	1%
	100%	100%
Sectorial		
US Treasury notes	**67%**	70%
Government and government guaranteed notes	**19%**	20%
Financial institutions notes	**–**	1%
Others	**14%**	9%
	100%	100%
Weighted average maturity	**1.2 years**	2.3 years
Weighted average effective yield	**1.62%**	1.79%

(c) No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the "Managed funds – cash and cash equivalents". These amounts were held with reputable financial institutions. The Group controls the credit risk to non-performance by the counterparties, where applicable, through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed. Accordingly, these assets are considered to be of low credit risk.

(d) The fair values are based on quoted market prices.

(e) 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.

(f) Managed funds – listed debt securities comprised predominately US Treasury notes and government and government guaranteed notes. 99% of the carrying amount of these assets at 31 December 2020 and 31 December 2019 were rated at Aaa / AAA or Aa1 / AA+. These assets are considered to be of low credit risk and no provision for credit loss was required at 31 December 2020 and 31 December 2019 in respect of these assets.

21 Other non-current assets

	2020 HK$ million	2019 HK$ million
Investment properties (see note 22)	**396**	398
Customer acquisition and retention costs [(a)]	**4,095**	2,985
Contract assets (see note 24(b))	**3,345**	3,482
Unlisted investments		
Financial assets at amortised costs – debt securities [(b)]	**179**	174
Financial assets at FVOCI – equity securities [(c)]	**2,347**	1,825
Financial assets at fair value through profit or loss – equity securities	**2,614**	3,042
Financial assets at fair value through profit or loss – debt securities	**358**	304
Pension assets (see note 30)	**158**	101
Derivative financial instruments		
Fair value hedges – Interest rate swaps	**108**	46
Cash flow hedges		
Cross currency interest rate swaps	**–**	523
Other contracts	**13**	–
Net investment hedges		
Forward foreign exchange contracts	**85**	498
Cross currency swaps	**40**	609
Other derivative financial instruments	**823**	44
Lease receivables [(d)]	**383**	245
	14,944	14,276

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of customer acquisition and retention cost shown above is after deducting the amortisation charged to the current year's income statement of HK$2,723 million (2019: HK$1,571 million). Further, 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.

No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the "Financial assets at amortised costs – debt securities" as they were considered to be of low credit risk. The expected credit loss was minimal as these debt securities are subject to the Group's financial and investment requirements. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

(c) These equity securities are not investments held for trading purpose. The Group made an irrevocable election at initial recognition to account for these investments at FVOCI. Fair value for these investments are determined by using valuation techniques, including discounted cashflow analysis.

(d) No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the lease receivables as they were considered to be of low credit risk. The expected credit loss was minimal as lease receivables are from entities which are subject to the Group's lease acceptance requirements. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

22 Investment properties

Investment properties are included in "Other non-current assets" (see note 21) in the statement of financial position.

	2020 HK$ million	2019 HK$ million
Valuation		
At 1 January	**398**	382
Increase (decrease) in fair value of investment properties	**(2)**	16
At 31 December	**396**	398

Investment properties have been fair valued as at 31 December 2020 and 31 December 2019 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2020 and 2019, 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 2020 and 2019, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

23 Cash and cash equivalents

	2020 HK$ million	2019 HK$ million
Cash at bank and in hand	**36,463**	30,606
Short term bank deposits	**119,488**	106,521
	155,951	137,127

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

Cash and cash equivalents were held with reputable financial institutions. The Group controls the credit risk to non-performance by the counterparties, where applicable, through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed. Accordingly, cash and cash equivalents are considered to be of low credit risk and no provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of these assets.

24 Trade receivables and other current assets

	2020 HK$ million	2019 HK$ million
Trade receivables [(a)]	**19,537**	18,673
Less: loss allowance provision	**(2,639)**	(1,810)
	16,898	16,863
Other current assets		
Derivative financial instruments		
Fair value hedges – Interest rate swaps	**–**	2
Cash flow hedges – other contracts	**50**	–
Net investment hedges		
Forward foreign exchange contracts	**347**	1,375
Cross currency swaps	**–**	77
Contract assets [(b)]	**5,654**	3,903
Prepayments	**18,680**	18,353
Other receivables [(c)]	**13,998**	15,136
Current tax receivables	**182**	–
	55,809	55,709

(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's operating units have established credit policies for customers. The average credit period granted for trade receivables ranges from 30 to 45 days. 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 the Group's 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 7% of the Group's revenue for the year ended 31 December 2020 (2019: less than 6%).

At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2020 HK$ million	2019 HK$ million
Less than 31 days	**12,854**	9,948
Within 31 to 60 days	**1,824**	2,183
Within 61 to 90 days	**665**	753
Over 90 days	**4,194**	5,789
	19,537	18,673

24 Trade receivables and other current assets (continued)

Movements on the loss allowance provision for trade receivables are as follows:

	2020 HK$ million	2019 HK$ million
At 1 January	**1,810**	1,136
Additions	**1,577**	1,587
Utilisations	**(861)**	(902)
Write back	**(7)**	(10)
Exchange translation differences	**120**	(1)
At 31 December	**2,639**	1,810

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 trade receivables. The expected credit loss provision rates for trade receivables are based on historical payment profiles and historical credit loss experience, adjusted to reflect, where relevant and appropriate, current and information specific to the debtors, future economic and market conditions and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables that the Group considers are reasonable and appropriate. 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.

	2020			2019		
	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	**12,142**	**148**	**1%**	9,335	311	3%
Past due less than 31 days	**2,311**	**220**	**10%**	2,274	98	4%
Past due within 31 to 60 days	**726**	**136**	**19%**	725	73	10%
Past due within 61 to 90 days	**370**	**98**	**26%**	414	58	14%
Past due over 90 days	**3,988**	**2,037**	**51%**	5,925	1,270	21%
	19,537	**2,639**		18,673	1,810	

24 Trade receivables and other current assets (continued)

(b) As at 31 December 2020, contract assets of HK$5,654 million (2019: HK$3,903 million) and HK$3,345 million (2019: HK$3,482 million) are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 21) respectively. These assets are stated at the expected recoverable amount, after netting of provision for estimated impairment losses of HK$1,512 million (2019: HK$1,052 million). Movement on the provision for estimated impairment losses are as follows:

	2020 HK$ million	2019 HK$ million
At 1 January	1,052	581
Additions	1,024	1,042
Utilisations	(377)	(408)
Write back	(257)	(166)
Exchange translation differences	70	3
At 31 December	1,512	1,052

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 Group's historical credit loss experience does not indicate a substantial different loss pattern for contract assets as compared to trade receivables for similar customer bases. The Group makes reference to the expected credit loss provision rates for trade receivables to measure the contract asset's expected credit losses. The rates are adjusted to reflect information specific to the contract assets that may affect the recovery of the carrying amount of the contract assets.

(c) No provision for impairment loss for other receivables was made as at 31 December 2020 and 2019 as the financial assets were considered to be of low credit risk and the expected credit loss was minimal.

25 Assets and liabilities classified as held for sale

	2020 HK$ million	2019 HK$ million
Assets classified as held for sale		
Disposal group held for sale [a]	1,251	–
Non-current assets held for sale [b]	–	149
	1,251	149
Liabilities directly associated with assets classified as held for sale [a]	284	–

25 Assets and liabilities classified as held for sale (continued)

(a) In November 2020, CK Hutchison Group Telecom entered into agreements to dispose interests in its European telecommunications tower assets in six countries. Disposals of interests in tower assets in Denmark, Austria and Ireland were completed in December 2020. Completion of disposals in Italy and the United Kingdom require relevant regulatory approvals and shareholders' approvals in which only the requisite shareholders' approvals have been obtained as at the reporting date. The Sweden transaction is not subject to regulatory or shareholders' approval. Accordingly, tower assets in Sweden have been reclassified for accounting purpose as disposal group as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. See note 7(e).

The major classes of assets and liabilities classified as held for sale at the reporting date are as follows:

	2020 HK$ million	2019 HK$ million
Assets		
Fixed assets	**923**	–
Right-of-use assets	**269**	–
Deferred tax assets	**59**	–
Assets classified as held for sale	**1,251**	–
Liabilities		
Lease liabilities	**283**	–
Other non-current liabilities	**1**	–
Liabilities directly associated with assets classified as held for sale	**284**	–
Net assets directly associated with disposal group	**967**	–

	2020 HK$ million	2019 HK$ million
Cumulative amounts included in other comprehensive income:		
Exchange reserve surplus	**20**	–
Reserves of disposal group classified as held for sale	**20**	–

Disposal group held for sale is presented within total assets and total liabilities of "**3** Group Europe" segment in note 5(b)(vi), 5(b)(vii) respectively and total assets of "Europe" in note 5(b)(xii).

(b) 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 which was completed in 2020.

The balance as at 31 December 2019 represented fixed assets and was presented within total assets of "**3** Group Europe" segment in note 5(b)(vi) and "Europe" in note 5(b)(xii).

26 Bank and other debts

	2020			2019		
	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	**27,222**	**94,078**	**121,300**	32,565	96,392	128,957
Other loans	**4**	**270**	**274**	4	255	259
Notes and bonds	**20,800**	**205,384**	**226,184**	9,100	204,642	213,742
	48,026	**299,732**	**347,758**	41,669	301,289	342,958
Unamortised fair value adjustments arising from acquisitions	**23**	**3,861**	**3,884**	–	4,539	4,539
Subtotal before the following items	**48,049**	**303,593**	**351,642**	41,669	305,828	347,497
Unamortised loan facilities fees and premiums or discounts related to debts	**(28)**	**(2,562)**	**(2,590)**	(1,675)	(1,230)	(2,905)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	**–**	**19**	**19**	1	(33)	(32)
	48,021	**301,050**	**349,071**	39,995	304,565	344,560

26 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows:

	2020			2019		
	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	27,222	94,078	121,300	32,565	96,392	128,957
Other loans	4	270	274	4	255	259
Notes and bonds						
HK$500 million notes, 4.3% due 2020	–	–	–	500	–	500
HK$500 million notes, 4.35% due 2020	–	–	–	500	–	500
HK$300 million notes, 3.9% due 2020	–	–	–	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, 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	–	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	–	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	–	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	–	3,900	3,900
US$750 million notes, 3.625% due 2029	–	5,850	5,850	–	5,850	5,850
US$750 million notes, 2.5% due 2030	–	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	–	5,850	5,850
US$750 million notes, 3.375% due 2050	–	5,850	5,850	–	–	–
EUR1,500 million notes, 1.375% due 2021	14,250	–	14,250	–	13,005	13,005
EUR750 million notes, 3.625% due 2022	–	7,125	7,125	–	6,502	6,502
EUR1,350 million notes, 1.25% due 2023	–	12,825	12,825	–	11,705	11,705
EUR1,500 million notes, 0.375% due 2023	–	14,250	14,250	–	13,005	13,005
EUR600 million bonds, 1% due 2024	–	5,700	5,700	–	5,202	5,202
EUR1,000 million notes, 0.875% due 2024	–	9,500	9,500	–	8,670	8,670
EUR750 million notes, 1.25% due 2025	–	7,125	7,125	–	6,503	6,503
EUR1,000 million notes, 0.75% due 2026	–	9,500	9,500	–	8,670	8,670
EUR650 million notes, 2% due 2028	–	6,175	6,175	–	5,635	5,635
EUR1,000 million notes, 1.125% due 2028	–	9,500	9,500	–	8,670	8,670
EUR500 million notes, 2% due 2030	–	4,750	4,750	–	4,335	4,335
EUR750 million notes, 1.5% due 2031	–	7,125	7,125	–	6,502	6,502
GBP303 million notes, 5.625% due 2026	–	3,180	3,180	–	3,078	3,078
GBP500 million notes, 2% due 2027	–	5,250	5,250	–	5,080	5,080
GBP300 million notes, 2.625% due 2034	–	3,150	3,150	–	3,048	3,048
JPY15,000 million notes, 2.6% due 2027	–	1,116	1,116	–	1,069	1,069
	20,800	205,384	226,184	9,100	204,642	213,742
	48,026	299,732	347,758	41,669	301,289	342,958

26 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

	2020			2019		
	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	27,222	–	27,222	32,565	–	32,565
After 1 year, but within 2 years	–	42,356	42,356	–	24,864	24,864
After 2 years, but within 5 years	–	51,722	51,722	–	71,528	71,528
	27,222	94,078	121,300	32,565	96,392	128,957
Other loans						
Within a year	4	–	4	4	–	4
After 1 year, but within 2 years	–	4	4	–	4	4
After 2 years, but within 5 years	–	191	191	–	178	178
After 5 years	–	75	75	–	73	73
	4	270	274	4	255	259
Notes and bonds						
Within a year	20,800	–	20,800	9,100	–	9,100
After 1 year, but within 2 years	–	30,525	30,525	–	19,555	19,555
After 2 years, but within 5 years	–	72,800	72,800	–	91,884	91,884
After 5 years	–	102,059	102,059	–	93,203	93,203
	20,800	205,384	226,184	9,100	204,642	213,742
	48,026	299,732	347,758	41,669	301,289	342,958

(b) By secured and unsecured borrowings

	2020			2019		
	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Secured borrowings	1	1,510	1,511	1	1,275	1,276
Unsecured borrowings	48,025	298,222	346,247	41,668	300,014	341,682
	48,026	299,732	347,758	41,669	301,289	342,958

26 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(c) By borrowings at fixed and floating interest rate

	2020			2019		
	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	20,834	205,653	226,487	9,112	204,897	214,009
Borrowings at floating rate	27,192	94,079	121,271	32,557	96,392	128,949
	48,026	299,732	347,758	41,669	301,289	342,958

(d) By borrowings at fixed and floating interest rate (adjusted for the effect of hedging transactions)

	2020			2019		
	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	22,550	215,741	238,291	24,972	205,995	230,967
Borrowings at floating rate	25,476	83,991	109,467	16,697	95,294	111,991
	48,026	299,732	347,758	41,669	301,289	342,958

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 2020, the notional amount of the outstanding interest rate swap agreements amounted to HK$5,460 million (2019: HK$6,760 million) (See note 44(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 2020, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK$5,408 million and HK$11,856 million respectively (2019: HK$6,558 million and HK$17,160 million respectively) (See note 44(i)(ii)).

26 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(e) By currency

	2020			2019		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	5%	36%	41%	9%	32%	41%
Euro	6%	36%	42%	–	42%	42%
HK dollars	1%	2%	3%	1%	3%	4%
British Pounds	–	5%	5%	2%	3%	5%
Other currencies	1%	8%	9%	1%	7%	8%
	13%	87%	100%	13%	87%	100%

(f) By currency (adjusted for the effect of hedging transactions)

	2020			2019		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	3%	29%	32%	4%	27%	31%
Euro	8%	43%	51%	5%	47%	52%
HK dollars	1%	2%	3%	1%	3%	4%
British Pounds	–	5%	5%	2%	3%	5%
Other currencies	1%	8%	9%	1%	7%	8%
	13%	87%	100%	13%	87%	100%

As at 31 December 2020, the Group had currency swap agreements with banks to swap US dollar principal amount of borrowings equivalent to HK$31,356 million (2019: HK$36,660 million) (see note 44(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The amounts include the cross currency swap agreements disclosed in (d) above with notional amounts of HK$11,856 million (2019: HK$17,160 million).

27 Trade payables and other current liabilities

	2020 HK$ million	2019 HK$ million
Trade payables [a]	25,042	27,539
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Cross currency interest rate swaps	481	318
Forward foreign exchange contracts	4	–
Other contracts	–	51
Net investment hedges		
Forward foreign exchange contracts	1,023	345
Cross currency swaps	7	–
Other derivative financial instruments	4	364
Interest free loans from non-controlling shareholders	380	380
Contract liabilities	6,160	6,188
Provisions (see note 28)	3,185	2,637
Other payables and accruals	67,595	61,536
	103,881	99,358

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2020 HK$ million	2019 HK$ million
Less than 31 days	16,155	19,932
Within 31 to 60 days	3,769	3,444
Within 61 to 90 days	2,375	1,742
Over 90 days	2,743	2,421
	25,042	27,539

(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 2020 (2019: less than 21%).

28 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 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 and 1 January 2020	**28,058**	**226**	**1,985**	**1,158**	**31,427**
Additions	**–**	**36**	**225**	**387**	**648**
Interest accretion	**–**	**1**	**27**	**–**	**28**
Utilisations	**(5,617)**	**(92)**	**(114)**	**(221)**	**(6,044)**
Write back	**–**	**(87)**	**–**	**(49)**	**(136)**
Relating to subsidiaries disposed (see note 34(d))	**–**	**–**	**(64)**	**–**	**(64)**
Exchange translation differences	**1,072**	**8**	**105**	**127**	**1,312**
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2020	**23,513**	**92**	**2,163**	**1,402**	**27,170**

Provisions are analysed as:

	2020 HK$ million	2019 HK$ million
Current portion (see note 27)	**3,185**	2,637
Non-current portion (see note 31)	**23,985**	28,790
	27,170	31,427

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. Following the completion of the merger of VHA and TPG Corporation Limited in June 2020, HK$4,567 million provision for commitments and guarantees made in prior year in relation to VHA's telecommunications operations has been released as it is no longer required for the Group to settle the related obligations. The credit is included in the calculation of the HK$10,186 million gains arising from the dilution (see note 5(b)(xix) and note 7(f)). 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.

29 Interest bearing loans from non-controlling shareholders

	2020 HK$ million	2019 HK$ million
Interest bearing loans from non-controlling shareholders	**798**	728

At 31 December 2020, these loans bear interest at rates at EURIBOR+2.0% (2019: EURIBOR+2.0%) per annum. The carrying amounts of the borrowings approximate their fair values.

30 Pension plans

	2020 HK$ million	2019 HK$ million
Defined benefit assets (see note 21)	**158**	101
Defined benefit liabilities	**3,804**	3,123
Net defined benefit liabilities	**3,646**	3,022

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:

	2020	2019
Discount rates	**0.3% – 1.5%**	0.58% – 2.0%
Future salary increases	**1.0% – 3.5%**	1.4% – 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:

	2020 HK$ million	2019 HK$ million
Present value of defined benefit obligations	**24,502**	21,431
Fair value of plan assets	**20,859**	18,412
	3,643	3,019
Restrictions on assets recognised	**3**	3
Net defined benefit liabilities	**3,646**	3,022

30 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 2020	21,431	(18,412)	3	3,022
Net charge (credit) to the income statement				
Current service cost	608	18	–	626
Past service cost and gains and losses on settlements	(60)	–	–	(60)
Interest cost (income)	353	(305)	–	48
	901	(287)	–	614
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(121)	–	–	(121)
Actuarial loss arising from change in financial assumptions	1,783	–	–	1,783
Actuarial gain arising from experience adjustment	(10)	–	–	(10)
Return on plan assets excluding interest income	–	(1,032)	–	(1,032)
Exchange translation differences	1,185	(954)	–	231
	2,837	(1,986)	–	851
Contributions paid by the employer	–	(839)	–	(839)
Contributions paid by the employee	109	(109)	–	–
Benefits paid	(699)	699	–	–
Transfer from (to) other liabilities	(77)	75	–	(2)
At 31 December 2020	24,502	(20,859)	3	3,646

30 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 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 34(d))	(25)	24	–	(1)
Transfer from (to) other liabilities	(85)	94	–	9
At 31 December 2019	21,431	(18,412)	3	3,022

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.

30 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 2020, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$10 million (2019: HK$20 million) were used to reduce the current year's level of contributions and HK$1 million forfeited contribution was available at 31 December 2020 (2019: 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 GBP8.5 million in 2020 and will make 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. 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. The sponsoring employers have since made additional contributions of GBP18.5 million in 2020 (2019: GBP20.5 million which included GBP2.0 million additional voluntary contribution).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2020 Percentage	2019 Percentage
Equity instruments		
Consumer markets and manufacturing	6%	7%
Energy and utilities	2%	2%
Financial institutions and insurance	5%	6%
Telecommunications and information technology	7%	6%
Units trust and equity instrument funds	4%	6%
Others	8%	8%
	32%	35%
Debt instruments		
US Treasury notes	1%	–
Government and government guaranteed notes	15%	13%
Financial institutions notes	5%	5%
Others	5%	6%
	26%	24%
Qualifying insurance policies	36%	36%
Properties	–	3%
Other assets	6%	2%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2020 Percentage	2019 Percentage
Aaa / AAA	6%	9%
Aa1 / AA+	19%	15%
Aa2 / AA	29%	37%
Aa3 / AA–	8%	2%
A1 / A+	3%	5%
A2 / A	4%	5%
Other investment grades	22%	24%
No investment grades	9%	3%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets (continued)

Fair value of plan assets of HK$20,859 million (2019: HK$18,412 million) includes investments in the Company's shares with a fair value of HK$18 million (2019: HK$26 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.

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2020 is 19 years (2019: 18 years).

The Group expects to make contributions of HK$770 million (2019: HK$848 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 3.0% or increase by 3.3% respectively (2019: decrease by 2.9% or increase by 3.1% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.6% or decrease by 0.6% respectively (2019: increase by 0.6% or decrease by 0.5% 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$1,314 million (2019: HK$1,407 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$14 million (2019: HK$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2020 (2019: nil) to reduce future years' contributions.

31 Other non-current liabilities

	2020 HK$ million	2019 HK$ million
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	**436**	328
Cross currency interest rate swaps	**1,956**	–
Net investment hedges		
Forward foreign exchange contracts	**–**	24
Cross currency swaps	**773**	26
Other derivative financial instruments	**499**	171
Obligations for telecommunications licences and other rights	**7,666**	10,001
Other non-current liabilities [(a)]	**14,638**	12,362
Liabilities relating to the economic benefits agreements [(b)]	**2,166**	2,166
Provisions (see note 28)	**23,985**	28,790
	52,119	53,868

(a) Includes equipment purchase payables of HK$7,426 million (2019: HK$6,149 million).

(b) In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in Australian Gas Networks. 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.

32 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 31 December 2019 and 31 December 2020	**3,856,240,500**	**3,856**	**244,377**	**248,233**

32 Share capital, share premium, perpetual capital securities and capital management (continued)

(b) Perpetual capital securities

	2020 HK$ million	2019 HK$ million
US$1,000 million issued in 2017	**7,842**	7,842
EUR500 million issued in 2018	**4,573**	4,568
	12,415	12,410

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.

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.

(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 2020, total equity amounted to HK$630,063 million (2019: HK$596,963 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$185,103 million (2019: HK$202,648 million). The Group's net debt to net total capital ratio decreased to 22.7% from 25.3% 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:

	2020	2019
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**22.7%**	25.3%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**25.0%**	27.8%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**22.8%**	25.4%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**25.1%**	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.

33 Reserves

	2020				
	Attributable to ordinary shareholders				
	Retained profit HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Others[(a)] HK$ million	Total HK$ million
At 1 January 2020	592,705	(30,760)	(1,513)	(344,380)	216,052
Profit for the year	29,143	–	–	–	29,143
Other comprehensive income (losses) [(c)]					
Equity securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	1,211	1,211
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	44	44
Valuation losses previously in reserves recognised in income statement	–	–	–	89	89
Remeasurement of defined benefit obligations recognised directly in reserves	(511)	–	–	–	(511)
Losses on cash flow hedges recognised directly in reserves	–	–	(21)	–	(21)
Losses on net investment hedges recognised directly in reserves	–	(1,687)	–	–	(1,687)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	11,802	–	–	11,802
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	2,040	1	(3)	2,038
Share of other comprehensive income (losses) of associated companies	(420)	2,801	(848)	32	1,565
Share of other comprehensive income (losses) of joint ventures	(1,386)	3,642	(947)	5	1,314
Tax relating to components of other comprehensive income (losses)	133	–	7	–	140
Other comprehensive income (losses), net of tax	(2,184)	18,598	(1,808)	1,378	15,984
Transfer of losses on disposal of equity securities at FVOCI to retained profit	(39)	–	–	39	–
Transaction with owners in their capacity as owners:					
Dividends paid relating to 2019	(8,870)	–	–	–	(8,870)
Dividends paid relating to 2020	(2,368)	–	–	–	(2,368)
Unclaimed dividends write back of a subsidiary	7	–	–	–	7
Relating to purchase of non-controlling interests [(b)]	(3,943)	–	–	–	(3,943)
Relating to partial disposal of subsidiary companies	–	–	–	58	58
At 31 December 2020	604,451	(12,162)	(3,321)	(342,905)	246,063

33 Reserves (continued)

	2019				
	Attributable to ordinary shareholders				
	Retained profit HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Others[a] HK$ million	Total HK$ million
At 1 January 2019	564,569	(31,979)	(2,138)	(344,346)	186,106
Profit for the year	39,830	–	–	–	39,830
Other comprehensive income (losses)[c]					
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)
Losses on cash flow hedges recognised directly in reserves	–	–	(692)	–	(692)
Losses on net investment hedges 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)
Transfer of gain on disposal of equity securities at FVOCI to retained profit	49	–	–	(49)	–
Transaction with owners in their capacity as owners:					
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
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

33 Reserves (continued)

(a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2020, revaluation reserve deficit amounted to HK$1,712 million (1 January 2020: HK$3,111 million and 1 January 2019: HK$2,985 million), and other capital reserves deficit amounted to HK$341,193 million (1 January 2020: HK$341,269 million and 1 January 2019: HK$341,361 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) During the year, the Group had acquired the remaining 40% attributable interests in the telecommunications tower assets in Sweden and Denmark from the Group's telecommunications partner in these countries. The acquisition is accounted for as a transaction with equity participant and the economic effect is recorded in equity.

(c) Set out below are the before and after related tax effects of other comprehensive income (losses) for the years:

	2020		
	Before-tax amount HK$ million	**Tax effect HK$ million**	**Net-of-tax amount HK$ million**
Equity securities at FVOCI			
Valuation gains recognised directly in reserves	**1,461**	**–**	**1,461**
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	**44**	**–**	**44**
Valuation losses previously in reserves recognised in income statement	**89**	**–**	**89**
Remeasurement of defined benefit obligations recognised directly in reserves	**(664)**	**169**	**(495)**
Losses on cash flow hedges recognised directly in reserves	**(65)**	**9**	**(56)**
Losses on net investment hedges recognised directly in reserves	**(2,229)**	**–**	**(2,229)**
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	**13,004**	**–**	**13,004**
Losses 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 of associated companies	**1,687**	**–**	**1,687**
Share of other comprehensive income of joint ventures	**1,720**	**–**	**1,720**
	17,140	**178**	**17,318**

	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)
Losses on cash flow hedges recognised directly in reserves	(808)	103	(705)
Losses on net investment hedges 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

34 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

	2020 HK$ million	2019 HK$ million
Profit after tax	**37,397**	47,777
Less: share of profits less losses of		
Associated companies	**18,529**	(1,524)
Joint ventures	**(4,954)**	(7,404)
	50,972	38,849
Adjustments for:		
Current tax charge	**3,985**	4,891
Deferred tax charge	**317**	1,129
Interest expenses and other finance costs	**10,850**	14,305
Depreciation and amortisation	**41,658**	38,129
Others	**301**	552
EBITDA of Company and subsidiaries (i)	**108,083**	97,855
Loss on disposal of fixed assets	**181**	170
Dividends received from associated companies and joint ventures	**10,241**	9,097
Profit on disposal of subsidiaries, associated companies and joint ventures (see note 7)	**(18,090)**	(7,293)
Gains arising from dilution (see note 7)	**(10,186)**	–
Customer acquisition and retention costs capitalised in the year	**(3,498)**	(3,045)
Other non-cash items	**341**	(1,493)
	87,072	95,291

34 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:

	2020 HK$ million	2019 HK$ million
EBITDA of Company and subsidiaries	108,083	97,855
Divesture of infrastructure investments	–	(69)
	108,083	97,786
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	(18,529)	1,524
Joint ventures	4,954	7,404
Adjustments for:		
Depreciation and amortisation	22,658	21,008
Interest expenses and other finance costs	8,741	7,225
Current tax charge	3,553	3,202
Deferred tax credit	(6,544)	(1,272)
Non-controlling interests	473	480
Others	(301)	(552)
	15,005	39,019
EBITDA (see note 5(b)(ii))	123,088	136,805

(b) Changes in working capital

	2020 HK$ million	2019 HK$ million
Increase in inventories	(148)	(1,252)
Decrease (increase) in trade receivables and other current assets	98	(202)
Decrease in trade payables and other current liabilities	(5,132)	(4,810)
Other non-cash items	5,698	687
	516	(5,577)

34 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.

	2020 HK$ million	2019 HK$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	–	41
Non-cash consideration	–	16
	–	57
Fair value		
Fixed assets	–	41
Cash and cash equivalents	–	11
Trade receivables and other current assets	–	9
Inventories	–	5
Trade payables and other current liabilities and current tax liabilities	–	(9)
Net identifiable assets acquired	–	57
Total consideration	–	57
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	–	41
Cash and cash equivalents acquired	–	(11)
Total net cash outflow	–	30

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 2020 and 2019, acquisition related costs were not material.

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.

34 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2020 HK$ million	2019 HK$ million
Consideration received or receivable		
Cash and cash equivalents	20,783	223
Investments retained subsequent to disposal	–	13,565
Total disposal consideration	20,783	13,788
Carrying amount of net assets disposed	(4,361)	(6,254)
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	337	(16)
Gain on disposal*	16,759	7,518
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	20,783	223
Less: Cash and cash equivalents disposed	(3)	(1,745)
Total net cash consideration	20,780	(1,522)
Analysis of assets and liabilities over which control was lost		
Fixed assets	1,876	270
Right-of-use assets	1,929	743
Goodwill	703	10,438
Brand names and other rights	5	2
Interests in joint ventures	–	1,129
Deferred tax assets	1,991	9
Trade receivables and other current assets	2	584
Inventories	16	331
Trade payables and other current liabilities and current tax liabilities	(2)	(1,542)
Loans from non-controlling shareholders	–	(5)
Lease liabilities	(2,098)	(930)
Deferred tax liabilities	–	(33)
Pension obligations	–	(1)
Other non-current liabilities	(64)	–
Non-controlling interests	–	(6,486)
Net assets (excluding cash and cash equivalents) disposed	4,358	4,509
Cash and cash equivalents disposed	3	1,745
Net assets disposed	4,361	6,254

* The gains on disposal for the year ended 31 December 2020 and 2019 are recognised in the consolidated income statement and are included in the line item titled "Other income and gains".

Disposal of subsidiary companies for the year ended 31 December 2020 mainly related the disposal of interest in tower assets in Denmark, Austria and Ireland (see note 5(b)(xviii)) while for the comparative year ended 31 December 2019, they mainly comprise the disposal of former subsidiary, HUTCHMED (see note 5(b)(xix)).

Saved as disclosed for the effect arising from the gain on disposal, the effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2020 and 2019.

34 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 2019	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 13 (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 44(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 13(a))	–	17,851	–	–	–	17,851
Interest on lease liabilities (see note 8)	–	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 34(d))	–	(930)	–	(5)	–	(935)
Derecognition	–	–	–	–	(12,142)	(12,142)
Exchange translation differences	(4,976)	(84)	(24)	–	–	(5,084)
At 31 December 2019 and 1 January 2020	344,560	93,688	728	380	2,166	441,522
Financing cash flows						
New borrowings	44,391	–	–	–	–	44,391
Repayment of borrowings	(56,361)	–	–	–	–	(56,361)
Capital element of lease liabilities paid (see note 13 (c))	–	(18,010)	–	–	–	(18,010)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 8)	320	–	–	–	–	320
Losses arising on adjustment for hedged items in a designated fair value hedge (see note 44(h))	60	–	–	–	–	60
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 8(a))	(702)	–	–	–	–	(702)
Increase in lease liabilities from entering into new leases (see note 13(a))	–	20,008	–	–	–	20,008
Interest on lease liabilities (see note 8)	–	3,703	–	–	–	3,703
Interest element of lease liabilities paid (included in "Net cash from operating activities")	–	(3,295)	–	–	–	(3,295)
Remeasurement / write off of lease liabilities						
Rental concessions (see note 7)	–	(737)	–	–	–	(737)
Others	–	(1,228)	–	–	–	(1,228)
Relating to subsidiaries disposed (see note 34(d))	–	(2,098)	–	–	–	(2,098)
Exchange translation differences	16,803	2,517	70	–	–	19,390
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	–	(283)	–	–	–	(283)
At 31 December 2020	349,071	94,265	798	380	2,166	446,680

35 Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019. 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 during the current and comparative years are not material to the Group's results.

36 Pledge of assets

At 31 December 2020, assets of the Group totalling HK$1,411 million (2019: HK$1,260 million) were pledged as security for bank and other debts.

37 Contingent liabilities and guarantees

At 31 December 2020, 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$7,022 million (2019: HK$6,960 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2020 HK$ million	2019 HK$ million
To associated companies	**3,200**	3,050
To joint ventures	**3,046**	3,008

At 31 December 2020, the Group had provided performance and other guarantees of HK$7,868 million (2019: HK$2,817 million).

38 Commitments

The Group's outstanding commitments contracted for at 31 December 2020, where material, not provided for in the financial statements at 31 December 2020 are as follows:

Capital commitments

(a) Ports and Related Services: HK$263 million (2019: HK$150 million)
(b) **3** Group Europe: HK$3,482 million (2019: HK$8,955 million)
(c) Telecommunications, Hong Kong and Asia: HK$3,884 million (2019: HK$4,251 million)

39 Related parties transactions

Saved 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 17 and 18. 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).

40 Legal proceedings

As at 31 December 2020, 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 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 41(b) and 41(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 2020 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.

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 statement of financial position. 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%
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.

41 Significant accounting policies (continued)

(f) Leases

(i) Group as a lessee

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).

41 Significant accounting policies (continued)

(f) Leases (continued)

(ii) Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

However, when the Group is an intermediate lessor the sublease are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(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.

(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.

41 Significant accounting policies (continued)

(k) Goodwill (continued)

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.

41 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 hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

41 Significant accounting policies (continued)

(o) Derivative financial instruments and hedging activities (continued)

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 44(i). Movements in the hedging reserve in shareholders' equity are shown in note 33. 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.

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.

41 Significant accounting policies (continued)

(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.

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. Trade and other receivables and contract assets are written off to the extent that there is no reasonable expectation of recovery.

(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.

41 Significant accounting policies (continued)

(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.

(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.

41 Significant accounting policies (continued)

(z) Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019 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.

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 ended 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 386 in December 2020 (2019: 283) 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.

41 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.

41 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.

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.

41 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

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.

42 Changes in significant accounting policies

(a) 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 2020. In addition, the Group has early adopted COVID-19-Related Rent Concessions (Amendment to HKFRS 16) ahead of its effective date. 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. The following include certain updates to the policies. Other than the adoption of these new and revised standards, amendments and interpretations, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

(i) Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the HKICPA in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is mandatory and applies prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(ii) Amendments to HKFRS 3: Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations. The amendments are mandatory for the Group's financial statements for, and apply to businesses acquired in, annual periods beginning on or after 1 January 2020.

(iii) Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group. The amendments are mandatory and apply prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

42 Changes in significant accounting policies (continued)

(iv) Amendment to HKFRS 16: COVID-19-Related Rent Concessions

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group has early adopted Amendment to HKFRS 16: COVID-19-Related Rent Concessions ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2020. The amount recognised in profit or loss for the year arising from application of the practical expedient is set out in note 7 to the Annual Financial Statements.

(v) Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

Benchmark interest rates such as the London Interbank Offered Rate ("LIBOR") are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets, and bilateral contracts, all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks. However, reform works are underway in multiple jurisdictions to transition from benchmark interest rates to alternative risk free rates. Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association ("ISDA"), have been discussing alternative benchmark rates to replace the interbank offered rates ("IBORs"). These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear. As a result, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument and such uncertainty may impact the hedging relationship.

The Group's hedging relationships affected by these reforms are not significant to the Annual Financial Statements. These amendments do not have a significant effect on the Annual Financial Statements.

The Group's derivative instruments are governed by ISDA's Master Agreement. ISDA is currently reviewing its standardised contracts in the light of IBOR reforms. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Where the Group considers necessary the Group will engage with lenders to include appropriate fallback provisions in its bank liabilities with maturities after 2021 and expects that the hedging instrument will be modified as outlined above.

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of IBOR reform. The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the amendments when the uncertainty arising from IBOR reform about the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

42 Changes in significant accounting policies (continued)

(b) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. With the exception of Amendment to HKFRS 16: COVID-19-Related Rent Concessions, i.e. item (iv) above, the Group has not early adopted the forthcoming new or amended standards in preparing the Annual Financial Statements. The adoption of these amendments is not expected to have material impacts to the Group's financial statements. These amendments are effective for annual periods beginning after 1 January 2020 and include:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

- Amendments to HKAS 1 Presentation of Financial Statements clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- A package of narrow scope amendments to three standards as well as the Annual Improvements:

  – Amendments to HKFRS 3 Business Combinations update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

  – Amendments to HKAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

  – Amendments to HKAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.

  – Annual Improvements make minor amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, HKAS 41 Agriculture and the Illustrative Examples accompanying HKFRS 16 Leases.

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 the application of these standards in the future would not be expected to have a material impact on the financial position and / or financial performance of the Group.

43 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, which are described in note 41, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable. Although our current estimates contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual conditions could differ from our expectations. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

(a) Significant judgements in applying the Group's accounting policies

The following are the significant judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Basis of consolidation and classification of investee entities

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.

(ii) 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. 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 Significant accounting judgements, estimates and assumptions (continued)

(a) Significant judgements in applying the Group's accounting policies (continued)

(iii) Determination of lease term

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.

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.

(iv) Business combinations

As disclosed in note 41(ab) to the Annual Financial Statements, 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, the date of acquisition, 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.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Revisions to accounting estimates and assumptions are recognised prospectively and could impact fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows in future periods.

43 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(i) Impairment of goodwill and long-lived assets

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) 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.

In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Fair value is derived, when available and appropriate, by making reference to performance metrics (such as revenue, EBITDA, earnings) and valuation multiples (such as EV/S, EV/EBITDA, P/E) of completed transactions of comparable businesses or comparable public companies, or by making reference to traded prices and with consideration for possible premiums, or is measured using discount cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' location, sizes, growth rates, industries, and development stages. In determining the value in use of the investment, discounted cash flow method will be used. The cash flows used in the financial projections (discounted cash flow method) are based on the latest approved financial budgets for the next five years. The Group prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, 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 respective business unit's projected revenue, costs, gross margin, inventory level, working capital and capital investments, as well as the discount rate and long term growth rate applied, and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

(ii) Impairment assessment on investment accounted for using equity method

The Group assesses the impairment of investments accounted for using the equity method of accounting when there is objective evidence indicating that an investment may be impaired and carrying value may not be recoverable.

In assessing whether these assets have suffered any impairment, the net investment is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Fair value is derived, when available and appropriate, by making reference to performance metrics (such as revenue, EBITDA, earnings) and valuation multiples (such as EV/S, EV/EBITDA, P/E) of completed transactions of comparable businesses or comparable public companies, or by making reference to traded prices and with consideration for possible premiums, or, where financial projections are available, is measured using discount cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' location, sizes, growth rates, industries, and development stages. In determining the value in use of the investment, discounted cash flow method will be used. Significant judgement is required to estimate the Group's share of the present value of the estimated future cash flows expected to be generated by the investee or the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal. The discounted cash flow method requires estimates of the investees' projected revenue, costs, gross margin, inventory level, working capital and capital investments, as well as the discount rate and long term growth rate applied, and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

43 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Pension costs and estimation of defined benefit pension obligation

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.

(iv) 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 and assumptions. 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.

(v) Provision for income tax and recognition of deferred tax asset

The Group is subject to income taxes in numerous jurisdictions. Significant judgement and estimate are 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.

43 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(v) Provision for income tax and recognition of deferred tax asset (continued)

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 and estimates made can significantly affect these taxable profit and loss projections.

(vi) Estimation of useful life: 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.

(vii) Estimation of useful life: 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 estimate 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.

(viii) Estimation of the amortisation period: 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 allowances 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.

44 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.

(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$166,539 million at 31 December 2020 (2019: HK$144,849 million), mainly reflecting proceeds received from tower sales, cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, partly 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 22% in HK dollars, 48% in US dollars, 4% in Renminbi, 9% in Euro, 10% in British Pounds and 7% in other currencies (2019: 21% were denominated in HK dollars, 51% in US dollars, 5% in Renminbi, 9% in Euro, 5% in British Pounds and 9% in other currencies).

Cash and cash equivalents represented 94% (2019: 95%) of the liquid assets, US Treasury notes and listed debt securities 4% (2019: 3%) and listed equity securities 2% (2019: 2%).

The US Treasury notes and listed debt securities, including those held under managed funds, consisted of US Treasury notes of 67% (2019: 70%), government and government guaranteed notes of 19% (2019: 20%), notes issued by financial institutions of nil (2019: 1%), and others of 14% (2019: 9%). Of these US Treasury notes and listed debt securities, 99% (2019: 99%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 1.2 years (2019: 2.3 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

44 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 2020, approximately 35% (2019: approximately 38%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 65% (2019: approximately 62%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$5,460 million (2019: approximately HK$6,760 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$17,264 million (2019: HK$23,718 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 31% (2019: approximately 33%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% (2019: approximately 67%) were at fixed rates at 31 December 2020. 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' 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 2020, 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$53,584 million (2019: HK$50,433 million).

The Group has operations in about 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 2020, the Group's total principal amount of bank and other debts are denominated as follows: 41% in US dollars, 42% in Euro, 3% in HK dollars, 5% in British Pounds and 9% in other currencies (2019: 41% in US dollars, 42% in Euro, 4% in HK dollars, 5% 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$31,356 million (2019: HK$36,660 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: 32% in US dollars, 51% in Euro, 3% in HK dollars, 5% in British Pounds and 9% in other currencies (2019: 31% in US dollars, 52% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies).

44 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 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 debt and equity securities represented approximately 6% (2019: 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.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(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.

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 20) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 20) that bear interest at floating rate
- some of the bank and other debts (see note 26) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 29)

Under these assumptions, the impact of a hypothetical 100 basis points (2019: 100 basis points) increase in market interest rate at 31 December 2020, with all other variables held constant:

– profit for the year would increase by HK$605 million due to increase in interest income (2019: HK$723 million);
– total equity would increase by HK$605 million due to increase in interest income (2019: HK$723 million); and
– total equity would increase by HK$619 million due to change in fair value of derivative financial instruments (2019: HK$644 million).

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(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 23)
- some of the liquid funds and other listed investments (see note 20)
- some of the bank and other debts (see note 26)

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.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

	2020		2019	
	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	**83**	**(419)**	145	(377)
British Pounds	**585**	**(742)**	144	(1,009)
Australian dollars	**37**	**(505)**	64	(385)
Renminbi	**53**	**53**	14	41
US dollars	**2,785**	**2,794**	2,290	2,290
Japanese Yen	**(113)**	**(113)**	(108)	(108)

(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:

- financial assets at FVOCI (see note 20)
- financial assets at fair value through profit or loss (see note 20)

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:

– no impact to profit for the year (2019: profit increase of HK$2 million due to increase in gains on financial assets at fair value through profit or loss);
– no impact to total equity for the year (2019: total equity increase of HK$2 million due to increase in gains on financial assets at fair value through profit or loss); and
– total equity would increase by HK$527 million (2019: HK$382 million) due to increase in gains on financial assets at FVOCI which are recognised in other comprehensive income.

44 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 HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2020						
Trade payables	25,042	–	–	25,042	–	25,042
Other payables and accruals	66,253	–	–	66,253	–	66,253
Interest free loans from non-controlling shareholders	380	–	–	380	–	380
Lease liabilities	20,431	47,462	52,545	120,438	(26,173)	94,265
Bank loans	27,222	94,078	–	121,300	(547)	120,753
Other loans	4	195	75	274	–	274
Notes and bonds	20,800	103,325	102,059	226,184	1,860	228,044
Interest bearing loans from non-controlling shareholders	798	–	–	798	–	798
Obligations for telecommunications licences and other rights	1,355	7,198	1,124	9,677	(669)	9,008
Liabilities relating to the economic benefits agreements	–	2,166	–	2,166	–	2,166
Amount due to associated companies	717	–	–	717	–	717
Amount due to joint ventures	380	–	–	380	–	380
	163,382	254,424	155,803	573,609	(25,529)	548,080

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$6,647 million in "within 1 year" maturity band, HK$16,473 million in "after 1 year, but within 5 years" maturity band, and HK$19,776 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.

44 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 2020				
Cash flow hedges				
Interest rate swaps				
Net outflow	(116)	(269)	–	(385)
Cross currency interest rate swaps				
Net outflow	(44)	(2,159)	–	(2,203)
Forward foreign exchange contracts				
Inflow	128	–	–	128
Outflow	(129)	–	–	(129)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	25,540	–	–	25,540
Outflow	(26,255)	–	–	(26,255)
Cross currency swaps				
Inflow	687	6,414	8,884	15,985
Outflow	(682)	(6,788)	(9,063)	(16,533)
Other derivative financial instruments				
Net outflow	(168)	(278)	(55)	(501)

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-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	Difference from carrying amounts HK$ million	Carrying amounts 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
Liabilities relating to the economic benefits agreements	–	2,166	–	2,166	–	2,166
Amount due to associated companies	729	–	–	729	–	729
Amount due to joint ventures	406	–	–	406	–	406
	154,581	265,985	147,827	568,393	(26,660)	541,733

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.

44 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 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)

44 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:

	2020 HK$ million	2019 HK$ million
Dividends from equity securities at FVOCI – related to investments held at the end of the reporting period	221	523
Interest from debt securities at FVOCI	103	99
Interest from assets held at amortised cost	1,465	2,762
Fair value losses on equity securities at FVPL	(260)	(7)
Fair value gains (losses) on debt securities at FVPL	44	(6)
Net impairment expense recognised on trade receivables	(1,570)	(1,577)
Gains arising on derivatives in a designated fair value hedge	60	169
Losses arising on adjustment for hedged items in a designated fair value hedge	(60)	(169)

(i) Hedge accounting

(i) Fair value hedges

	2020							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	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
Interest rate swap								
– receive fixed and pay floating maturing in								
2022	4.63%	5.28%	US$700	5,460	–	108	–	–
				5,460	–	108	–	–

	2020		
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	5,623	108	Bank and other debts

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(i) Fair value hedges (continued)

Hedging instruments	2019							
					Carrying amount of derivatives included in			
	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	–	–

Hedged items	2019		
	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	5,636	46	Bank and other debts
HKD Fixed rate debts	1,302	2	Bank and other debts

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK$ million	2020 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	0.75%	2.39%	GBP 150	1,575	–	–	–	(110)
2022	0.99%	1.67%	NZD 150	830	–	–	–	(16)
2025	0.83%	3.56%	AUD 509	3,003	–	–	–	(310)
				5,408	–	–	–	(436)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2021 – 2023	0.50%	0.05%	US$ 1,520	11,856	–	–	(136)	(1,225)
– receive fixed and pay fixed maturing in								
2021 – 2023	2.54%	0.00%	US$ 2,500	19,500	–	–	(345)	(731)
				31,356	–	–	(481)	(1,956)

Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK$ million	2020 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							
2021	1.19	US$ 16	125	–	–	(4)	–

Hedged items	2020 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	108	403	–
Foreign exchange risk	2,646	2,441	–

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	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
	2019				Carrying amount of derivatives included in			
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)	–

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
	2019		
Interest rate risk	147	339	–
Foreign exchange risk	(1,133)	(100)	–

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

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
	2020			Carrying amount of derivatives included in			
Forward foreign exchange contracts maturing in							
2021	5.99	CAD 177	1,076	–	–	(23)	–
2021	5.69	AUD 159	940	–	–	(52)	–
2021	5.28	NZD 280	1,548	–	–	(100)	–
2021-2022	10.45	GBP 2,487	26,118	347	85	(848)	–
2022	9.69	EUR 65	617	–	–	–	–
			30,299	347	85	(1,023)	–
Cross currency swaps maturing in							
2022-2027	9.23	EUR 965	9,168	–	2	–	(63)
2021-2025	6.09	CAD 947	5,770	–	38	(7)	(39)
2027	5.86	AUD 1,415	8,347	–	–	–	(671)
			23,285	–	40	(7)	(773)

Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve/ exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve/exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
	2020		
Foreign investments	2,229	(2,620)	(716)

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

	2019						
				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							
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		
Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve/ exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve/exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
Foreign investments	547	(5,695)	(716)

44 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities

The fair values 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 *	2020 Carrying amounts HK$ million	2020 Fair values HK$ million	2019 Carrying amounts HK$ million	2019 Fair values HK$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	20	Amortised cost	50	50	42	42
Listed equity securities, Hong Kong	20	FVOCI	3,423	3,423	2,293	2,293
Listed equity securities, outside Hong Kong	20	FVOCI	198	198	213	213
Listed equity securities (included in Managed funds)	20	FVOCI	226	226	202	202
Listed debt securities (included in Managed funds)	20	FVOCI	6,691	6,691	4,933	4,933
Financial assets at fair value through profit or loss	20	FVPL	–	–	39	39
Unlisted investments						
Unlisted debt securities	21	Amortised cost	179	179	174	174
Unlisted equity securities	21	FVOCI	2,347	2,347	1,825	1,825
Unlisted equity securities	21	FVPL	2,614	2,614	3,042	3,042
Unlisted debt securities	21	FVPL	358	358	304	304
Derivative financial instruments						
Fair value hedges – Interest rate swaps	21 & 24	Fair value – hedges	108	108	48	48
Cash flow hedges						
Cross currency interest rate swaps	21	Fair value – hedges	–	–	523	523
Other contracts	21 & 24	Fair value – hedges	63	63	–	–
Net investment hedges						
Forward foreign exchange contracts	21 & 24	Fair value – hedges	432	432	1,873	1,873
Cross currency swaps	21 & 24	Fair value – hedges	40	40	686	686
Other derivative financial instruments	21	FVPL	823	823	44	44
Lease receivables	21	Amortised cost	383	383	245	245
Cash and cash equivalents	23	Amortised cost	155,951	155,951	137,127	137,127
Trade receivables	24	Amortised cost	16,898	16,898	16,863	16,863
Other receivables	24	Amortised cost	13,998	13,998	15,136	15,136
Amount due from associated companies	17	Amortised cost	4,442	4,442	4,419	4,419
Amount due from joint ventures	18	Amortised cost	39,397	39,397	42,342	42,342
			248,621	248,621	232,373	232,373

44 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	Note	Classification under HKFRS 9 *	2020 Carrying amounts HK$ million	2020 Fair values HK$ million	2019 Carrying amounts HK$ million	2019 Fair values HK$ million
Financial liabilities						
Bank and other debts [i]	26	Amortised cost	**349,071**	**358,717**	344,560	350,125
Trade payables	27	Amortised cost	**25,042**	**25,042**	27,539	27,539
Derivative financial instruments						
Cash flow hedges						
Interest rate swaps	31	Fair value – hedges	**436**	**436**	328	328
Cross currency interest rate swaps	27 & 31	Fair value – hedges	**2,437**	**2,437**	318	318
Forward foreign exchange contracts	27	Fair value – hedges	**4**	**4**	–	–
Other contracts	27	Fair value – hedges	**–**	**–**	51	51
Net investment hedges						
Forward foreign exchange contracts	27 & 31	Fair value – hedges	**1,023**	**1,023**	369	369
Cross currency swaps	27 & 31	Fair value – hedges	**780**	**780**	26	26
Other derivative financial instruments	27 & 31	FVPL	**503**	**503**	535	535
Interest free loans from non-controlling shareholders	27	Amortised cost	**380**	**380**	380	380
Other payables and accruals		Amortised cost	**66,253**	**66,253**	61,536	61,536
Lease liabilities	13	Amortised cost	**94,265**	**94,265**	93,688	93,688
Interest bearing loans from non-controlling shareholders	29	Amortised cost	**798**	**798**	728	728
Obligations for telecommunications licences and other rights		Amortised cost	**9,008**	**9,008**	10,001	10,001
Liabilities relating to the economic benefits agreements	31	Amortised cost	**2,166**	**2,166**	2,166	2,166
Amount due to associated companies	17	Amortised cost	**717**	**717**	729	729
Amount due to joint ventures	18	Amortised cost	**380**	**380**	406	406
			553,263	**562,909**	543,360	548,925

* see note 41(n).

(i) The fair values 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.

44 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2020		2019	
	Carrying amounts HK$ million	**Fair values HK$ million**	Carrying amounts HK$ million	Fair values HK$ million
Representing:				
Financial assets measured at				
Amortised cost	**231,298**	**231,298**	216,348	216,348
FVOCI	**12,885**	**12,885**	9,466	9,466
FVPL	**3,795**	**3,795**	3,429	3,429
Fair value – hedges	**643**	**643**	3,130	3,130
	248,621	**248,621**	232,373	232,373
Financial liabilities measured at				
Amortised cost	**548,080**	**557,726**	541,733	547,298
FVPL	**503**	**503**	535	535
Fair value – hedges	**4,680**	**4,680**	1,092	1,092
	553,263	**562,909**	543,360	548,925

(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).

44 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	2020 Level 1 HK$ million	2020 Level 2 HK$ million	2020 Level 3 HK$ million	2020 Total HK$ million	2019 Level 1 HK$ million	2019 Level 2 HK$ million	2019 Level 3 HK$ million	2019 Total HK$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	20	3,423	–	–	3,423	2,293	–	–	2,293
Listed equity securities, outside Hong Kong	20	198	–	–	198	213	–	–	213
Listed equity securities (included in Managed funds)	20	226	–	–	226	202	–	–	202
Listed debt securities (included in Managed funds)	20	6,691	–	–	6,691	4,933	–	–	4,933
Financial assets at fair value through profit or loss	20	–	–	–	–	39	–	–	39
Unlisted investments									
Unlisted equity securities – FVOCI	21	–	–	2,347	2,347	–	–	1,825	1,825
Unlisted equity securities – FVPL	21	–	2,136	478	2,614	–	2,387	655	3,042
Unlisted debt securities	21	–	180	178	358	–	137	167	304
Derivative financial instruments									
Fair value hedges – Interest rate swaps	21 & 24	–	108	–	108	–	48	–	48
Cash flow hedges									
Cross currency interest rate swaps	21	–	–	–	–	–	523	–	523
Other contracts	21 & 24	–	63	–	63	–	–	–	–
Net investment hedges									
Forward foreign exchange contracts	21 & 24	–	432	–	432	–	1,873	–	1,873
Cross currency swaps	21 & 24	–	40	–	40	–	686	–	686
Other derivative financial instruments	21	–	823	–	823	–	44	–	44
		10,538	3,782	3,003	17,323	7,680	5,698	2,647	16,025
Financial liabilities									
Derivative financial instruments									
Cash flow hedges									
Interest rate swaps	31	–	436	–	436	–	328	–	328
Cross currency interest rate swaps	27 & 31	–	2,437	–	2,437	–	318	–	318
Forward foreign exchange contracts	27	–	4	–	4	–	–	–	–
Other contracts	27	–	–	–	–	–	51	–	51
Net investment hedges									
Forward foreign exchange contracts	27 & 31	–	1,023	–	1,023	–	369	–	369
Cross currency swaps	27 & 31	–	780	–	780	–	26	–	26
Other derivative financial instruments	27 & 31	–	503	–	503	–	535	–	535
		–	5,183	–	5,183	–	1,627	–	1,627

44 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 2020 and 2019, 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:

	2020 HK$ million	2019 HK$ million
At 1 January	**2,647**	2,723
Total gains (losses) recognised in		
Income statement	**147**	49
Other comprehensive income	**(69)**	(16)
Additions	**601**	17
Disposals	**(353)**	(130)
Exchange translation differences	**30**	4
At 31 December	**3,003**	2,647
Total gains recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**147**	49

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.

44 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 44(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 2020				
Bank and other debts	**235,264**	**123,453**	**–**	**358,717**
At 31 December 2019				
Bank and other debts	214,284	135,841	–	350,125

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.

44 Financial risk management (continued)

(l) 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 2020						
Financial assets						
Trade receivables	91	(51)	40	(10)	–	30
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	393	–	393	(793)	–	(400)
Cross currency swaps	40	–	40	(737)	–	(697)
Other receivables and prepayments	488	(142)	346	–	–	346
	1,012	(193)	819	(1,540)	–	(721)
Financial liabilities						
Trade payables	(4,782)	51	(4,731)	–	–	(4,731)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(793)	–	(793)	793	–	–
Cross currency swaps	(737)	–	(737)	737	–	–
Other payables and accruals	(142)	142	–	10	–	10
	(6,454)	193	(6,261)	1,540	–	(4,721)
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)

45 Statement of financial position of the Company, as at 31 December 2020

	2020 HK$ million	2019 HK$ million
Non-current assets		
Subsidiary companies – Unlisted shares [a]	**355,164**	355,164
Current assets		
Amounts due from subsidiary companies [b]	**11,058**	8,960
Other receivables	**27**	432
Cash	**3**	7
Current liabilities		
Other payables and accruals	**85**	71
Net current assets	**11,003**	9,328
Net assets	**366,167**	364,492
Capital and reserves		
Share capital (see note 32(a))	**3,856**	3,856
Share premium (see note 32(a))	**244,377**	244,377
Reserves – Retained profit [c]	**117,934**	116,259
Shareholders' funds	**366,167**	364,492

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

45 Statement of financial position of the Company, as at 31 December 2020 (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 2019	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**
Profit for the year	**12,913**
Dividends paid relating to 2019	**(8,870)**
Dividends paid relating to 2020	**(2,368)**
At 31 December 2020	**117,934**

(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$12,913 million (2019: HK$12,204 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2020, the Company's share premium and retained profit amounted to HK$244,377 million (2019: HK$244,377 million) and HK$117,934 million (2019: HK$116,259 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

46 Subsequent events

Saved as disclosed elsewhere in the Annual Financial Statements, no event occurring up to the date of approval of the Annual Financial Statements has been identified that may require material adjustment of, or disclosure in, these financial statements.

47 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 2020, 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.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2020

	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	59	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
✡ ⌘	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 / 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
✡ ⌘	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	995,760,628	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

Principal Subsidiary and Associated Companies and Joint Ventures
at 31 December 2020

	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	24	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	2,232	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	48	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 Drogeryjne 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
	Watson's Personal Care Stores Sdn. Bhd.	Malaysia	MYR	6,000,000	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

	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)					
❋ # +	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	181	43	Water & sewerage businesses
❖ ❋ # +	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
❋ #	TPG Telecom Limited (formerly known as Vodafone Hutchison Australia Limited and Vodafone Hutchison Australia Pty Limited)	Australia	AUD	18,399,043,754	25	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	72,772,222	46	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

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, 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, TPG Telecom 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.

❖ 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.

+ 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 4% and 29% 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 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 ("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 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.

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	**Profit after tax**		47,777	46,580
	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
	Equity securities at FVOCI			
(41)	Valuation losses recognised directly in reserves		(323)	(1,652)
38	Share of other comprehensive income of associated companies		300	224
72	Share of other comprehensive income of joint ventures		564	546
22	Tax relating to items that will not be reclassified to profit or loss	31 (b)	170	(93)
(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	31 (b)	103	(69)
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: Ordinary shareholders: Share capital and share premium [(a)] HK$ million	Reserves [(b)] HK$ million	Total ordinary shareholders' funds HK$ million	Perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity 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
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
(41)	Valuation losses recognised directly in reserves	–	(228)	(228)	–	(95)	(323)
	Debt securities at FVOCI						
13	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)
	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
(104)	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

		Attributable to					
		Ordinary shareholders					
Total equity # US$ million		Share capital and share premium *(a) HK$ million	Reserves *(b) HK$ million	Total ordinary shareholders' funds * HK$ million	Perpetual capital securities * HK$ million	Non-controlling interests * HK$ million	Total equity * 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)
79	Remeasurement of defined benefit obligations recognised directly in reserves	–	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
479	Gains on net investment hedges (forward foreign exchange 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 30(b))	–	1,740	1,740	(21,175)	–	(19,435)
574	Issuance of perpetual capital securities (see note 30(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 30(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

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	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	32 (a)	95,291	72,590
(1,874)	Interest expenses and other finance costs paid (net of capitalisation)		(14,621)	(10,661)
(747)	Tax paid		(5,823)	(4,584)
9,596	**Funds from operations (before payment of lease liabilities)**		74,847	57,345
(715)	Changes in working capital	32 (b)	(5,577)	(1,611)
8,881	**Net cash from operating activities**		69,270	55,734
	Investing activities			
(4,127)	Purchase of fixed assets		(32,190)	(27,540)
(165)	Additions to telecommunications licences		(1,286)	(8,527)
(361)	Additions to brand names and other rights		(2,817)	(1,479)
(4)	Purchase of subsidiary companies, net of cash acquired	32 (c)	(30)	(14,323)
(2)	Additions to other unlisted investments		(17)	(414)
82	Repayments of loans from associated companies and joint ventures		641	2,222
(113)	Purchase of and advances to associated companies and joint ventures		(885)	(2,446)
19	Proceeds from disposal of fixed assets		150	92
(195)	Proceeds from disposal of subsidiary companies, net of cash disposed	32 (d)	(1,522)	1,121
(312)	Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	23 (b)	(2,429)	–
306	Proceeds from partial disposal / disposal of associated companies and joint ventures		2,388	149
17	Proceeds from disposal of other unlisted investments		130	8
(4,855)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(37,867)	(51,137)
64	Disposal of liquid funds and other listed investments		503	387
(7)	Additions to liquid funds and other listed investments		(55)	(8,329)
(4,798)	**Cash flows used in investing activities**		(37,419)	(59,079)
4,083	**Net cash inflow (outflow) before financing activities**		31,851	(3,345)
	Financing activities			
27,119	New borrowings	32 (e)	211,526	55,313
(27,110)	Repayment of borrowings	32 (e)	(211,455)	(54,961)
(2,048)	Payment of lease liabilities	32 (e)	(15,969)	–
–	Net loans to non-controlling shareholders	32 (e)	(2)	(185)
–	Consideration received from the economic benefits agreements (see note 29(b))	32 (e)	–	14,308
(1)	Issue of equity securities by subsidiary companies to non-controlling shareholders / capital redemption by non-controlling shareholders		(10)	25
(61)	Payments to acquire additional interests in subsidiary companies		(478)	(56)
282	Proceeds from partial disposal of subsidiary companies		2,201	–
–	Proceeds from issue of perpetual capital securities, net of transaction costs		–	4,442
–	Redemption of perpetual capital securities		–	(19,435)
–	Payments for buy-back and cancellation of issued shares		–	(131)
(1,567)	Dividends paid to ordinary shareholders		(12,225)	(11,341)
(886)	Dividends paid to non-controlling interests		(6,910)	(5,102)
(51)	Distribution paid on perpetual capital securities		(398)	(1,006)
(4,323)	**Cash flows used in financing activities**		(33,720)	(18,129)
(240)	Decrease in cash and cash equivalents		(1,869)	(21,474)
17,820	Cash and cash equivalents at 1 January		138,996	160,470
17,580	**Cash and cash equivalents at 31 December**		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.

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	
	recognised at a point in time	recognised over time	Subtotal	from other sources	2019 Total
	HK$ million	HK$ million	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	
	recognised at a point in time	recognised over time	Subtotal	from other sources	2018 Total
	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	–	–	–	–	–
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				
	recognised at a point in time	**recognised over time**	**Subtotal**	**Revenue from other sources**	**2019 Total**
	HK$ million	**HK$ million**	**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				
	recognised at a point in time	recognised over time	Subtotal	Revenue from other sources	2018 Total
	HK$ million	HK$ million	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 divesture 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 divesture are included in the segment results on a net of divesture 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 HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total 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%
Portion attributable to:								
Non-controlling interests of HPH Trust	–	1,098	1,098		–	1,098	1,098	
Divesture 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 HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total 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 (xv)	–	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%
Portion attributable to:								
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) (xiv)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2019 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total 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 (xv)	**–**	**(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%
Portion attributable to:								
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
Portion attributable to:						
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 (xxv)								
	Fixed assets@	Telecommunications licences@	Brand names and other rights@	Assets classified as held for sale	2019 Total	Fixed assets and leasehold land	Telecommunications 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[(xxi)]	Deferred tax assets	Assets classified as held for sale[(xxiii)]	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets[(xxi)]	Deferred tax assets	Assets classified as held for sale[(xxiii)]	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								
	Segment liabilities(xxi)	Current & non-current borrowings(xxii) and other non-current liabilities	Current & deferred tax liabilities	2019 Total liabilities	Segment liabilities(xxi)	Current & non-current borrowings(xxii) and other non-current liabilities	Liabilities directly associated with assets classified as held for sale	Current & deferred tax liabilities	2018 Total liabilities
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	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)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 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 (xxiv)	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)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 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 (xxiv)	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) (xiv)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2019 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total 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 (xxiv)	**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 (xxv)								
	Fixed assets @ HK$ million	**Telecom-munications licences @ HK$ million**	**Brand names and other rights @ HK$ million**	**Assets classified as held for sale HK$ million**	**2019 Total HK$ million**	Fixed assets and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2018 Total 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					Company and Subsidiaries				
	Segment assets (xxi)	Deferred tax assets	Assets classified as held for sale (xxiii)	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets (xxi)	Deferred tax assets	Assets classified as held for sale (xxiii)	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
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 (xxiv)	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 recognsied 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)

(xxi) 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

(xxii) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

(xxiii) See note 23.

(xxiv) Include contribution from the United States for Husky Energy.

(xxv) 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:

	2019					
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
Victor T K LI [8]						
Paid by the Company	0.28	4.89	78.87	–	–	84.04
Paid by CKI	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						
Paid by the Company	0.22	1.62	11.21	–	–	13.05
Paid by CKI	0.08	1.80	12.07	–	–	13.95
	0.30	3.42	23.28	–	–	27.00
KAM Hing Lam						
Paid by the Company	0.22	2.42	10.43	–	–	13.07
Paid by CKI	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 Colin MAGNUS [5]						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	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):

	2018					
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 (2) (3)	–	–	–	–	–	–
Victor T K LI (4) (8)						
Paid by the Company	0.26	4.89	73.87	–	–	79.02
Paid by CKI	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						
Paid by the Company	0.22	1.62	10.68	–	–	12.52
Paid by CKI	0.08	1.80	11.70	–	–	13.58
	0.30	3.42	22.38	–	–	26.10
KAM Hing Lam						
Paid by the Company	0.22	2.42	10.17	–	–	12.81
Paid by CKI	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)						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	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	Financial assets at FVOCI
	Percentage	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 HK$ million	2018 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 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 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 HK$ million	Non-current portion HK$ million	Total HK$ million	Current portion HK$ million	Non-current portion HK$ million	Total 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^ + 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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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 Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total 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 Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total 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				
	Attributable to ordinary shareholders				
	Retained profit	Exchange reserve	Hedging reserve	Others [(a)]	Total
	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

31 Reserves (continued)

	2018				
	Attributable to ordinary shareholders				
	Retained profit	Exchange reserve	Hedging reserve	Others [a]	Total
	HK$ million	HK$ million	HK$ million	HK$ million	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	**Tax effect**	**Net-of-tax amount**
	HK$ million	**HK$ million**	**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	Tax effect	Net-of-tax amount
	HK$ million	HK$ million	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$4,251million (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 infromation.

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
Divesture 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.

(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 hedges 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.

(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 sharehodlers)	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 HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts 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 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 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 HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts 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	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 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 Percentage	Pay average contracted interest rate Percentage	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
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		
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	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							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	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
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							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	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
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							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	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
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)

(ii) Cash flow hedges (continued)

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

Hedging instruments	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
	2019						
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)

Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
	2019		
Foreign investments	547	(5,695)	(716)

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

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
	2018			Carrying amount of derivatives included in			
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)

Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
	2018		
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 Carrying amount HK$ million	2019 Fair values HK$ million	2018 Carrying amount HK$ million	2018 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 Carrying amount HK$ million	2019 Fair values HK$ million	2018 Carrying amount HK$ million	2018 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 Level 1 HK$ million	2019 Level 2 HK$ million	2019 Level 3 HK$ million	2019 Total HK$ million	2018 Level 1 HK$ million	2018 Level 2 HK$ million	2018 Level 3 HK$ million	2018 Total HK$ million
Financial assets									
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	2018
	HK$ million	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)

(l) 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
✡ ⌘	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 / 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
✡ ⌘	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
✡ ⌘	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

	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 Drogeryjne 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

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 Hutchsion 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 (WOFE) 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

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.

How our audit addressed the Key Audit Matter

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.

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.

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.

- 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# US$ million		Note	2018 HK$ million	2017* 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# US$ million		Note	2018 HK$ million	2017* 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# US$ million		Note	2018 HK$ million	2017* 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# US$ million		Note	2018 HK$ million	2017* 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: Ordinary shareholders: Share capital and share premium[(a)] HK$ million	Reserves[(b)] HK$ million	Total ordinary shareholders' funds HK$ million	Perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity 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
	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)
79	Remeasurement of defined benefit obligations recognised directly in reserves	–	455	455	–	160	615
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
46	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		Share capital and share premium *(a) HK$ million	Reserves *(b) HK$ million	Total ordinary shareholders' funds * HK$ million	Perpetual capital securities * HK$ million	Non-controlling interests * HK$ million	Total equity * HK$ million
		Attributable to					
		Ordinary shareholders					
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
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
(15)	Losses recognised directly in reserves	–	(134)	(134)	–	20	(114)
–	Losses previously in reserves recognised in initial cost of non-financial items	–	1	1	–	–	1
(600)	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	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	31 (a)	72,590	68,137
(1,367)	Interest expenses and other finance costs paid (net of capitalisation)		(10,661)	(9,375)
(588)	Tax paid		(4,584)	(4,870)
7,351	**Funds from operations**		57,345	53,892
(206)	Changes in working capital	31 (b)	(1,611)	(296)
7,145	**Net cash from operating activities**		55,734	53,596
	Investing activities			
(3,531)	Purchase of fixed assets		(27,540)	(23,521)
–	Additions to leasehold land		–	(149)
(1,093)	Additions to telecommunications licences		(8,527)	(216)
(190)	Additions to brand names and other rights		(1,479)	(29)
(1,836)	Purchase of subsidiary companies	31 (c)	(14,323)	(3,724)
(53)	Additions to other unlisted investments		(414)	(130)
285	Repayments from associated companies and joint ventures		2,222	804
(314)	Purchase of and advances to associated companies and joint ventures		(2,446)	(37,798)
12	Proceeds on disposal of fixed assets		92	2,231
144	Proceeds on disposal of subsidiary companies	31 (d)	1,121	14,201
19	Proceeds on partial disposal / disposal of associated companies and joint ventures		149	1,348
1	Proceeds on disposal of other unlisted investments		8	19
(6,556)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(51,137)	(46,964)
50	Disposal of liquid funds and other listed investments		387	278
(1,068)	Additions to liquid funds and other listed investments		(8,329)	(1,997)
(7,574)	**Cash flows used in investing activities**		(59,079)	(48,683)
(429)	**Net cash inflow (outflow) before financing activities**		(3,345)	4,913
	Financing activities			
7,092	New borrowings	31 (e)	55,313	100,488
(7,046)	Repayment of borrowings	31 (e)	(54,961)	(87,674)
(24)	Net loans to non-controlling shareholders	31 (e)	(185)	(2,139)
1,834	Consideration received from the economic benefits agreements (see note 28(b))	31 (e)	14,308	–
3	Issue of equity securities by subsidiary companies to non-controlling shareholders		25	1,584
–	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)
(7)	Payments to acquire additional interests in subsidiary companies		(56)	(356)
570	Proceeds on issue of perpetual capital securities, net of transaction costs		4,442	7,738
(2,492)	Redemption of perpetual capital securities		(19,435)	(8,800)
(17)	Payments for buy-back and cancellation of issued shares		(131)	–
(1,454)	Dividends paid to ordinary shareholders		(11,341)	(10,512)
(654)	Dividends paid to non-controlling interests		(5,102)	(4,845)
(129)	Distribution paid on perpetual capital securities		(1,006)	(1,192)
(2,324)	**Cash flows used in financing activities**		(18,129)	(713)
(2,753)	Increase (decrease) in cash and cash equivalents		(21,474)	4,200
20,573	Cash and cash equivalents at 1 January		160,470	156,270
17,820	**Cash and cash equivalents at 31 December**		138,996	160,470

2018# US$ million		Note	2018 HK$ million	2017* 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	
	recognised at a point in time HK$ million	recognised over time HK$ million	Subtotal HK$ million	from other sources HK$ million	2018 Total 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	
	recognised at a point in time HK$ million	recognised over time HK$ million	Subtotal HK$ million	from other sources HK$ million	2017 Total 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 recognised at a point in time HK$ million	**Revenue from contracts with customers recognised over time HK$ million**	**Revenue from contracts with customers Subtotal HK$ million**	**Revenue from other sources HK$ million**	**2018 Total 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 recognised at a point in time HK$ million	Revenue from contracts with customers recognised over time HK$ million	Revenue from contracts with customers Subtotal HK$ million	Revenue from other sources HK$ million	2017 Total 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, Park'N 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 divesture are included in the segment results on a net of divesture 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%
Portion attributable to:								
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) [xiii]							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total 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 [xviii]	**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%
Portion attributable to:								
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) [xiv]							
	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 [xviii]	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%
Portion attributable to:								
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 (xviii)	**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
Portion attributable to:						
Non-controlling interests of HPH Trust	**–**	**271**	**271**	–	264	264
Divesture 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					Company and Subsidiaries			
	Segment assets [xix]	Deferred tax assets	Assets classified as held for sale [xx]	Investments in associated companies and interests in joint ventures	2018 Total assets	Segment assets [xix]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2017 Total assets
	HK$ million	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 [xix]	Current & deferred tax liabilities	Liabilities directly associated with assets classified as held for sale [xx]	Current & non-current borrowings and other non-current liabilities	2018 Total liabilities	Segment liabilities [xix]	Current & deferred tax liabilities	Current & non-current borrowings and other non-current liabilities	2017 Total liabilities
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	13,433	4,472	–	16,127	34,032	13,746	4,624	16,652	35,022
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 HK$ million	Associates and JV HK$ million	2018 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total 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 (xxi)	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) (xiii)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total 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 (xxi)	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) [xiv]							
	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 [xxi]	**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					Company and Subsidiaries			
	Segment assets (xix)	Deferred tax assets	Assets classified as held for sale (xx)	Investments in associated companies and interests in joint ventures	2018 Total assets	Segment assets (xix)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2017 Total assets
	HK$ million	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 (xxi)	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:

	2018					
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] [3]	–	–	–	–	–	–
Victor T K Li [4] [8]						
Paid by the Company	0.26	4.89	73.87	–	–	79.02
Paid by CKI	0.08	–	33.24	–	–	33.32
	0.34	4.89	107.11	–	–	112.34
FOK Kin Ning, Canning [2]	0.22	11.53	213.50	1.04	–	226.29
Frank John SIXT [2]	0.22	8.54	62.55	0.75	–	72.06
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	10.68	–	–	12.52
Paid by CKI	0.08	1.80	11.70	–	–	13.58
	0.30	3.42	22.38	–	–	26.10
KAM Hing Lam						
Paid by the Company	0.22	2.42	10.17	–	–	12.81
Paid by CKI	0.08	4.20	11.70	–	–	15.98
	0.30	6.62	21.87	–	–	28.79
LAI Kai Ming, Dominic [2]	0.22	5.85	62.00	0.84	–	68.91
Edith SHIH [2]	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]						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	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

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						
Paid by the Company	0.22	4.89	63.87	–	–	68.98
Paid by CKI	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						
Paid by the Company	0.22	1.62	10.07	–	–	11.91
Paid by CKI	0.08	1.80	11.35	–	–	13.23
	0.30	3.42	21.42	–	–	25.14
KAM Hing Lam						
Paid by the Company	0.22	2.42	9.88	–	–	12.52
Paid by CKI	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)]						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	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	2017
	HK$ million	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	2017
	HK$ million	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	**Power Assets**	Husky Energy	Power Assets
	HK$ million	**HK$ million**	HK$ million	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	Power Assets	Other associated companies	Total	Husky Energy	Power Assets	Other associated companies	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	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	2017
	HK$ million	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	**Financial assets at FVOCI**	**Financial assets at fair value through profit or loss**	Available-for-sale investments	Financial assets at fair value through profit or loss
	Percentage	**Percentage**	**Percentage**	Percentage	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	Available-for-sale investments
	Percentage	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	Expected loss rate
	Not impaired HK$ million	Impaired HK$ million	Total HK$ million	HK$ million	Percentage
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 Park'N 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 HK$ million	Non-current portion HK$ million	Total HK$ million	Current portion HK$ million	Non-current portion HK$ million	Total 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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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 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	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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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 HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total 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				
	Attributable to ordinary shareholders				
	Retained profit HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Others [a] HK$ million	Total 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.

30 Reserves (continued)

	2017				
	Attributable to ordinary shareholders				
	Retained profit HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Others [a] HK$ million	Total 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 [i]	**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	2017
	HK$ million	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 rention costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications customer acquisition and rention 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.

(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 As previously reported HK$ million	Effect on adoption of HKFRS 9 HK$ million	Effect on adoption of HKFRS 15 HK$ million	1 January 2018 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	Effect on adoption of HKFRS 9	Effect on adoption of HKFRS 15	As presented under accounting policies from 1 January 2018
	HK$ million	HK$ million	HK$ million	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 HKFRS 9	Effect on adoption of HKFRS 15	As presented under accounting policies from 1 January 2018
	HK$ million	HK$ million	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	Effect on adoption of HKFRS 9	Effect on adoption of HKFRS 15	As presented under accounting policies from 1 January 2018
	HK$ million	HK$ million	HK$ million	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					
	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

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					
	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	Difference from carrying amounts HK$ million	Carrying amounts 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			
	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				
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

	2018							
					Carrying amount of derivatives included in			
	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
Hedging instruments	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)

	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

Hedging instruments	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
	2018							
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	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
	2018						
Forward foreign exchange contracts maturing in 2019	8.89	EUR 30	268	–	–	(2)	–

Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (defcit) in hedging reserve for continuing hedges HK$ million	Surplus (defcit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
	2018		
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

Hedging instruments	2018						
				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
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)

Hedged items	2018		
	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve / exchange reserves for continuing hedges HK$ million	Surplus (deficit) in hedging reserve / exchange reserves arising from hedging relationships for which hedge accounting is no longer applied 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 Carrying amount HK$ million	2018 Fair values HK$ million	2017 Carrying amount HK$ million	2017 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 Carrying amount HK$ million	2018 Fair values HK$ million	2017 Carrying amount HK$ million	2017 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)

(l) 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).

		2018				2017			
	Note	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)

(l) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

		2018				2017			
	Note	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
✡ ⌘	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 / 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
✡ ⌘	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 Drogeryjne 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) Holidngs 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 Hutchsion 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.

Financial Performance Summary

	Pre-IFRS 16 [1] 2020 HK$ million	%	Pre-IFRS 16 [1] 2019 HK$ million	%	Change %	Local currencies change %
Revenue [2]						
Ports and Related Services [2]	**32,865**	**8%**	35,375	8%	-7%	-5%
Retail	**159,619**	**40%**	169,225	38%	-6%	-6%
Infrastructure	**52,792**	**13%**	51,191	12%	3%	4%
Energy	**31,179**	**8%**	47,618	11%	-35%	-33%
CK Hutchison Group Telecom	**90,663**	**22%**	93,517	21%	-3%	-4%
Hutchison Asia Telecommunications	**9,147**	**2%**	8,984	2%	2%	6%
Finance & Investments and Others	**27,581**	**7%**	33,946	8%	-19%	-18%
Total Revenue	**403,846**	**100%**	439,856	100%	-8%	-8%
EBITDA [2]						
Ports and Related Services [2]	**10,914**	**12%**	13,405	12%	-19%	-17%
Retail	**14,397**	**15%**	16,891	15%	-15%	-16%
Infrastructure	**29,066**	**30%**	28,488	25%	2%	3%
Energy	**(23,003)**	**-24%**	3,139	3%	-833%	-835%
Underlying	***1,906***	***2%***	*9,122*	*8%*	*-79%*	*-80%*
One-off impairment and other charges [3]	***(24,909)***	***-26%***	*(5,983)*	*-5%*	*-316%*	*-316%*
CK Hutchison Group Telecom	**48,540**	**50%**	35,341	32%	37%	37%
Hutchison Asia Telecommunications	**2,034**	**2%**	2,167	2%	-6%	-3%
Finance & Investments and Others	**14,996**	**15%**	12,637	11%	19%	19%
Total EBITDA	**96,944**	**100%**	112,068	100%	-13%	-13%
EBIT [2]						
Ports and Related Services [2]	**6,717**	**12%**	9,061	13%	-26%	-24%
Retail	**10,933**	**20%**	13,671	19%	-20%	-21%
Infrastructure	**18,488**	**34%**	19,220	27%	-4%	-3%
Energy	**(28,096)**	**-52%**	(3,004)	-4%	-835%	-841%
Underlying	***(3,187)***	***-6%***	*2,979*	*4%*	*-207%*	*-213%*
One-off impairment and other charges [3]	***(24,909)***	***-46%***	*(5,983)*	*-8%*	*-316%*	*-316%*
CK Hutchison Group Telecom	**32,581**	**61%**	21,131	30%	54%	54%
Hutchison Asia Telecommunications	**544**	**1%**	1,055	1%	-48%	-46%
Finance & Investments and Others	**12,687**	**24%**	9,974	14%	27%	26%
Total EBIT	**53,854**	**100%**	71,108	100%	-24%	-24%
Interest Expenses and other finance Costs [2]	**(15,139)**		(15,657)		3%	
Profit Before Tax	**38,715**		55,451		-30%	
Tax [2]						
Current tax	**(7,557)**		(7,814)		3%	
Deferred tax	**6,087**		113		5287%	
	(1,470)		(7,701)		81%	
Profit after tax	**37,245**		47,750		-22%	
Non-controlling interests and perpetual capital securities holders' interests	**(8,245)**		(7,862)		-5%	
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	**29,000**		39,888		-27%	-28%

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 Annual Report 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. The Group believes that the IAS 17 basis ("Pre-IFRS 16 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"), better reflects management's view of the Group's underlying operational performance. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. 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 years ended 31 December 2019 and 2020. 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: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

	Post-IFRS 16 [1] 2020 HK$ million	%	Post-IFRS 16 [1] 2019 HK$ million	%	Change %
Revenue [2]					
Ports and Related Services [2]	**32,865**	**8%**	35,375	8%	-7%
Retail	**159,619**	**40%**	169,225	38%	-6%
Infrastructure	**52,792**	**13%**	51,191	12%	3%
Energy	**31,179**	**8%**	47,618	11%	-35%
CK Hutchison Group Telecom	**90,663**	**22%**	93,517	21%	-3%
Hutchison Asia Telecommunications	**9,147**	**2%**	8,984	2%	2%
Finance & Investments and Others	**27,581**	**7%**	33,946	8%	-19%
Total Revenue	**403,846**	**100%**	439,856	100%	-8%
EBITDA [2]					
Ports and Related Services [2]	**13,748**	**11%**	16,092	12%	-15%
Retail	**24,557**	**20%**	27,023	20%	-9%
Infrastructure	**29,367**	**24%**	28,751	21%	2%
Energy	**(22,746)**	**-18%**	3,480	3%	-754%
Underlying	*2,163*	*2%*	*9,463*	*7%*	*-77%*
One-off impairment and other charges [3]	*(24,909)*	*-20%*	*(5,983)*	*-4%*	*-316%*
CK Hutchison Group Telecom	**56,706**	**46%**	42,417	31%	34%
Hutchison Asia Telecommunications	**4,362**	**4%**	4,328	3%	1%
Finance & Investments and Others	**16,354**	**13%**	13,958	10%	17%
Total EBITDA	**122,348**	**100%**	136,049	100%	-10%
EBIT [2]					
Ports and Related Services [2]	**8,055**	**14%**	10,216	14%	-21%
Retail	**11,889**	**20%**	14,705	19%	-19%
Infrastructure	**18,537**	**32%**	19,259	26%	-4%
Energy	**(28,020)**	**-48%**	(2,974)	-4%	-842%
Underlying	*(3,111)*	*-5%*	*3,009*	*4%*	*-203%*
One-off impairment and other charges [3]	*(24,909)*	*-43%*	*(5,983)*	*-8%*	*-316%*
CK Hutchison Group Telecom	**33,484**	**57%**	21,987	29%	52%
Hutchison Asia Telecommunications	**1,480**	**3%**	2,032	3%	-27%
Finance & Investments and Others	**12,879**	**22%**	10,119	13%	27%
Total EBIT	**58,304**	**100%**	75,344	100%	-23%
Interest Expenses and other finance Costs [2]	**(19,591)**		(20,117)		3%
Profit Before Tax	**38,713**		55,227		-30%
Tax [2]					
Current tax	**(7,538)**		(7,834)		4%
Deferred tax	**6,227**		215		2796%
	(1,311)		(7,619)		83%
Profit after tax	**37,402**		47,608		-21%
Non-controlling interests and perpetual capital securities holders' interests	**(8,259)**		(7,778)		-6%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	**29,143**		39,830		-27%

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.

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: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

Financial Performance Summary

	Pre-IFRS 16 [(1)] 2019 HK$ million	%	2018 HK$ million	%	Change %	Local currencies change %
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%
CK Infrastructure	*49,818*	*11%*	*53,274*	*12%*	*-6%*	*-2%*
Co-owned infrastructure investments [(3)]	*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%
CK Infrastructure	*27,855*	*25%*	*29,406*	*26%*	*-5%*	–
Co-owned infrastructure investments [(3)]	*633*	–	*6,016*	*5%*	*-89%*	*-89%*
Husky Energy	**3,139**	**3%**	12,106	11%	-74%	-72%
Underlying	*9,122*	*8%*	*12,106*	*11%*	*-25%*	*-23%*
One-off impairment and other charges [(4)]	*(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%
CK Infrastructure	*18,829*	*26%*	*20,076*	*28%*	*-6%*	*-1%*
Co-owned infrastructure investments [(3)]	*391*	*1%*	*3,962*	*5%*	*-90%*	*-90%*
Husky Energy	**(3,004)**	**-4%**	5,742	8%	-152%	-151%
Underlying	*2,979*	*4%*	*5,742*	*8%*	*-48%*	*-47%*
One-off impairment and other charges [(4)]	*(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 HK$ million	%	2018 HK$ million	%	Change %	Local currencies change %
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%
CK Infrastructure	***49,818***	***11%***	*53,274*	*12%*	*-6%*	*-2%*
Co-owned infrastructure investments (3)	***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%
CK Infrastructure	***28,118***	***21%***	*29,406*	*26%*	*-4%*	*1%*
Co-owned infrastructure investments (3)	***633***	***–***	*6,016*	*5%*	*-89%*	*-89%*
Husky Energy	**3,480**	**3%**	12,106	11%	-71%	-69%
Underlying	***9,463***	***7%***	*12,106*	*11%*	*-22%*	*-20%*
One-off impairment and other charges (4)	***(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%
CK Infrastructure	***18,868***	***25%***	*20,076*	*28%*	*-6%*	*-1%*
Co-owned infrastructure investments (3)	***391***	***1%***	*3,962*	*5%*	*-90%*	*-90%*
Husky Energy	**(2,974)**	**-4%**	5,742	8%	-152%	-150%
Underlying	***3,009***	***4%***	*5,742*	*8%*	*-48%*	*-46%*
One-off impairment and other charges (4)	***(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 HK$ million	%	2017 HK$ million	%	Change %
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.

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