

Healthy Earnings Growth

Stable Cash Flow

Solid Financial Profile

Geographic
Diversity

Resilience

Broad Revenue Base

Innovative Technologies

Strong Financial Fundamentals

Corporate Information

Board of Directors

Executive Directors

LI Tzar Kuoi, Victor, BSc, MSc, LLD (Hon)

Chairman and Group Co-Managing Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Group Co-Managing Director

Frank John SIXT, MA, LLL

Group Finance Director and Deputy Managing Director

IP Tak Chuen, Edmond, BA, MSc

Deputy Managing Director

KAM Hing Lam, BSc, MBA

Deputy Managing Director

LAI Kai Ming, Dominic, BSc, MBA

Deputy Managing Director

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCG (CS, CGP), FCS (CS, CGP) (PE)

Non-Executive Directors

CHOW Kun Chee, Roland, LLM

LEE Yeh Kwong, Charles, GBM, GBS, OBE, JP

LEUNG Siu Hon, BA (Law) (Hons), LL.D. (Hon)

George Colin MAGNUS, OBE, BBS, MA

WOO Mo Fong, Susan, BSc

(alias CHOW WOO Mo Fong, Susan)

Independent Non-Executive Directors

KWOK Tun-li, Stanley, BSc (Arch), AA Dipl, LLD (Hon), ARIBA, MRAIC

CHENG Hoi Chuen, Vincent, GBS, OBE, JP

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon), DSC (Hon)

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

LEE Wai Mun, Rose, JP, BBA

William Elkin MOCATTA, FCA

Alternate to The Hon Sir Michael David Kadoorie

William SHURNIAK, S.O.M., M.S.M., LLD (Hon)

WONG Chung Hin, CBE, JP

WONG Yick-ming, Rosanna, PhD, DBE, JP

Senior Advisor

LI Ka-shing, GBM, KBE, LLD (Hon), DSSC (Hon)

Commandeur de la Légion d'Honneur

Grand Officer of the Order Vasco Nunez de Balboa

Commandeur de l'Ordre de Léopold

Audit Committee

WONG Chung Hin (*Chairman*)

KWOK Tun-li, Stanley

CHENG Hoi Chuen, Vincent

William SHURNIAK

Nomination Committee

LI Tzar Kuoi, Victor (*Chairman*)

FOK Kin Ning, Canning

Frank John SIXT

IP Tak Chuen, Edmond

KAM Hing Lam

LAI Kai Ming, Dominic

Edith SHIH

CHOW Kun Chee, Roland

LEE Yeh Kwong, Charles

LEUNG Siu Hon

George Colin MAGNUS

WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)

KWOK Tun-li, Stanley

CHENG Hoi Chuen, Vincent

The Hon Sir Michael David KADOORIE

LEE Wai Mun, Rose

William SHURNIAK

WONG Chung Hin

WONG Yick-ming, Rosanna

Remuneration Committee

WONG Yick-ming, Rosanna (*Chairman*)

LI Tzar Kuoi, Victor

CHENG Hoi Chuen, Vincent

WONG Chung Hin

Company Secretary

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCG (CS, CGP), FCS (CS, CGP) (PE)

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Contents

	Corporate Information
1	Contents
2	Corporate Profile
4	Analyses of Core Business Segments by Geographical Location
5	Analyses by Core Business Segments
7	Key Financial Information
8	Business Highlights
10	Chairman's Statement
15	Operations Review
18	Ports and Related Services
24	Retail
34	Infrastructure
38	Energy
42	Telecommunications
52	Finance & Investments and Others
56	Additional Information
63	Group Capital Resources and Liquidity
69	Risk Factors
76	Information on Directors
91	Information on Senior Management
93	Report of the Directors
107	Corporate Governance Report
129	Independent Auditor's Report
134	Consolidated Income Statement
135	Consolidated Statement of Comprehensive Income
136	Consolidated Statement of Financial Position
138	Consolidated Statement of Changes in Equity
140	Consolidated Statement of Cash Flows
142	Notes to the Financial Statements
259	Principal Subsidiary and Associated Companies and Joint Ventures
263	Ten Year Summary
	Information for Shareholders

Corporate Profile



Hutchison Group (the “Group”) is a renowned multinational conglomerate committed to development, innovation and technology in many different sectors. We operate a variety of businesses in about 50 countries across the world with over 300,000 employees. We have a strong commitment to the highest standards of corporate governance, transparency and accountability, as recognised by numerous international awards and commendations. Our operations consist of five core businesses - ports and related services, retail, infrastructure, energy, and telecommunications.

Ports and Related Services

We are the world's leading port investor, developer and operator, holding interests in 52 ports comprising 290 operational berths in 27 countries, including container terminals operating in six of the 10 busiest container ports in the world. In 2019, our ports handled a total throughput of 86.0 million twenty-foot equivalent units (“TEU”). We also engage in river trade, cruise terminal operations and ports related logistic services.



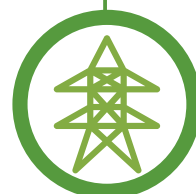
Retail



The Group's retail division is the world's largest international health and beauty retailer, with over 15,700 stores in 25 markets worldwide. Its diverse retail portfolio comprises health and beauty products, supermarkets, as well as consumer electronics and electrical appliances. It also manufactures and distributes bottled water and beverage products in Hong Kong and Mainland China.

Infrastructure

The Group's infrastructure business includes its shareholding in CK Infrastructure Holdings Limited ("CKI") and interests in six infrastructure assets that are co-owned with CKI, which is a global infrastructure company with infrastructure investments and developments in different parts of the world. The company has diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure related businesses. Its investments and operations span across Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and Canada.



Energy



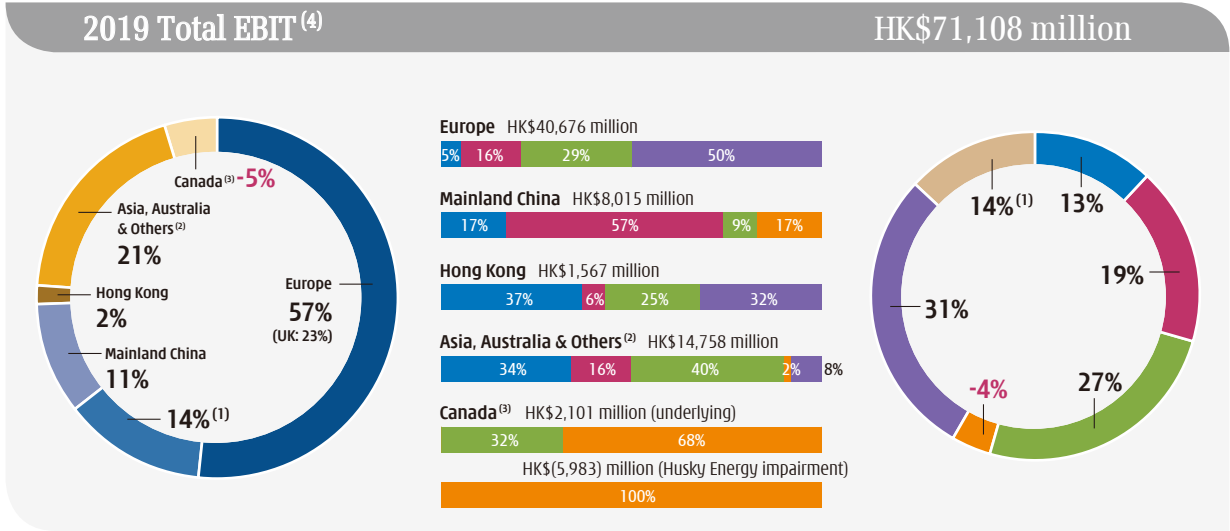
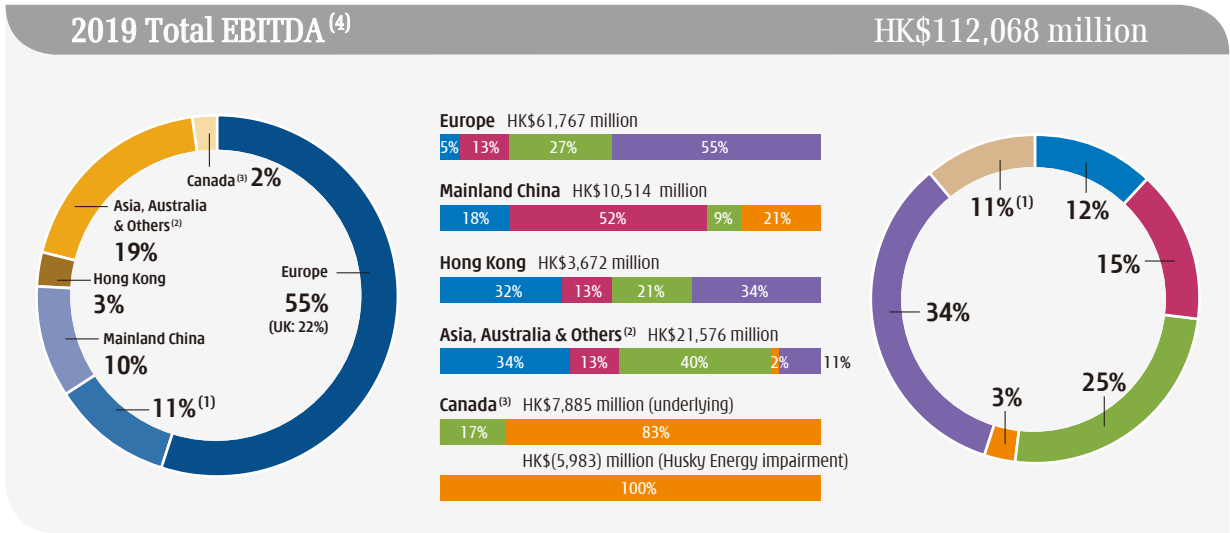
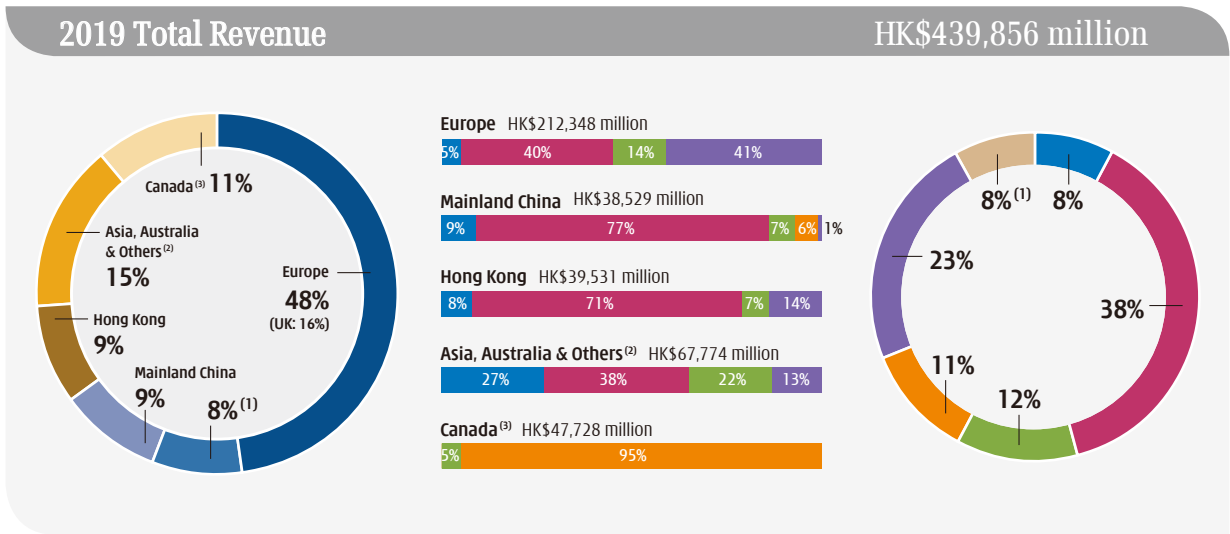
Through its associated company Husky Energy Inc. ("Husky"), the Group's investments in energy are principally located in Western and Atlantic Canada, the United States and the Asia Pacific Region. Husky is an integrated energy company listed in Canada.

Telecommunications

A pioneer in mobile data communication technologies, we are a leading global operator and innovator of converged telecommunication and digital services around the world, implementing innovative technologies in international interconnectivity.



Analyses of Core Business Segments by Geographical Location



Ports & Related Services

Retail

Infrastructure

Energy

Telecommunications

Finance & Investments and Others

Note 1: Represents contributions from Finance & Investments and Others

Note 2: Includes Panama, Mexico and the Middle East

Note 3: Includes contribution from the USA for Husky Energy, and separated into contributions from underlying businesses and Husky Energy's one-off impairment and other charges of HK\$(5,983) million under the Group's EBITDA and EBIT results

Note 4: Prepared under Pre-IFRS 16 basis which is set out in note 1 on page 5

Analyses by Core Business Segments

	Pre-IFRS 16 ⁽¹⁾ 2019		2018		Change	Local currencies change
	HK\$ million	%	HK\$ million	%	%	%
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%	5%
Retail	169,225	38%	168,991	37%	—	4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%	-17%
<i>CK Infrastructure</i>	<i>49,818</i>	<i>11%</i>	<i>53,274</i>	<i>12%</i>	<i>-6%</i>	<i>-2%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>1,373</i>	<i>1%</i>	<i>11,450</i>	<i>2%</i>	<i>-88%</i>	<i>-87%</i>
Husky Energy	47,618	11%	54,251	12%	-12%	-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%	12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%	9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%	1%
Total Revenue	439,856	100%	453,230	100%	-3%	1%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	13,405	12%	13,392	12%	—	3%
Retail	16,891	15%	16,164	14%	4%	8%
Infrastructure ⁽³⁾	28,488	25%	35,422	31%	-20%	-15%
<i>CK Infrastructure</i>	<i>27,855</i>	<i>25%</i>	<i>29,406</i>	<i>26%</i>	<i>-5%</i>	<i>—</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>633</i>	<i>—</i>	<i>6,016</i>	<i>5%</i>	<i>-89%</i>	<i>-89%</i>
Husky Energy	3,139	3%	12,106	11%	-74%	-72%
<i>Underlying</i>	<i>9,122</i>	<i>8%</i>	<i>12,106</i>	<i>11%</i>	<i>-25%</i>	<i>-23%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-5%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	35,341	32%	30,357	27%	16%	21%
Hutchison Asia Telecommunications	2,167	2%	1,028	1%	111%	108%
Finance & Investments and Others ⁽⁵⁾	12,637	11%	5,111	4%	147%	152%
Total EBITDA	112,068	100%	113,580	100%	-1%	2%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	9,061	13%	8,726	12%	4%	7%
Retail	13,671	19%	13,078	18%	5%	8%
Infrastructure ⁽³⁾	19,220	27%	24,038	33%	-20%	-16%
<i>CK Infrastructure</i>	<i>18,829</i>	<i>26%</i>	<i>20,076</i>	<i>28%</i>	<i>-6%</i>	<i>-1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>391</i>	<i>1%</i>	<i>3,962</i>	<i>5%</i>	<i>-90%</i>	<i>-90%</i>
Husky Energy	(3,004)	-4%	5,742	8%	-152%	-151%
<i>Underlying</i>	<i>2,979</i>	<i>4%</i>	<i>5,742</i>	<i>8%</i>	<i>-48%</i>	<i>-47%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-8%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	21,131	30%	18,409	25%	15%	19%
Hutchison Asia Telecommunications	1,055	1%	321	—	229%	218%
Finance & Investments and Others ⁽⁵⁾	9,974	14%	2,571	4%	288%	289%
Total EBIT	71,108	100%	72,885	100%	-2%	1%
Interest expenses and other finance costs ⁽²⁾	(15,657)		(18,025)		13%	
Profit Before Tax	55,451		54,860		1%	
Tax ⁽²⁾						
Current tax	(7,814)		(7,795)		—	
Deferred tax	113		(283)		140%	
	(7,701)		(8,078)		5%	
Profit after tax	47,750		46,782		2%	
Non-controlling interests and perpetual capital securities holders' interests	(7,862)		(7,782)		-1%	
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,888		39,000		2%	6%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this Annual Report interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on a IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior period results, and better reflects management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and perpetual capital securities holders' interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended 31 December 2019. Unless otherwise specified, the discussion of the Group's operating results in this Annual Report is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Co-owned infrastructure investments with CKI P&L figures for the year ended 31 December 2019 represent the Group's share of results on the remaining 10% direct interest in these investments. The P&L figures for year ended 31 December 2018 represent 10 months of the Group's direct interest in these investments and remaining 10% direct interest in these investments from November 2018 onwards.

Note 4: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

Note 5: Revenue of HK\$410 million, EBITDA of HK\$225 million and EBIT of HK\$193 million in 2018 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

	Post-IFRS 16 ⁽¹⁾ 2019		2018		Change	Local currencies change
	HK\$ million	%	HK\$ million	%	%	%
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%	5%
Retail	169,225	38%	168,991	37%	—	4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%	-17%
<i>CK Infrastructure</i>	<i>49,818</i>	<i>11%</i>	<i>53,274</i>	<i>12%</i>	<i>-6%</i>	<i>-2%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>1,373</i>	<i>1%</i>	<i>11,450</i>	<i>2%</i>	<i>-88%</i>	<i>-87%</i>
Husky Energy	47,618	11%	54,251	12%	-12%	-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%	12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%	9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%	1%
Total Revenue	439,856	100%	453,230	100%	-3%	1%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	16,092	12%	13,392	12%	20%	23%
Retail	27,023	20%	16,164	14%	67%	71%
Infrastructure ⁽³⁾	28,751	21%	35,422	31%	-19%	-15%
<i>CK Infrastructure</i>	<i>28,118</i>	<i>21%</i>	<i>29,406</i>	<i>26%</i>	<i>-4%</i>	<i>1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>633</i>	<i>—</i>	<i>6,016</i>	<i>5%</i>	<i>-89%</i>	<i>-89%</i>
Husky Energy	3,480	3%	12,106	11%	-71%	-69%
<i>Underlying</i>	<i>9,463</i>	<i>7%</i>	<i>12,106</i>	<i>11%</i>	<i>-22%</i>	<i>-20%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-4%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	42,417	31%	30,357	27%	40%	44%
Hutchison Asia Telecommunications	4,328	3%	1,028	1%	321%	318%
Finance & Investments and Others ⁽⁵⁾	13,958	10%	5,111	4%	173%	177%
Total EBITDA	136,049	100%	113,580	100%	20%	24%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	10,216	14%	8,726	12%	17%	20%
Retail	14,705	19%	13,078	18%	12%	16%
Infrastructure ⁽³⁾	19,259	26%	24,038	33%	-20%	-16%
<i>CK Infrastructure</i>	<i>18,868</i>	<i>25%</i>	<i>20,076</i>	<i>28%</i>	<i>-6%</i>	<i>-1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>391</i>	<i>1%</i>	<i>3,962</i>	<i>5%</i>	<i>-90%</i>	<i>-90%</i>
Husky Energy	(2,974)	-4%	5,742	8%	-152%	-150%
<i>Underlying</i>	<i>3,009</i>	<i>4%</i>	<i>5,742</i>	<i>8%</i>	<i>-48%</i>	<i>-46%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-8%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
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.

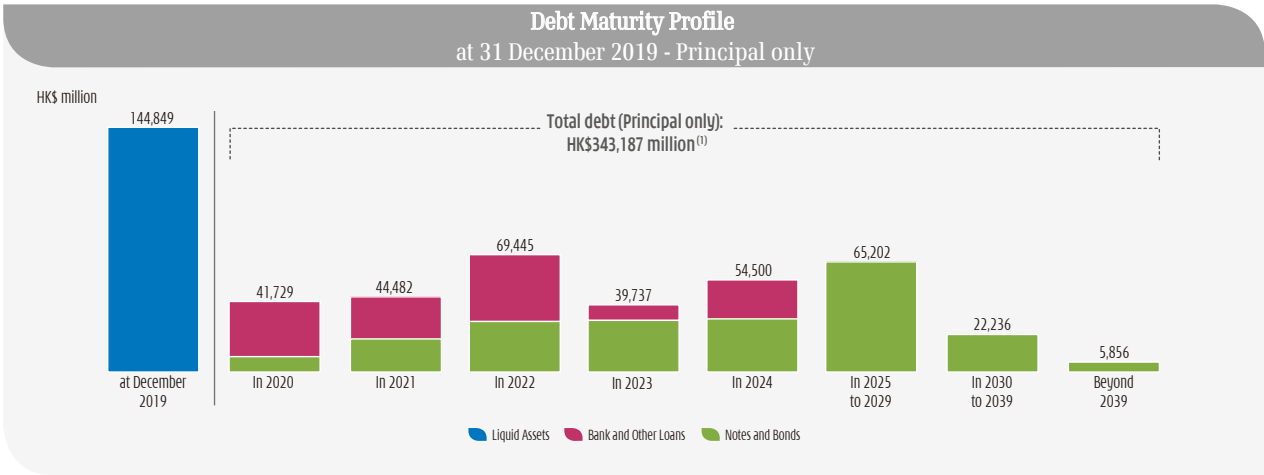
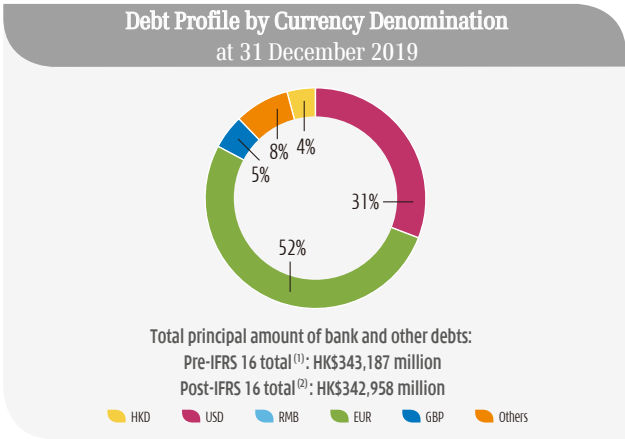
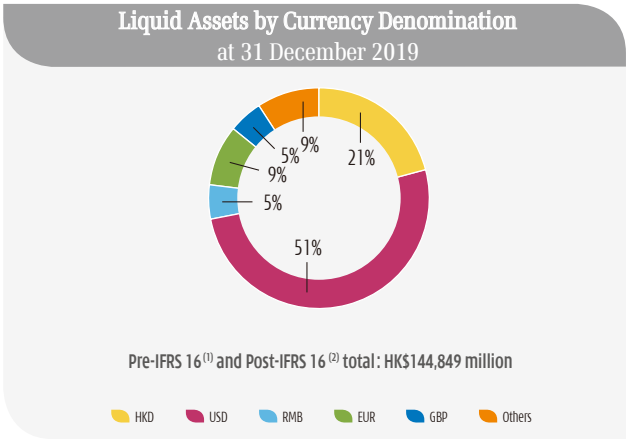
Note 3: Co-owned infrastructure investments with CKI P&L figures for the year ended 31 December 2019 represent the Group's share of results on the remaining 10% direct interest in these investments. The P&L figures for year ended 31 December 2018 represent 10 months of the Group's direct interest in 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.

Key Financial Information

	Pre-IFRS 16 ⁽¹⁾ 2019 HK\$ million	Post-IFRS 16 ⁽²⁾ 2019 HK\$ million	2018 HK\$ million
Profit attributable to ordinary shareholders of the Company	39,888	39,830	39,000
Earnings per share (HK\$)⁽³⁾		10.33	10.11
Full year dividend per share (HK\$)		3.17	3.17
Total assets	1,136,437	1,210,976	1,232,244
Net assets	612,950	596,963	590,823
Net assets attributable to shareholders of the Company per ordinary share (HK\$)	123.5	120.4	115.7
Total principal amount of bank and other debts	343,187	342,958	346,918
Total cash, liquid funds and other listed investments ("liquid assets")	144,849	144,849	144,703
Total principal amount of bank and other debts including unamortised fair value adjustments from acquisitions	347,726	347,497	352,668
Net debt	202,877	202,648	207,965
Net debt to net total capital ratio ⁽⁴⁾	24.8%	25.3%	26.0%
Credit rating:			
Moody's	A2		A2
Standard & Poor's	A		A
Fitch	A-		A-



Note 1:

Prepared under Pre-IFRS 16 basis as set out in note 1 on page 5.

Note 2:

Prepared under Post-IFRS 16 basis as set out in note 1 on page 5.

Note 3:

Earnings per share is calculated based on profit attributable to ordinary shareholders. For the year ended 31 December 2019, the earnings per share is calculated based on CKHH's number of shares in issue during the year of 3,856,240,500 shares (2018 - CKHH's weighted average number of shares, 3,857,216,697 shares outstanding).

Note 4:

Net debt represents net debt (excluding interest bearing loans from non-controlling shareholders), as 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.

Business Highlights

January to June

- Watsons launches in Vietnam, opening its first flagship store in Ho Chi Minh City.
- Dampier Bunbury Pipeline completes the construction of the new 440 kilometres Tanami Pipeline, one of Australia's major natural gas pipelines.
- 3 Hong Kong is appointed the lead operator to build an integrated 5G radio system for the Hong Kong Convention and Exhibition Centre.
- A.S. Watson Group ("ASW") opens its 15,000th store globally in Malaysia's capital, Kuala Lumpur.
- Hutchison Ports signs Heads of Agreement with KA Petra Sdn Bhd to jointly develop the world's largest Ship-to-Ship Transfer Hub in Malaysia.
- Hutchison Ports signs a long-term commercial agreement with the Québec Port Authority and Canadian National Railway to build and operate a terminal with one of the world's smallest ecological footprint.
- PARKnSHOP Yonghui, the joint-venture company formed by ASW, Yonghui Superstore and Tencent, opens its first store in Guangzhou, China.
- Hutchison Ports Yantian West Port completes the upgrade of its berths 4 to 6, which are equipped with shore power supply for vessels.
- The Hongkong Electric Co, Ltd and Castle Peak Power Company Limited enter into an agreement with Shell Eastern Trading (Pte) Ltd for long-term liquefied natural gas supply for the Hong Kong Offshore Liquefied Natural Gas Terminal.
- Wind Tre and Fastweb announce a strategic agreement for the deployment of a nationwide state-of-the-art 5G network in Italy.
- UK Rails delivers a number of new trains to its customers as well as completes several major upgrades of its existing fleets.



July to December

- CK Hutchison Group Telecom Holdings is formed to consolidate the Group's European operations and Hutchison Telecommunications Hong Kong Holdings under one holding entity. It will also hold the Group's 28,500 European tower asset interests via a new telecom infrastructure company, CK Hutchison Networks Holdings.
- 3 UK introduces 5G home broadband service in London and will roll out across 25 cities in the UK throughout 2020 and beyond.
- Husky Energy Inc. ("Husky") commences production at its Dee Valley thermal project in Saskatchewan, Canada.
- 3 Austria makes its commercial 5G launch in Vienna.
- CK Life Sciences' Polynoma presents milestone interim clinical data from its Melanoma Antigen Vaccine Immunotherapy Study in the United States.
- Watsons opens its 3,900th store in Mainland China.
- Hutchison China MediTech's innovative oncology drug, Elunate® (fruquintinib capsule), has been included in the National Reimbursement Drug List in China.
- Husky completes the drilling and completion operations of the Liuhua 29-1 field at the Liwan Gas project in South China Sea, anticipating first Gas by the end of 2020.



Chairman's Statement

Global economic growth rates continued to be hampered by uncertainties surrounding geopolitical and economic risks in 2019. Consequently, externalities such as currency and commodity price volatility adversely impacted the Group's reported profitability. In particular major currencies such as GBP, EURO and RMB have all depreciated against last year by between 4% and 5%, and global crude oil benchmark prices continue to trend at low levels. However, excluding foreign currency translation impacts, the Group was able to maintain both healthy earnings growth and a solid financial profile in 2019, primarily due to well executed financial strategies that materially reduced the Group's debt financing costs for the year and will continue to benefit future periods.

On a Pre-IFRS 16 basis, EBITDA and EBIT decreased 1% and 2% respectively against last year in reported currency. Excluding the adverse translation exchange impacts, EBITDA and EBIT grew 2% and 1% respectively against last year 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 the Infrastructure division following divestiture in 2018 of economic benefits from the Group's direct interest in six co-owned infrastructure investments, as well as a disappointing performance by Husky Energy. EBITDA and EBIT also include a number of non-cash accounting elements recognised 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 the Group's partial disposal of its interests in October 2019. This gain was largely offset by the Group'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.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the year ended 31 December 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.

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. Earnings per share were HK\$10.33 for full year, an increase of 2%.

Dividend

The Board of Directors recommends a final dividend of HK\$2.30 per share (2018 final dividend - HK\$2.30 per share), payable on Friday, 29 May 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 20 May 2020, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK\$0.87 per share, the full year dividend amounts to HK\$3.17 per share (2018 full year dividend - HK\$3.17 per share).

Ports and Related Services

The ports and related services division handled 86.0 million twenty-foot equivalent units ("TEU") through 290 operating berths in 2019, a 2% growth compared to 2018. Higher volumes in Rotterdam in the Netherlands, Klang in Malaysia, Laem Chabang in Thailand, Dammam in Saudi Arabia and Freeport in Bahamas, were partly offset by lower volume in HPH Trust and Panama and the loss of throughput from Shantou International Container Terminals which was fully disposed of at the end of 2018. In reported currency, total revenue of HK\$35,375 million, EBITDA⁽¹⁾ of HK\$13,405 million and EBIT⁽¹⁾ 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 amortisation due to a concession extension.

The division's geographical diversity ensures that it remains resilient and competitive amidst the continuing uncertainties around trade tensions and the slower pace of global trade due to supply chain interruption in the Mainland as a result of the COVID-19 outbreak. The priorities of this division remain enhancing productivity and cost efficiency through technology initiatives, strengthening strategic partnerships and maintaining service quality excellence.

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$16,092 million; EBIT was HK\$10,216 million.

Retail

The Retail division had 15,794 stores across 25 markets at the end of 2019, a 5% increase compared to last year. In reported currency, total revenue of HK\$169,225 million was flat compared to last year but EBITDA⁽²⁾ and EBIT⁽²⁾ of HK\$16,891 million and HK\$13,671 million increased by 4% and 5% respectively 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, total revenue, EBITDA and EBIT increased by 4%, 4% and 3% respectively in local currencies, primarily reflecting steady growth in the Health and Beauty segment through organic expansion of the store portfolio, enhancing digital retail experiences both in store and online, improving margins through own brand and exclusives offerings, and increasing customer connectivity with its 137 million expanding Health and Beauty loyalty member base.

The Health and Beauty segment, which represented 84% of the Retail division's revenue in 2019, reported total sales growth in local currencies of 6% from a 5% increase in store numbers and a 2.4% growth in comparable stores sales. In local currencies, EBITDA and EBIT increased by 5% and 4% respectively against last year.

Health and Beauty operations in Asia delivered a strong EBITDA growth of 7% in local currencies. Excluding the poor performance of Watsons Hong Kong, EBITDA increased by 14% in local currencies arising from an 8% increase in store numbers and a comparable stores sales uplift of 8.8%, primarily in Malaysia, Philippines and Thailand. Health and Beauty China maintained a healthy EBITDA margin and recorded a 3% growth in EBITDA in local currency. Comparable store sales growth has improved during the year to 2.0% with higher online sales participation in 2019. Health and Beauty China also continued to expand its store portfolio, with a net increase of 339 stores in 2019. Health and Beauty operations in Europe also delivered a strong EBITDA growth of 5% in local currencies from a 3% increase in store numbers and a 2.1% growth in comparable stores sales.

Although the second half of 2019 was particularly challenging for operations in Hong Kong, these only represented 2.6% of the Retail division's EBITDA in 2019. Excluding the Hong Kong contribution, the underlying EBITDA and EBIT performance⁽³⁾ of the division in local currencies were 6% and 5% higher than last year. In the first half of 2020, operations in Hong Kong are expected to continue to be under pressure while Health and Beauty China operations will be adversely affected by business interruptions in the Mainland due to the COVID-19 outbreak. Geographical diversity, strong partner relationships and a loyal member base are the key strengths in maintaining sustainable profitability by this division.

Infrastructure

The Infrastructure division comprises a 75.67%⁽⁴⁾ interest in CK Infrastructure Holdings Limited ("CKI"), a subsidiary listed in Hong Kong as well as 10% of the economic benefits deriving from the Group's direct holdings in six co-owned infrastructure investments with CKI. Under Economic Benefits Agreements entered into in October 2018, the remaining 90% of the economic benefits deriving from these holdings were assigned to CK Asset Holdings Limited ("CKA"), CKI and Power Assets.

Total EBITDA⁽⁵⁾ and EBIT⁽⁵⁾ of this division of HK\$28,488 million and HK\$19,220 million respectively were both 20% lower than 2018 in reported currency, mainly due to adverse foreign currency translation impacts, the full year impact of the disposal of the six co-owned investments mentioned above, the loss on partial disposal of 2.05% interests in Power Assets of HK\$302 million⁽⁶⁾ 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 or distributions. In local currencies, EBITDA and EBIT decreased by 15% and 16% respectively against 2018.

The Group completed the supplemental arrangements with CKA, CKI and Power Assets during the year to effectively transfer to the respective parties their proportionate voting rights of the co-owned investments in Europe and Canada. The co-owned subsidiaries ceased to be consolidated by the Group by end of 2019 with no gain or loss recognised on deconsolidation.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$27,023 million; EBIT was HK\$14,705 million.

Note 3: Excluding the one-off gain on formation of joint venture with Yonghui and Tencent.

Note 4: Based on the Group's profit sharing ratio in CKI.

Note 5: Under Post-IFRS 16 basis, EBITDA was HK\$28,751 million; EBIT was HK\$19,259 million.

Note 6: As the Group rebased Power Assets' assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI resulted in a loss on disposal in the Group's reported results.

Chairman's Statement

CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK\$10,506 million, 1% higher than 2018. If exchange currency movements on translation are removed, net profit attributable to shareholders increased 6% against last year. A number of CKI's regulated businesses will go through tariff resets during the period between 2020 and 2023, including Northumbrian Water in the UK and SA Power Networks in Australia, which are scheduled to enter new regulatory regime from April and July 2020 respectively. Lower allowable returns under the low interest rate environment and the stringent regulatory stance are expected to pose challenges to CKI's businesses and will inevitably result in lower revenues. The priority of CKI is to continue to preserve an optimal balance between continued earnings growth and a comfortable gearing position under strict investment disciplines.

Husky Energy

Husky Energy ("Husky"), our associated company listed in Canada, announced Post-IFRS 16 net earnings before the one-time non-cash impairment and other charges in the fourth quarter of 2019, of C\$976 million, 33% below prior year. This poor performance resulted from lower Upstream earnings which was adversely impacted by the tightening of location differentials between Canada and the US despite the higher crude and natural gas liquids ("NGL") realised prices, as well as lower Downstream performance due to narrower heavy-light differentials, and lower throughput in US refinery segment. The Lima Refinery's production was suspended during fourth quarter of 2019 for facility upgrade which will increase the slate of the heavy crudes in refinery processes as well as increasing crude refining capacity.

Due to lower long-term commodity price assumptions and reductions in planned future capital spending, Husky has recognised a one-time non-cash before-tax impairment and other charges of C\$3.1 billion, 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 the Group rebased certain of these assets to their fair values in the 2015 Reorganisation, the Group's share of these charges, after consolidation adjustments, of HK\$5,983 million was included under the Group's EBITDA and EBIT results. Excluding this one-off item, the Group's share of EBITDA⁽⁷⁾ and EBIT⁽⁷⁾ 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.

Average production for 2019 was 290,000 barrels of oil equivalent per day ("boe/day"), 3% below 2018 average production of 299,200 boe/day. The decrease was primarily due to 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 the year. The decreases were partly offset by increased bitumen production from the thermal projects in Western Canada. During 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.

Husky's 2019 full year dividend amounted to C\$0.50 per common share, 11% above C\$0.45 per common share in 2018. Husky will continue to focus on safe and reliable operations and work towards to become a global top-quartile process safety performer, as well as achieving greater cost and capital efficiencies.

CKH Group Telecom

In July 2019, the Group formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings, which consolidates the Group'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 significant interest cost savings from 2020 onwards. Total revenue, EBITDA⁽⁸⁾ and EBIT⁽⁸⁾ 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.

Note 7: Under Post-IFRS 16 basis and before the Group's share of impairment and other charges after consolidation adjustments, the Group's share of EBITDA was HK\$9,463 million; EBIT was HK\$3,009 million.

Note 8: Under Post-IFRS 16 basis, EBITDA was HK\$42,417 million; EBIT was HK\$21,987 million.

3 Group Europe

As at 31 December 2019, 3 Group Europe's active customer base stands at 40.6 million, 5% lower against 2018 mainly from a lower Wind Tre base, partly offset by net additions in other operations.

3 Group Europe's revenue, EBITDA⁽⁹⁾ and EBIT⁽⁹⁾ of HK\$87,516 million, HK\$33,511 million and HK\$20,112 million were 17%, 21% and 18% higher against 2018 respectively 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 network consolidation and modernisation completed, higher than planned synergy realisations, churn reduction and stabilising ARPU. Overall 3 Group Europe continued to report a healthy EBITDA margin of 45%, a 2%-point growth compared to 2018.

Members of 3 Group Europe are in varying stages of introducing 5G capabilities, with strong network and spectrum assets available to support development of emerging 5G opportunities.

The structural separation to form a new telecommunication infrastructure company, CK Hutchison Networks, which will group the 28,500 tower asset interests⁽¹⁰⁾ of 3 Group Europe into a separately managed wholly-owned subsidiary of CKH Group Telecom, is progressing well and expected to be completed by mid-2020. The new company enables an effective management of these infrastructure-like assets across the European operations and provides optionality for CKH Group Telecom to rationalise and optimise capital efficiency going forward.

Hutchison Telecommunications Hong Kong

HTHKH, our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced Post-IFRS 16 profit attributable to shareholders of HK\$429 million and earnings per share of 8.90 HK cents. As of 31 December 2019, HTHKH had approximately 3.7 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2019, Hutchison Asia Telecommunications ("HAT") had approximately 45.5 million active customer accounts, 9% lower than 2018. HAT's Indonesian operation was adversely impacted by the government imposed subscriber registration requirements since May 2018 but has returned to active customer growth, reporting a 2% increase in the second half of 2019.

HAT reported revenue, EBITDA⁽¹¹⁾ and EBIT⁽¹¹⁾ of HK\$8,984 million, HK\$2,167 million and HK\$1,055 million respectively, representing 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 solid margin growth and year-on-year performance improvement. The Sri Lankan operation, which was adversely impacted by the Easter terrorist's attacks in 2019, continued to focus on improving its network through network integration and 4G network rollout.

HAT's EBITDA growth was partly offset by higher depreciation and amortisation with network rollouts advancing in all operations. In local currencies, revenue, EBITDA and EBIT increased 9%, 108% and 218% respectively compared to 2018.

Network improvement and enhancement plans will continue and are expected to be largely completed in 2020. With stronger networks supporting strategic sales and promotion offers in its markets, HAT expects to achieve sustainable growth in 2020.

Note 9: Under Post-IFRS 16 basis, EBITDA was HK\$40,126 million; EBIT was HK\$20,952 million.

Note 10: CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.

Note 11: Under Post-IFRS 16 basis, EBITDA was HK\$4,328 million; EBIT was HK\$2,032 million.

Finance & Investments and Others

As at 31 December 2019, the Group's consolidated cash and liquid investments totalled HK\$144,849 million and consolidated total bank and other debts⁽¹²⁾ amounted to HK\$347,726 million, resulting in consolidated net debt⁽¹²⁾ of HK\$202,877 million and net debt to net total capital ratio⁽¹²⁾ of 24.8% (31 December 2018 – 26.0%).

During 2019, the Group partially disposed of its interest in Hutchison China MediTech Limited for cash proceeds totalling US\$310 million (approximately HK\$2,400 million), reducing the Group's shareholding from 60.15% to 49.86%. This resulted in a one-off disposal gain of approximately HK\$6,885 million recognised within this segment arising from the derecognition of Hutchison China MediTech Limited as a subsidiary to an associated company.

In August 2018, the Group's 50% joint venture, Vodafone Hutchison Australia Pty Limited ("VHA") entered into an agreement with TPG Telecom Limited ("TPG") for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia. In February 2020, the Australian Federal Court has ruled to approve the merger and rejected the opposition from the Australian Competition and Consumer Commission. The merger is expected to complete in mid-2020, subject to the remaining regulatory approvals.

Outlook

The outbreak and rapid spreading of COVID-19 across continents and the slump in crude oil prices as a result of the recent price war have created unprecedented risks and challenges to the global economy. The trading environment in the Mainland as well as the majority of other countries will become very challenging, severely impacting various businesses and industries. Together with Brexit uncertainties, social unrest in different countries, geopolitical and trade tensions, all will continue to weigh heavily on the global economy.

With various adversities and challenges in the current market conditions, the Group's operations in the year ahead will inevitably be impacted. On a positive note, the Group's telecommunication businesses are expected to be less affected amongst core segments of the Group, and barring any unforeseen circumstances, the outlook for this business will remain positive. The Group will continue to focus and rely on its key strengths of resilience, business and geographical diversities and strong financial fundamentals to deliver a solid and stable performance in 2020.

I would like to thank the Board of Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

Victor T K Li
Chairman

Hong Kong, 19 March 2020

Note 12: 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 debt is defined as total bank and other debts less total cash, liquid funds and other listed investments. 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, is 25.3%.

Operations Review

Results Highlights for the year ended 31 December 2019

Post-IFRS 16 ⁽¹⁾ Basis				
	2019 HK\$ million	2018 HK\$ million	Local currencies change	Reported currency change
Total Revenue ⁽²⁾	439,856	453,230	+1%	-3%
Total EBITDA ⁽²⁾	136,049	113,580	+24%	+20%
Total EBIT ⁽²⁾	75,344	72,885	+7%	+3%
Profit attributable to ordinary shareholders	39,830	39,000	+6%	+2%
Earnings per share ⁽³⁾	HK\$10.33	HK\$10.11		+2%
Final dividend per share	HK\$2.30	HK\$2.30		—
Full year dividend per share	HK\$3.17	HK\$3.17		—

Pre-IFRS 16 ⁽¹⁾ Basis				
	2019 HK\$ million	2018 HK\$ million	Local currencies change	Reported currency change
Total Revenue ⁽²⁾	439,856	453,230	+1%	-3%
Total EBITDA ⁽²⁾	112,068	113,580	+2%	-1%
Total EBIT ⁽²⁾	71,108	72,885	+1%	-2%
Profit attributable to ordinary shareholders	39,888	39,000	+6%	+2%

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 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 year 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 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 and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items, 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.

Note 3: Earnings per share for the years ended 31 December 2019 and 2018 is calculated based on profit attributable to ordinary shareholders and CKHH's weighted average number of shares outstanding during the years of 3,856,240,500 and 3,857,216,697 respectively.

Financial Performance Summary

	Pre-IFRS 16 ⁽¹⁾ 2019		2018		Change	Local currencies change
	HK\$ million	%	HK\$ million	%	%	%
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%	5%
Retail	169,225	38%	168,991	37%	—	4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%	-17%
<i>CK Infrastructure</i>	<i>49,818</i>	<i>11%</i>	<i>53,274</i>	<i>12%</i>	<i>-6%</i>	<i>-2%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>1,373</i>	<i>1%</i>	<i>11,450</i>	<i>2%</i>	<i>-88%</i>	<i>-87%</i>
Husky Energy	47,618	11%	54,251	12%	-12%	-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%	12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%	9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%	1%
Total Revenue	439,856	100%	453,230	100%	-3%	1%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	13,405	12%	13,392	12%	—	3%
Retail	16,891	15%	16,164	14%	4%	8%
Infrastructure ⁽³⁾	28,488	25%	35,422	31%	-20%	-15%
<i>CK Infrastructure</i>	<i>27,855</i>	<i>25%</i>	<i>29,406</i>	<i>26%</i>	<i>-5%</i>	<i>—</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>633</i>	<i>—</i>	<i>6,016</i>	<i>5%</i>	<i>-89%</i>	<i>-89%</i>
Husky Energy	3,139	3%	12,106	11%	-74%	-72%
<i>Underlying</i>	<i>9,122</i>	<i>8%</i>	<i>12,106</i>	<i>11%</i>	<i>-25%</i>	<i>-23%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-5%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	35,341	32%	30,357	27%	16%	21%
Hutchison Asia Telecommunications	2,167	2%	1,028	1%	111%	108%
Finance & Investments and Others ⁽⁵⁾	12,637	11%	5,111	4%	147%	152%
Total EBITDA	112,068	100%	113,580	100%	-1%	2%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	9,061	13%	8,726	12%	4%	7%
Retail	13,671	19%	13,078	18%	5%	8%
Infrastructure ⁽³⁾	19,220	27%	24,038	33%	-20%	-16%
<i>CK Infrastructure</i>	<i>18,829</i>	<i>26%</i>	<i>20,076</i>	<i>28%</i>	<i>-6%</i>	<i>-1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>391</i>	<i>1%</i>	<i>3,962</i>	<i>5%</i>	<i>-90%</i>	<i>-90%</i>
Husky Energy	(3,004)	-4%	5,742	8%	-152%	-151%
<i>Underlying</i>	<i>2,979</i>	<i>4%</i>	<i>5,742</i>	<i>8%</i>	<i>-48%</i>	<i>-47%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-8%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	21,131	30%	18,409	25%	15%	19%
Hutchison Asia Telecommunications	1,055	1%	321	—	229%	218%
Finance & Investments and Others ⁽⁵⁾	9,974	14%	2,571	4%	288%	289%
Total EBIT	71,108	100%	72,885	100%	-2%	1%
Interest expenses and other finance costs ⁽²⁾	(15,657)		(18,025)		13%	
Profit Before Tax	55,451		54,860		1%	
Tax ⁽²⁾						
Current tax	(7,814)		(7,795)		—	
Deferred tax	113		(283)		140%	
	(7,701)		(8,078)		5%	
Profit after tax	47,750		46,782		2%	
Non-controlling interests and perpetual capital securities holders' interests	(7,862)		(7,782)		-1%	
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,888		39,000		2%	6%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this Annual Report interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on a IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior period results, and better reflects management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and perpetual capital securities holders' interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended 31 December 2019. Unless otherwise specified, the discussion of the Group's operating results in this Annual Report is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Co-owned infrastructure investments with CKI P&L figures for the year ended 31 December 2019 represent the Group's share of results on the remaining 10% direct interest in these investments. The P&L figures for year ended 31 December 2018 represent 10 months of the Group's direct interest in these investments and remaining 10% direct interest in these investments from November 2018 onwards.

Note 4: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

Note 5: Revenue of HK\$410 million, EBITDA of HK\$225 million and EBIT of HK\$193 million in 2018 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the 2019 presentation.

	Post-IFRS 16 ⁽¹⁾ 2019		2018		Change	Local currencies change
	HK\$ million	%	HK\$ million	%	%	%
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	35,375	8%	35,175	8%	1%	5%
Retail	169,225	38%	168,991	37%	—	4%
Infrastructure ⁽³⁾	51,191	12%	64,724	14%	-21%	-17%
<i>CK Infrastructure</i>	<i>49,818</i>	<i>11%</i>	<i>53,274</i>	<i>12%</i>	<i>-6%</i>	<i>-2%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>1,373</i>	<i>1%</i>	<i>11,450</i>	<i>2%</i>	<i>-88%</i>	<i>-87%</i>
Husky Energy	47,618	11%	54,251	12%	-12%	-10%
CKH Group Telecom ⁽⁵⁾	93,517	21%	86,733	19%	8%	12%
Hutchison Asia Telecommunications	8,984	2%	8,220	2%	9%	9%
Finance & Investments and Others ⁽⁵⁾	33,946	8%	35,136	8%	-3%	1%
Total Revenue	439,856	100%	453,230	100%	-3%	1%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	16,092	12%	13,392	12%	20%	23%
Retail	27,023	20%	16,164	14%	67%	71%
Infrastructure ⁽³⁾	28,751	21%	35,422	31%	-19%	-15%
<i>CK Infrastructure</i>	<i>28,118</i>	<i>21%</i>	<i>29,406</i>	<i>26%</i>	<i>-4%</i>	<i>1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>633</i>	<i>—</i>	<i>6,016</i>	<i>5%</i>	<i>-89%</i>	<i>-89%</i>
Husky Energy	3,480	3%	12,106	11%	-71%	-69%
<i>Underlying</i>	<i>9,463</i>	<i>7%</i>	<i>12,106</i>	<i>11%</i>	<i>-22%</i>	<i>-20%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-4%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
CKH Group Telecom ⁽⁵⁾	42,417	31%	30,357	27%	40%	44%
Hutchison Asia Telecommunications	4,328	3%	1,028	1%	321%	318%
Finance & Investments and Others ⁽⁵⁾	13,958	10%	5,111	4%	173%	177%
Total EBITDA	136,049	100%	113,580	100%	20%	24%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	10,216	14%	8,726	12%	17%	20%
Retail	14,705	19%	13,078	18%	12%	16%
Infrastructure ⁽³⁾	19,259	26%	24,038	33%	-20%	-16%
<i>CK Infrastructure</i>	<i>18,868</i>	<i>25%</i>	<i>20,076</i>	<i>28%</i>	<i>-6%</i>	<i>-1%</i>
<i>Co-owned infrastructure investments⁽³⁾</i>	<i>391</i>	<i>1%</i>	<i>3,962</i>	<i>5%</i>	<i>-90%</i>	<i>-90%</i>
Husky Energy	(2,974)	-4%	5,742	8%	-152%	-150%
<i>Underlying</i>	<i>3,009</i>	<i>4%</i>	<i>5,742</i>	<i>8%</i>	<i>-48%</i>	<i>-46%</i>
<i>One-off impairment and other charges⁽⁴⁾</i>	<i>(5,983)</i>	<i>-8%</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
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.

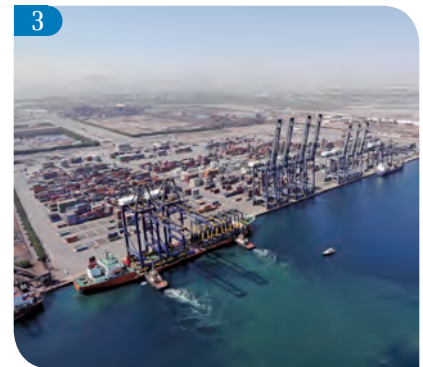
Note 4: Represents the Group's share of Husky's impairment and other charges after consolidation adjustments.

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.



Ports and Related Services

Terminal D at Laem Chabang Port is the latest facility at Hutchison Ports Thailand, which is fully equipped with remote control technology for all of its quay cranes and yard side rubber-tired gantry cranes.



1. The expansion of West Port Berths 4 to 6 at Hutchison Ports Yantian is equipped with shore power supply for container vessels.
2. Hutchison Ports Dammam achieves new milestone, having handled over 23 million TEU since operation.
3. Two new remote-controlled quay cranes and six automated rubber-tyred gantry cranes arrive at Hutchison Ports Sohar to boost operational efficiency.
4. Hutchison Ports BEST is the first semi-automated terminal in the Hutchison Ports Group and the biggest on-dock railway terminal of any port in the Mediterranean, connecting traffic to Southern Europe.
5. Hutchison Ports HIT continues to upgrade its facilities to cope with the mega vessels' needs.

Operations Review – Ports and Related Services

This division is the world's leading port network, and has interests in 52 ports comprising 290 operational berths in 27 countries.

Group Performance

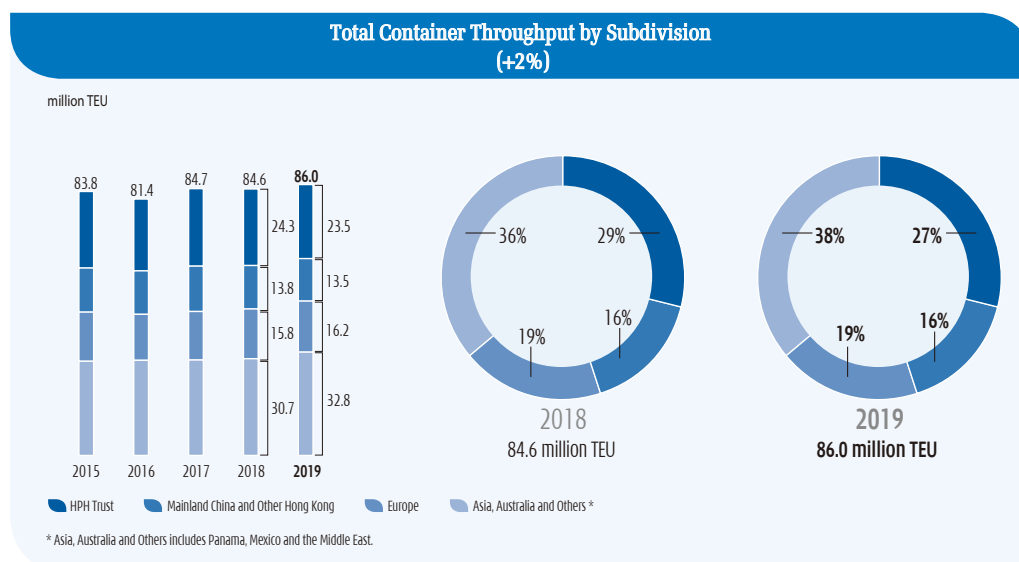
The Group operates container terminals in six of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 86.0 million twenty-foot equivalent units ("TEU") in 2019.

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue ⁽¹⁾	35,375	35,175	+1%	+5%
EBITDA ^{(1) (2)}	13,405	13,392	+0.1%	+3%
EBIT ^{(1) (2)}	9,061	8,726	+4%	+7%
Throughput (million TEU)	86.0	84.6	+2%	
Number of berths	290	288	+2 berths	

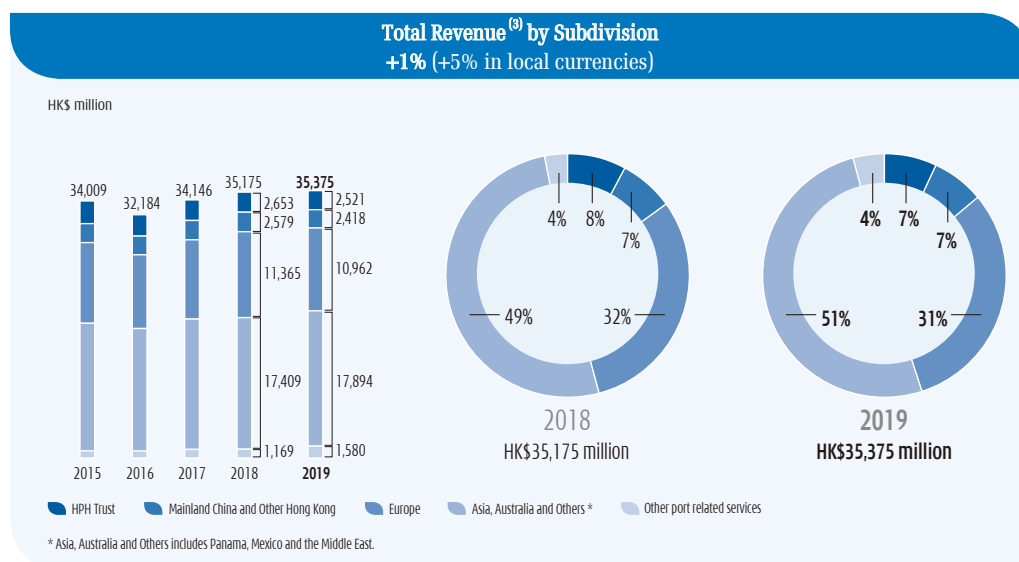
Note 1: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$16,092 million; EBIT was HK\$10,216 million.

Overall throughput increased 2% to 86.0 million TEU in 2019, with growth in Europe (mainly Rotterdam in the Netherlands) and Asia, Australia and others (mainly Klang in Malaysia, Laem Chabang in Thailand, Dammam in Saudi Arabia and resumption of trade volumes at Freeport in Bahamas, partly offset by Panama's intense competition), being partly offset by lower throughput in the Mainland (mainly due to disposal of Shantou International Container Terminals at the end of 2018) and in HPH Trust which has been affected by the decrease in outbound cargoes to the US, partly offset by growth in outbound European cargoes.

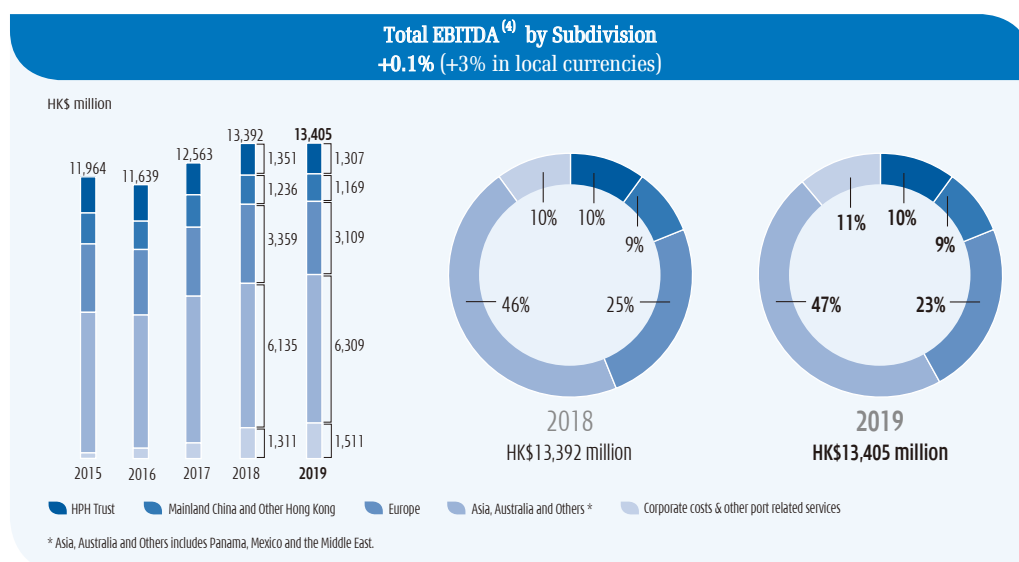


Total reported revenue increased 1% to HK\$35,375 million in 2019 driven primarily by throughput growth in Thailand and Dammam and better performances in Pakistan and Mexico, partly offset by weaker performances in Shanghai from keen competition and Ajman from adverse product mix driven by local demand, reduced throughput in Panama and Kwai Tsing of HPH Trust as mentioned earlier and loss of contribution from Shantou International Container Terminals.



Note 3: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

In reported currency, EBITDA increased 0.1% to HK\$13,405 million and EBIT increased 4% to HK\$9,061 million against 2018, mainly due to higher revenue, disciplined cost controls across all business units and lower depreciation due to a concession extension as well as higher income from certain strategic investments. These improvements were partly offset by adverse foreign currency translation impacts. 2018 results also included a pre-tax gain of approximately HK\$914 million from the division's disposal of its 70% interest in Shantou International Container Terminals.



Note 4: Total EBITDA has been adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

As at 31 December 2019, the division had 290 operating berths⁽⁵⁾, two berths more than 2018, with new berths commencing operations in Laem Chabang.

Note 5: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Segment Performance

HPH Trust

	2019 HK\$ million	2018 HK\$ million	Change
Total Revenue ⁽⁶⁾	2,521	2,653	-5%
EBITDA ⁽⁶⁾	1,307	1,351	-3%
EBIT ⁽⁶⁾	589	627	-6%
Throughput (million TEU)	23.5	24.3	-3%
Number of berths	52	52	—

Note 6: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput decreased 3% and total revenue of the ports operated by HPH Trust decreased 5%. This was mainly attributable to lower intra-Asia cargoes and transshipment volume in Hong Kong together with decrease in US cargoes as a result of trade tensions, partly offset by growth in empty and transshipment cargoes at Yantian. The Group's share of EBITDA and EBIT were 3% and 6% lower respectively due to the decrease in revenue, partly offset by the impact of cost control initiatives and synergies arising from the Hong Kong Seaport Joint Operating Alliance arrangement implemented in 2019.

Mainland China and Other Hong Kong

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	2,418	2,579	-6%	-3%
EBITDA	1,169	1,236	-5%	-2%
EBIT	908	966	-6%	-2%
Throughput (million TEU)	13.5	13.8	-2%	
Number of berths	42	42	—	

The Mainland China and other Hong Kong segment's revenue, EBITDA and EBIT decline was mainly attributable to the loss of throughput from Shantou International Container Terminals and weaker performance in Shanghai from intense competition with higher margin cargoes diverted to neighbouring terminals.

Europe

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	10,962	11,365	-4%	+2%
EBITDA	3,109	3,359	-7%	-3%
EBIT	2,098	2,319	-10%	-5%
Throughput (million TEU)	16.2	15.8	+2%	
Number of berths	61	61	—	

Adverse exchange rate movements resulted in a decline in the contribution from the European segment during 2019. In local currencies, total revenue increased by 2% primarily due to the higher throughput in the region. EBITDA and EBIT decreased by 3% and 5% respectively in local currencies mainly due to higher mix of low margin throughput and higher depreciation charge from ongoing capital investments, partly offset by better performance in Rotterdam from organic growth and in the UK from improved operational efficiency.

Asia, Australia and Others

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	17,894	17,409	+3%	+7%
EBITDA	6,309	6,135	+3%	+6%
EBIT	4,117	3,714	+11%	+15%
Throughput (million TEU)	32.8	30.7	+7%	
Number of berths	135	133	+2 berths	

The growth in total revenue, EBITDA and EBIT was mainly driven by throughput growth in Dammam and Mexico, recovery of handling capacity from hurricane damage at the Bahamas, improved performances in Pakistan and Alexandria and lower depreciation from a concession extension. This is partly offset by fierce competition in Panama and Ajman and adverse foreign exchange impacts.



Retail



1. Watsons launches in Vietnam, opening its first flagship store in Ho Chi Minh City.
2. The new concept store of Kruidvat in Rijswijk, the Netherlands provides a worldwide selection of health and beauty products and convenient self-checkout counters to enhance customers' shopping experience.
3. Drogas has opened in Riga, Latvia a new concept store equipped with easy-to-navigate zones and extra services to help customer locate the right products.
4. With approximately 800 stores in the UK and Ireland, Superdrug is a fashion-led retailer providing a wide range of health and beauty products.
5. Rossmann operates over 4,000 stores in Germany, Poland, Hungary, Czech Republic, Turkey and Albania.

Operations Review – 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 138 million loyalty member base.

Group Performance

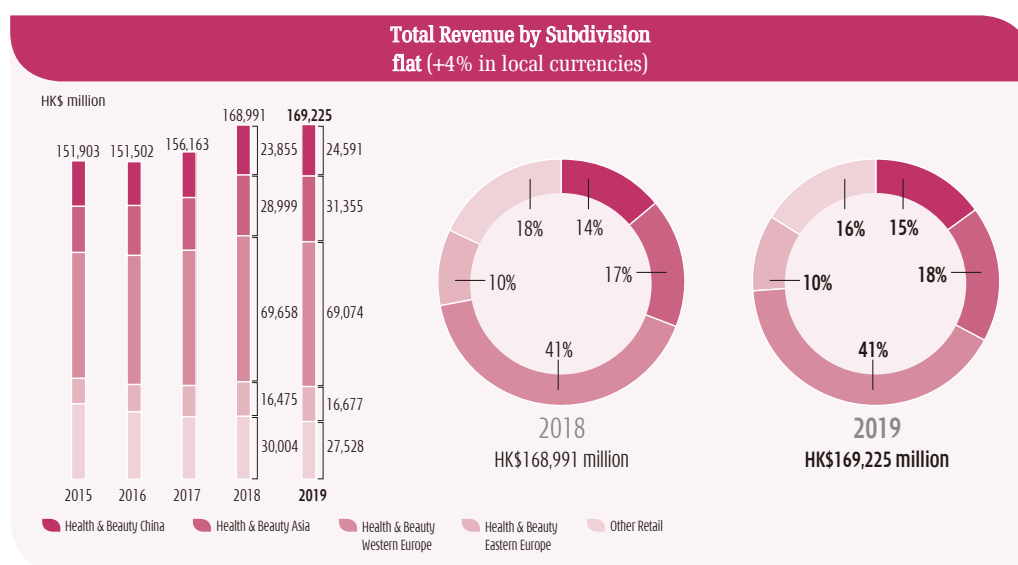
ASW operated 12 retail brands with 15,794 stores in 25 markets worldwide in 2019, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	169,225	168,991	—	+4%
EBITDA ⁽¹⁾	16,891	16,164	+4%	+8%
EBIT ⁽¹⁾	13,671	13,078	+5%	+8%
Store Numbers	15,794	14,976	+5%	

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$27,023 million; EBIT was HK\$14,705 million.

Total reported revenue was flat against last year, mainly due to a 5% increase in store numbers, primarily in Health and Beauty China and Asia, as well as an overall 1.2% comparable stores sales growth, offset by the challenging trading environment in Hong Kong in the second half of 2019, and the adverse foreign currency translation impacts. In local currencies, total revenue increased by 4% against last year.

Health & Beauty Loyalty members’ participation & Exclusives sales contribution	2019	2018
Total loyalty members in Health & Beauty division (million)	137	132
Loyalty members’ sale participation (%)	62%	62%
Exclusives sales contribution to total H&B sales (%)	35%	34%



The Health and Beauty subdivision currently has 137 million loyalty members with 62% of total revenue being generated by these loyalty members during 2019. Higher margin own brand and exclusives sales contributed 35% of total Health and Beauty sales (2018: 34%).

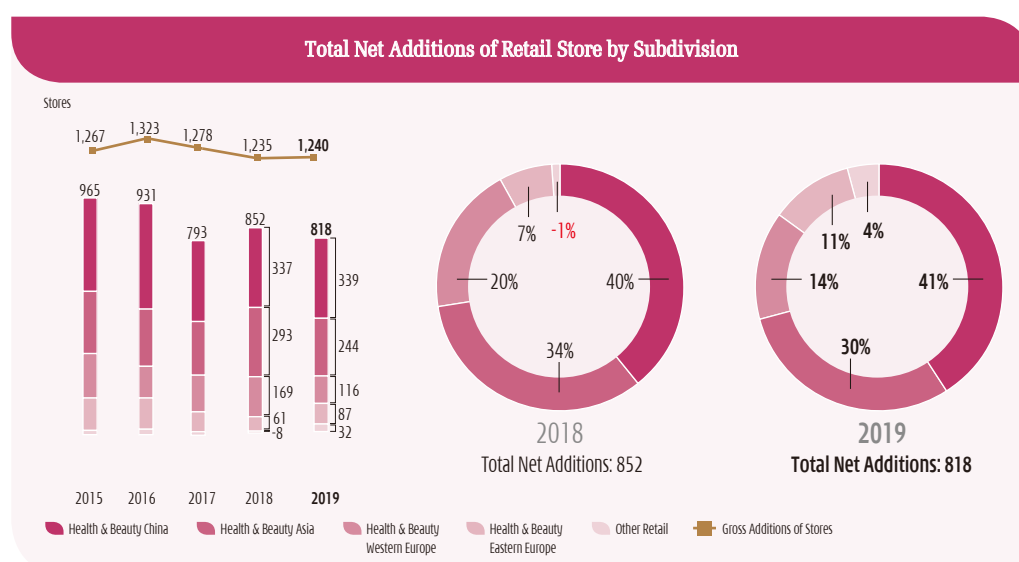
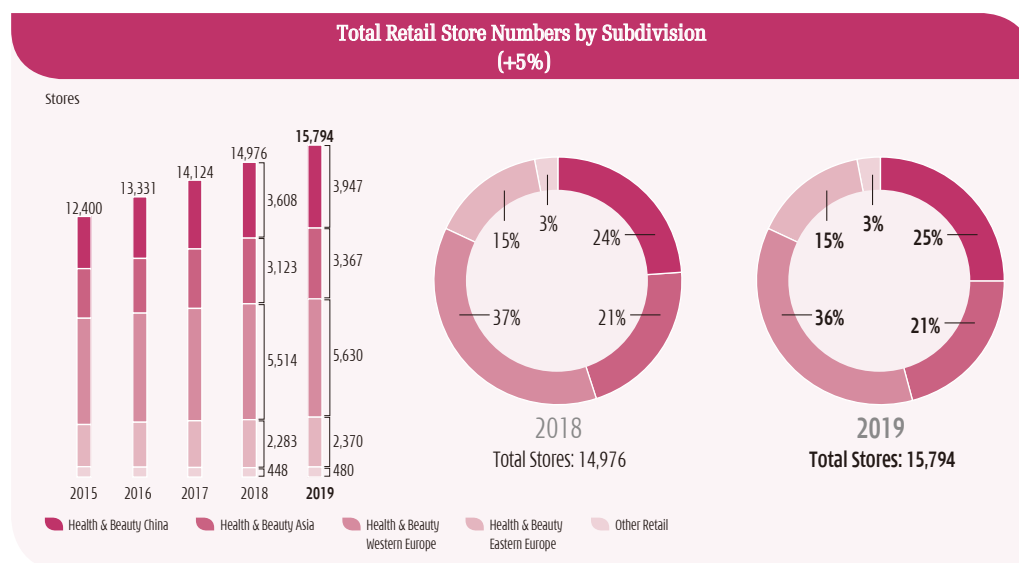
Total Revenue	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Health & Beauty China	24,591	23,855	+3%	+7%
Health & Beauty Asia	31,355	28,999	+8%	+9%
Health & Beauty China & Asia Subtotal	55,946	52,854	+6%	+8%
Health & Beauty Western Europe	69,074	69,658	-1%	+4%
Health & Beauty Eastern Europe	16,677	16,475	+1%	+7%
Health & Beauty Europe Subtotal	85,751	86,133	—	+5%
Health & Beauty Subtotal	141,697	138,987	+2%	+6%
Other Retail ⁽²⁾	27,528	30,004	-8%	-8%
Total Retail	169,225	168,991	—	+4%

Comparable Stores Sales Growth (%) ⁽³⁾	2019	2018
Health & Beauty China	+2.0%	-1.6%
Health & Beauty China (adjusted to include loyalty members' sales recovered in proximate new stores)	+5.5%	+2.1%
Health & Beauty Asia	+4.0%	+7.1%
Health & Beauty China & Asia Subtotal	+3.1%	+3.1%
Health & Beauty Western Europe	+1.9%	+1.3%
Health & Beauty Eastern Europe	+2.9%	+2.9%
Health & Beauty Europe Subtotal	+2.1%	+1.6%
Health & Beauty Subtotal	+2.4%	+2.1%
Other Retail ⁽²⁾	-6.7%	+1.4%
Total Retail	+1.2%	+2.0%

Note 2: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

Note 3: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Group Performance (continued)

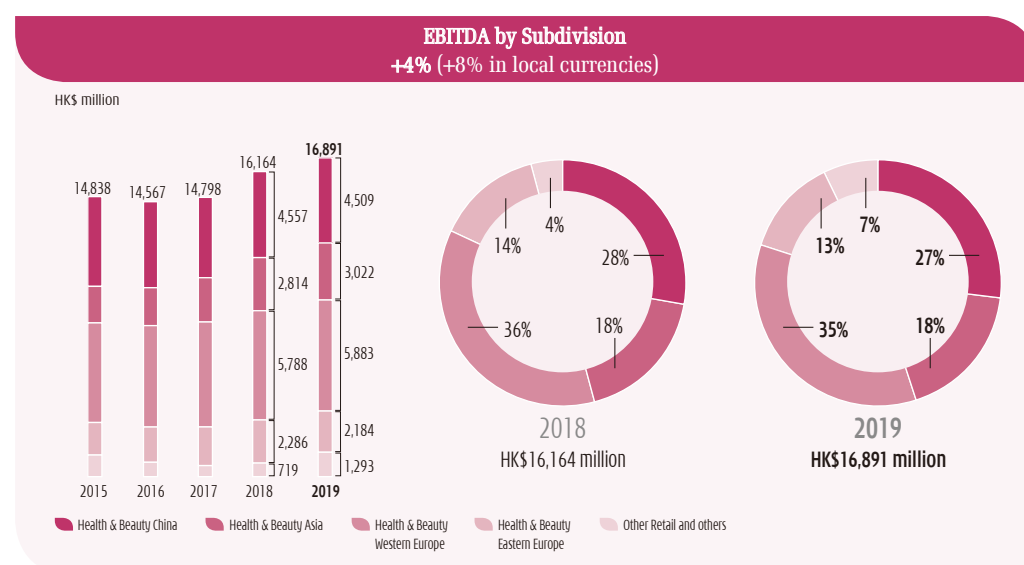


Store Numbers	2019	2018	Change
Health & Beauty China	3,947	3,608	+9%
Health & Beauty Asia	3,367	3,123	+8%
Health & Beauty China & Asia Subtotal	7,314	6,731	+9%
Health & Beauty Western Europe	5,630	5,514	+2%
Health & Beauty Eastern Europe	2,370	2,283	+4%
Health & Beauty Europe Subtotal	8,000	7,797	+3%
Health & Beauty Subtotal	15,314	14,528	+5%
Other Retail ⁽⁴⁾	480	448	+7%
Total Retail	15,794	14,976	+5%

Note 4: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The Retail division's EBITDA and EBIT increased by 4% and 5% respectively in reported currency against 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, EBITDA and EBIT increased by 4% and 3% respectively in local currencies, primarily reflecting steady growth in the Health and Beauty subdivision.

Although the second half of 2019 was particularly challenging for operations in Hong Kong, these only represented 2.6% of the Retail division's EBITDA in 2019. Excluding the Hong Kong contribution and the aforementioned one-off gain, the underlying EBITDA and EBIT performance of the division in local currencies were 6% and 5% higher than last year.



EBITDA	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Health & Beauty China	4,509	4,557	-1%	+3%
Health & Beauty Asia	3,022	2,814	+7%	+7%
Health & Beauty China & Asia Subtotal	7,531	7,371	+2%	+5%
Health & Beauty Western Europe	5,883	5,788	+2%	+6%
Health & Beauty Eastern Europe	2,184	2,286	-4%	+1%
Health & Beauty Europe Subtotal	8,067	8,074	—	+5%
Health & Beauty Subtotal	15,598	15,445	+1%	+5%
Other Retail ⁽⁵⁾ and others	1,293	719	+80%	+79%
Total Retail	16,891	16,164	+4%	+8%

Note 5: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The Health and Beauty subdivision, which represented 84% and 92% of the division's revenue and EBITDA respectively, grew revenue and EBITDA by 6% and 5% respectively in local currencies. The Health and Beauty subdivision continued to expand its portfolio with 786 net addition of stores. The quality of new store openings remains high with an average new store cash payback period within 13 months. The average capex per new store for the Health and Beauty subdivision was HK\$1.0 million (2018: HK\$0.9 million). The division opened its first flagship store in Ho Chi Minh City, Vietnam, in January 2019 which is the 25th operating market of the division.

Segment Performance

Health and Beauty China

	2019 HK\$ million	2018 HK\$ million	Change	Local currency change
Total Revenue	24,591	23,855	+3%	+7%
EBITDA <i>EBITDA Margin %</i>	4,509 18%	4,557 19%	-1%	+3%
EBIT <i>EBIT Margin %</i>	3,736 15%	3,846 16%	-3%	+1%
Store Numbers	3,947	3,608	+9%	
Comparable Stores Sales Growth (%)	+2.0%	-1.6%		
Comparable Stores Sales Growth (%) (adjusted to include loyalty members' sales recovered in proximate new stores) ⁽⁶⁾	+5.5%	+2.1%		

Note 6: Recovery of sales is measured by tracking the operation's extensive CRM customer base sales performances.

The Watsons business continued to be the leading health and beauty retail chain in the Mainland. Total revenue increased by 7% in local currency arising from a 9% increase in store numbers, as well as the turnaround of comparable stores sales in mature stores from a decline of negative 1.6% for 2018 to a positive growth of 2.0% for 2019, following the on-going integration of the online and offline platforms and enhanced operational strategies. Taking into account the CRM sales recovery of new stores opened in the proximity of mature stores, the comparable stores sales was a positive growth of 5.5% for 2019.

EBITDA and EBIT increased by 3% and 1% in local currency respectively in 2019. The growth was primarily driven by favourable revenue performances partly offset by higher overall store operating cost base from inflation. EBITDA margin remained strong at 18%.

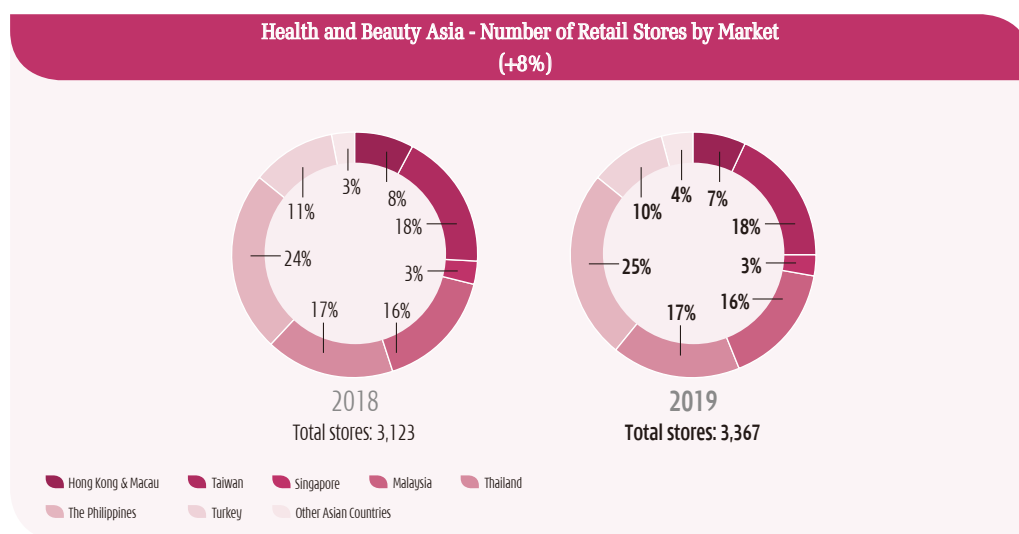
Health and Beauty China increased its total net number of stores by 339 during the year and had more than 3,900 stores operating in 483 cities in the Mainland as at year end.

Health and Beauty Asia

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	31,355	28,999	+8%	+9%
EBITDA <i>EBITDA Margin %</i>	3,022 10%	2,814 10%	+7%	+7%
EBIT <i>EBIT Margin %</i>	2,505 8%	2,364 8%	+6%	+6%
Store Numbers	3,367	3,123	+8%	
Comparable Stores Sales Growth (%)	+4.0%	+7.1%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. The majority of its businesses in this region reported strong performances in 2019 with EBITDA and EBIT increased by 7% and 6% in local currencies respectively. Excluding the adverse year-on-year performance of Watsons Hong Kong, which is included in this segment, EBITDA and EBIT both increased by 14% in local currencies arising from an 8% increase in store numbers and a comparable stores sales uplift of 8.8%, primarily in Malaysia, Philippines and Thailand.

Health and Beauty Asia increased its total net number of stores by 244 during the year. The segment had more than 3,300 stores operating in 10 markets in 2019.

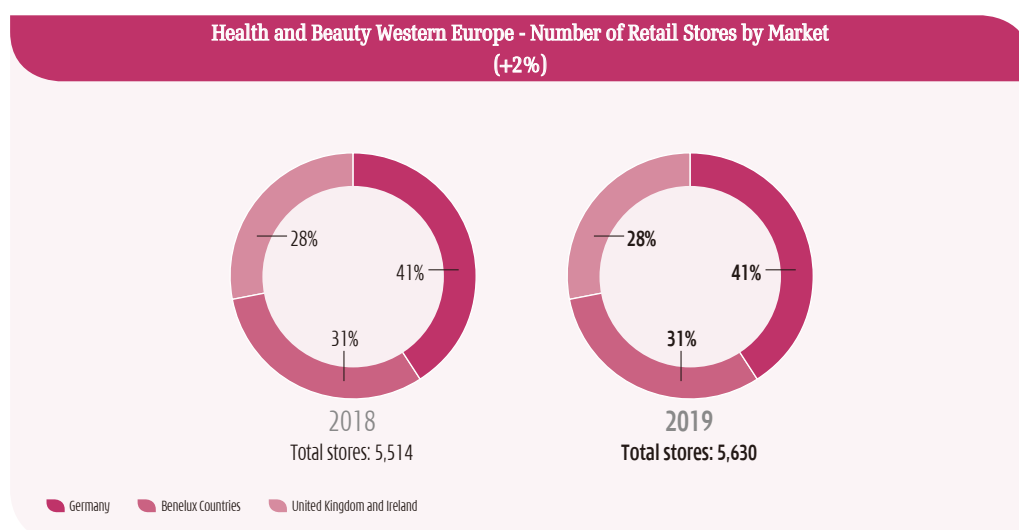


Health and Beauty Western Europe

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	69,074	69,658	-1%	+4%
EBITDA <i>EBITDA Margin %</i>	5,883 9%	5,788 8%	+2%	+6%
EBIT <i>EBIT Margin %</i>	4,685 7%	4,634 7%	+1%	+5%
Store Numbers	5,630	5,514	+2%	
Comparable Stores Sales Growth (%)	+1.9%	+1.3%		

Despite generally weaker consumer sentiment, Health and Beauty Western Europe reported a strong EBITDA and EBIT growth of 6% and 5% in local currencies respectively during the year, arising from a 2% increase in store numbers and a robust comparable stores sales growth rate of 1.9%, primarily in Germany, as well as improved margin from higher own brand and exclusives sales participation in the UK.

Health and Beauty Western Europe added net 116 stores and operated more than 5,600 stores in 2019.



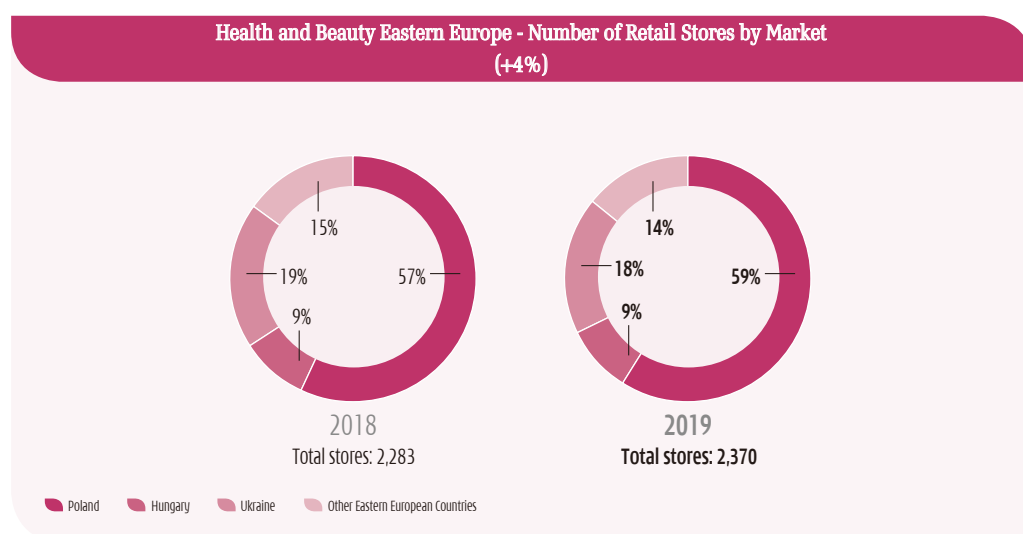
Segment Performance (continued)

Health and Beauty Eastern Europe

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	16,677	16,475	+1%	+7%
EBITDA <i>EBITDA Margin %</i>	2,184 13%	2,286 14%	-4%	+1%
EBIT <i>EBIT Margin %</i>	1,886 11%	1,968 12%	-4%	+1%
Store Numbers	2,370	2,283	+4%	
Comparable Stores Sales Growth (%)	+2.9%	+2.9%		

Excluding the adverse foreign currency translation impacts, Health and Beauty Eastern Europe continued to report steady growth during the year. The growth in both EBITDA and EBIT was mainly attributable to strong sales, partly offset by reduced margin from active promotion strategy to maintain the competitive position of the Rossmann joint venture in Poland.

Health and Beauty Eastern Europe added net 87 stores and operated more than 2,300 stores in 7 markets in 2019.



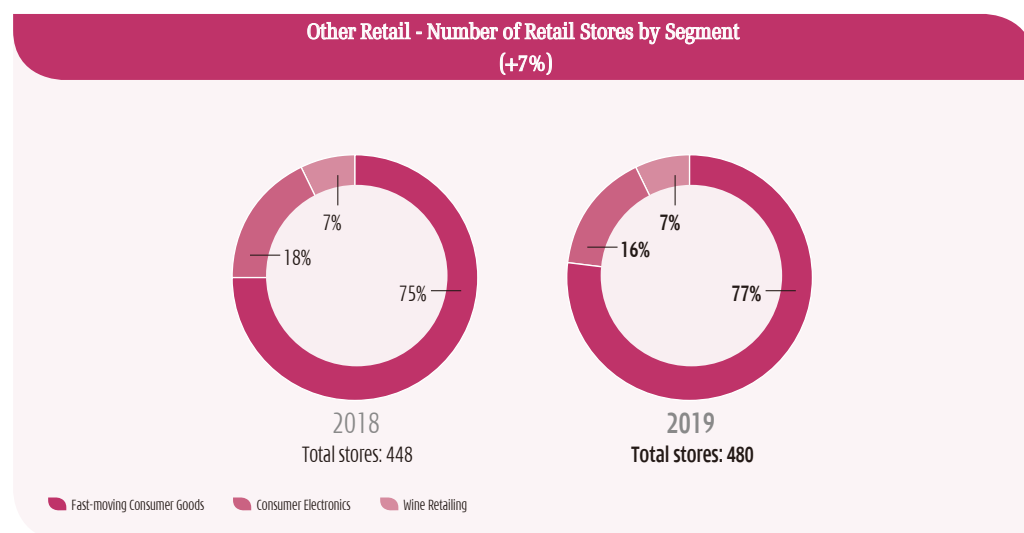
Other Retail

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	27,528	30,004	-8%	-8%
EBITDA	1,293	719	+80%	+79%
<i>EBITDA Margin %</i>	<i>5%</i>	<i>2%</i>		
EBIT	859	266	+223%	+221%
<i>EBIT Margin %</i>	<i>3%</i>	<i>1%</i>		
Store Numbers	480	448	+7%	
Comparable Stores Sales Growth (%)	-6.7%	+1.4%		

During the year, ASW's China supermarket business completed a joint venture with Yonghui and Tencent to create the largest grocery retail business in Guangdong, China, in which ASW holds a 40% interest. The joint venture has combined the PARKnSHOP China supermarket asset with Yonghui's portfolio in Guangdong, operating over 90 stores by the end of 2019. The Other Retail subdivision's EBITDA and EBIT in 2019 include a one-off gain of approximately HK\$633 million as a result of the formation of the joint venture.

Excluding the one-off gain, Other Retail subdivision reported a decline in total revenue, EBITDA and EBIT of (8)%, (8)% and (15)% respectively, mainly due to the challenging trading environment in Hong Kong in the second half of 2019.

Other Retail operated 480 retail stores in 3 markets in 2019, as well as manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.





Infrastructure



1. UK Rails completes the delivery of a number of new trains equipped with new features like Wi-Fi, air-conditioning, at-seat power sockets, customer information screens with real-time information, and larger luggage space.
2. Energy Developments of CK William Group completes the acquisition of Broadrock Renewables, a company which owns and operates two landfill-gas-to-energy plants in California and Rhode Island in the US.
3. Australian Gas Networks completes the construction of a new 1.84 kilometre cross-river Brisbane Gas Pipeline, providing long-term natural gas supply to more than 80,000 North Brisbane customers.
4. HK Electric's L10 gas-fired generating unit is synchronised in October 2019 and commissioned in February 2020.

Operations Review – Infrastructure

The infrastructure division comprises the Group's 75.67%⁽¹⁾ interest in CK Infrastructure Holdings Limited ("CKI") and 10% of the economic benefits deriving from the Group's direct holdings in six co-owned infrastructure investments with CKI.

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue ⁽²⁾	51,191	64,724	-21%	-17%
- CKI	49,818	53,274	-6%	-2%
- Co-owned infrastructure investments	1,373	11,450	-88%	-87%
EBITDA ⁽²⁾⁽³⁾	28,488	35,422	-20%	-15%
- CKI	27,855	29,406	-5%	-
- Co-owned infrastructure investments	633	6,016	-89%	-89%
EBIT ⁽²⁾⁽³⁾	19,220	24,038	-20%	-16%
- CKI	18,829	20,076	-6%	-1%
- Co-owned infrastructure investments	391	3,962	-90%	-90%
CKI Reported Net Profit (under Post-IFRS 16 basis)	10,506	10,443	+1%	

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group holds a 71.93% interest. As these new shares are disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 2: Total revenue, EBITDA and EBIT reflect the Group's share of results 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.

Note 3: Under Post-IFRS 16 basis, EBITDA for CKI was HK\$28,118 million and co-owned infrastructure investments was HK\$633 million; EBIT for CKI was HK\$18,868 million and co-owned infrastructure investments was HK\$391 million.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure-related businesses. CKI operates in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada.

CKI announced net profit attributable to shareholders under Post-IFRS 16 basis of HK\$10,506 million, an increase of 1% from last year. If exchange currency movements on translation are removed, net profit attributable to shareholders increased 6%. The Group's share of CKI's EBITDA and EBIT of HK\$27,855 million and HK\$18,829 million respectively were 5% and 6% lower than last year in reported currency, reflecting adverse foreign currency translation impact, the loss on partial disposal of 2.05% interest in Power Assets ("PAH") in January 2019 of HK\$302 million and lower contribution from UK Power Networks due to a change in revenue recognition which had no impact on cash earnings or distributions.

As the Group rebased PAH's assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI resulted in a loss on disposal in the Group's reported results.

Profit contribution from PAH, a company listed on the SEHK and in which CKI holds a 35.96% interest as of 31 December 2019, was HK\$2,566 million as compared to HK\$2,903 million in 2018, mainly from adverse foreign currency translation impact, the lower share of PAH from the partial disposal, lower contribution from UK Power Networks and the reduced allowed returns to HK Electric under the new Scheme of Control effective from January 2019. Although the new Scheme of Control allows a lower rate of return than in prior years, this framework provides predictable and steady returns on investment as well as asset-based growth opportunities during the regulatory period.

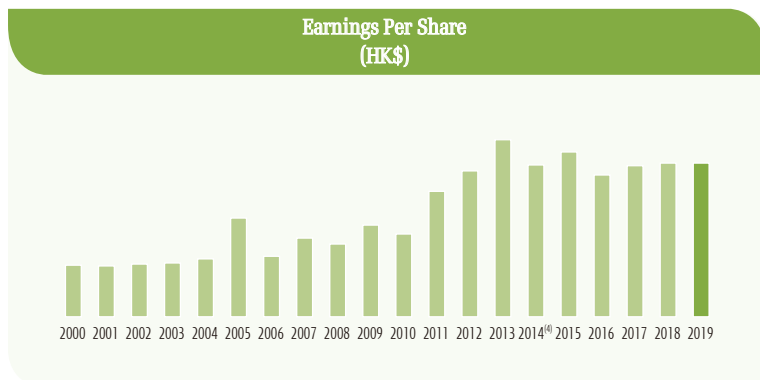
A number of CKI's regulated businesses will go through tariff resets during the period between 2020 and 2023, including Northumbrian Water in the UK and SA Power Networks in Australia, which are scheduled to enter new regulatory regime from April and July 2020 respectively. Lower allowable returns given the current low interest rate environment and the stringent stance taken by regulators are expected to pose challenges to CKI's businesses and will inevitably result in lower revenues. The priority of CKI is to continue to preserve an optimal balance between continued earnings growth and a comfortable gearing position with strict investments discipline.

CKI has always been committed to prudent financial management and the risk management approach is conservative with the underlying financial position closely monitored. CKI's financial strength continues to be robust, with over HK\$12 billion cash on hand and a net debt to net total capital ratio of 13.5% as at 31 December 2019, a 3%-point improvement against 31 December 2018. Following the credit rating upgrade by Standard & Poor's from "A-/Positive" to "A/ Stable" in September 2018, CKI's "A/ Stable" rating was reaffirmed during 2019.

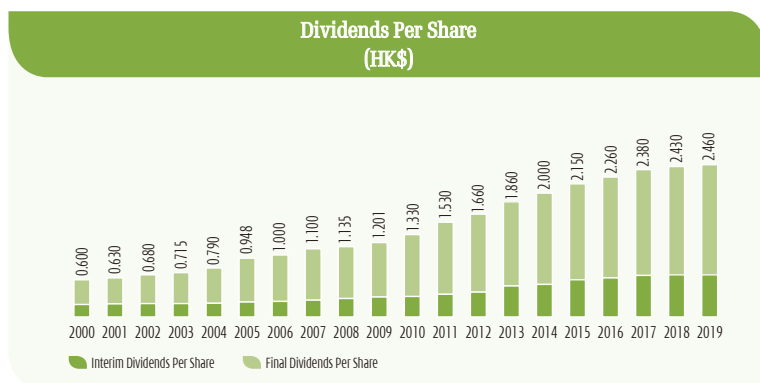
Co-owned infrastructure investments

The Group's direct interests in six co-owned infrastructure investments include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails and have contributed revenue, EBITDA and EBIT of HK\$1,373 million, HK\$633 million and HK\$391 million respectively in the year. The lower contribution from the co-owned infrastructure investments reflected the full year impact of the divestiture of 90% of the Group's economic benefits from its interest in the six co-owned infrastructure investments under the Economic Benefits Agreements entered with CK Asset Holdings Limited ("CKAH"), CKI and PAH in October 2018.

The Group completed supplemental arrangements with CKAH, CKI and PAH during the year to effectively transfer to the respective parties their proportionate voting rights in relation to the co-owned infrastructure investments in Europe and Canada. Accordingly, the co-owned subsidiaries ceased to be consolidated by the Group by the end of 2019 with no gain or loss recognised on deconsolidation.



Note 4: Excludes share of one-off gains arising from the spin-off of HK Electric by PAH and privatisation of Envestra.





Energy

Husky completes the drilling and completion operations of the Liuhua 29-1 field at the Liwan Gas project in South China Sea, anticipating first gas by the end of 2020.



1. Husky commences production at its Dee Valley thermal project in Saskatchewan, Canada.
2. Progress on Husky's West White Rose Project, located offshore Newfoundland and Labrador, sees the completion of full four quadrants of the concrete gravity base in October 2019.
3. The SeaRose floating production, storage and offloading (FPSO) vessel is a key component of Husky's ongoing development of the White Rose field in the Atlantic region of Canada.
4. A diluent reduction technology pilot project at the Sunrise Energy Project could reduce costs and lower greenhouse gas emissions.

Operations Review – Energy

The energy division comprises the Group's 40.19% interest in Husky Energy ("Husky"), an integrated energy company listed on the Toronto Stock Exchange.

	2019 HK\$ million	2018 HK\$ million	Change	Local currency change
Total Revenue	47,618	54,251	-12%	-10%
EBITDA ⁽¹⁾	3,139	12,106	-74%	-72%
- Underlying	9,122	12,106	-25%	-23%
- One-off impairment and other charges ⁽²⁾	(5,983)	—		
EBIT ⁽¹⁾	(3,004)	5,742	-152%	-151%
- Underlying	2,979	5,742	-48%	-47%
- One-off impairment and other charges ⁽²⁾	(5,983)	—		
Production (mboe/day)	290.0	299.2	-3%	
	C\$ million	C\$ million		
Husky's reported net earnings ⁽³⁾	(1,370)	1,457	-194%	
- Underlying	976	1,457	-33%	
- One-off impairment and other charges ⁽⁴⁾	(2,346)	—		

Note 1: Under Post-IFRS 16 basis and before the Group's share of impairment and other charges after consolidation adjustments, the Group's share of EBITDA was HK\$9,463 million; EBIT was HK\$3,009 million.

Note 2: Represents the Group's share of one-time non-cash impairment and other charges (before-tax) after consolidation adjustments.

Note 3: Net earnings for the year ended 31 December 2019 are under Post-IFRS 16 basis, whereas net earnings for the year ended 31 December 2018 are under Pre-IFRS 16 basis.

Note 4: Represents one-time non-cash impairment and other charges (after-tax) recognised in Q4 2019.

Husky Post-IFRS 16 net losses of C\$1,370 million in 2019, which included recognition of one-time non-cash asset impairment and other charges (after-tax) in Q4 2019 of C\$2,346 million. Net earnings excluding this one-off item was C\$976 million, 33% below net earnings of C\$1,457 million in 2018, primarily due to:

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

In Q4 2019, Husky recognised C\$3.1 billion (before-tax) or C\$2.3 billion (after-tax) of non-cash asset impairment and other charges, primarily related to Husky's upstream assets in North America which was largely due to lower long-term commodity price assumptions and reductions in planned future capital spending. Other charges included exploration-related write-downs and asset derecognition at the Lima Refinery due to the crude oil flexibility project mentioned above. As the Group rebased certain of these assets to their fair values in the 2015 Reorganisation, the Group's share of these charges, after consolidation adjustments, was HK\$5,983 million and was included under the Group's EBITDA and EBIT results.

Excluding the one-off item, after translation into Hong Kong dollars and including consolidation adjustments based on Pre-IFRS 16, the Group's share of EBITDA and EBIT were HK\$9,122 million and HK\$2,979 million respectively, decreased by 25% and 48% respectively, reflecting the aforementioned adverse underlying performance during 2019.

Cash flow from operating activities was C\$2,971 million for the year ended 31 December 2019, 28% lower than C\$4,134 million in 2018, primarily attributed to the same factors noted above for the net earnings.

Production and Reserves

Husky reported a 3% decrease of average production in 2019, from 299,200 barrels of oil equivalent per day ("boe/day") in 2018 to 290,000 boe/day in 2019.

Crude oil and NGL production

Crude oil and NGL production decreased by 8.2 thousand barrels per day ("mbbls/day"), or 4%, in 2019 compared to 2018. The decrease was primarily due to a reduction of heavy crude oil production as a result of government-mandated production curtailments in Alberta and natural declines, combined with lower production from Atlantic due to the suspension of production from the White Rose field. The decreases were partially offset by increased bitumen production from Husky's thermal projects in Saskatchewan.

Natural gas production

Natural gas production decreased by 6.1 million cubic feet per day ("mmcf/day"), or 1%, in 2019 compared to 2018, primarily due to lower production from Liwan Gas Project. The decrease was partially offset by the higher production at the Rainbow Lake development in Western Canada.

Oil and Gas Reserves

At 31 December 2019, Husky's proved oil and gas reserves were 1,431 million barrels of oil equivalent ("mmboe"), compared to 1,471 mmboe at the end of 2018. Probable reserves were 674 mmboe compared to 1,070 mmboe at the end of 2018. The overall proved and probable reserves of 2,105 mmboe at the end of 2019 were 17% below 2,541 mmboe at the end of 2018, reflecting the reduced future capital spending expected at the Sunrise Energy Project and the Ansell natural gas resource play in Western Canada in Husky's current long term plan.

Husky's 2019 reserves replacement ratio was 67% excluding economic revisions (62% including economic revisions).

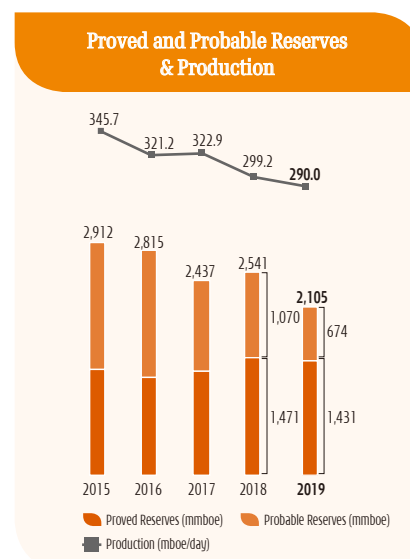
Operation milestones

Integrated corridor (Integrated Canada-US Upstream and Downstream Corridor)

- Annual average production from Lloydminster thermal bitumen projects, Sunrise and Tucker of 128,800 barrels per day ("bbls/day") (Husky's working interest), compared to annual average production of 124,200 bbls/day in 2018 (Husky's working interest); takes into account impacts from the government-mandated production quotas in Alberta
- Successful startup of the 10,000 barrel-per-day Dee Valley thermal bitumen project ahead of schedule
- Advanced construction of the 10,000 barrel-per-day Spruce Lake Central and Spruce Lake North thermal bitumen projects towards first production in 2020; continued construction progress on three additional 10,000 bbls/day projects
- Commenced Superior Refinery rebuild project; full operations expected to resume in 2021
- Safe and orderly execution of the Lima Refinery crude oil flexibility project
- Completed the sale of the Prince George Refinery for C\$215 million in cash plus a closing adjustment of approximately C\$53.5 million in November 2019

Offshore (Atlantic and Asia Pacific)

- Average gross natural gas and liquids production at the Liwan Gas Project of 73,200 boe/day (35,900 boe/day Husky working interest)
- Total average oil production of 16,400 bbls/day (Husky working interest) in the Atlantic region
- Advanced construction of the Liuhua 29-1 field at the Liwan Gas Project; first gas expected by the end of 2020
- Completed fourth quadrant of concrete gravity base at the West White Rose Project ahead of schedule, with first oil planned for around the end of 2022





Telecommunications



1. Wind Tre and Fastweb announce a strategic agreement for the deployment of a nationwide state-of-the-art 5G network in Italy.
- 2 & 3. CKH Group Telecom's tower assets in Europe will be held by CK Hutchison Networks.
4. HTHKH wins bids of spectra in the 3.3 and 3.5 GHz bands, and is fully committed to deploying a 5G network and developing more innovative services in Hong Kong.

Operations Review – Telecommunications

The Group's telecommunications division consists of CK Hutchison Group Telecom ("CKH Group Telecom" or "CKHGT") which consolidates 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 SEHK, as well as Hutchison Asia Telecommunications ("HAT"). 3 Group Europe is a pioneer of mobile data communication technologies and an operator and innovator of converged telecommunication and digital services with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

CKH Group Telecom

In July 2019, the Group formed 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 significant interest cost savings from 2020 onwards. EBITDA and EBIT of CKH Group Telecom of HK\$35,341 million and HK\$21,131 million respectively were 16% and 15% higher than 2018 respectively in reported currency, and were 21% and 19% higher respectively in local currencies, driven by the higher contribution from 3 Group Europe in 2019 and stable performance of HTHKH.

In million	2019 HK\$	2018 HK\$	Change	Local currencies change	2019 ⁽³⁾ EURO	2018 ⁽³⁾ EURO
Total Revenue	93,517	86,733	+8%	+12%	10,786	10,004
Total Margin	63,844	57,139	+12%	+16%	7,364	6,590
Total CACs	(18,054)	(16,772)	-8%		(2,082)	(1,935)
Less: Handset revenue	14,233	12,949	+10%		1,641	1,494
Total CACs (net of handset revenue)	(3,821)	(3,823)	—		(441)	(441)
Operating Expenses	(24,682)	(22,959)	-8%		(2,847)	(2,648)
<i>Opex as a % of total margin</i>	39%	40%			39%	40%
EBITDA⁽²⁾	35,341	30,357	+16%	+21%	4,076	3,501
<i>EBITDA Margin %⁽¹⁾</i>	45%	41%			45%	41%
Depreciation & Amortisation	(14,210)	(11,948)	-19%		(1,639)	(1,378)
EBIT⁽²⁾	21,131	18,409	+15%	+19%	2,437	2,123

Note 1: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$42,417 million; EBIT was HK\$21,987 million.

Note 3: The translation of HK\$ into Euro is for illustrative purpose only and was made at the rate of HK\$8.67 to €1.

3 Group Europe

In million	2019 HK\$	2018 HK\$	Change	Local currencies change
Total Revenue	87,516	78,411	+12%	+17%
Total Margin	60,229	53,461	+13%	+18%
Total CACs	(17,257)	(15,813)	-9%	
Less: Handset revenue	13,761	12,282	+12%	
Total CACs (net of handset revenue)	(3,496)	(3,531)	+1%	
Operating Expenses	(23,222)	(21,169)	-10%	
Opex as a % of total margin	39%	40%		
EBITDA ⁽⁵⁾	33,511	28,761	+17%	+21%
EBITDA Margin % ⁽⁴⁾	45%	43%		
Depreciation & Amortisation	(13,399)	(11,098)	-21%	
EBIT ⁽⁵⁾	20,112	17,663	+14%	+18%

Note 4: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 5: Under Post-IFRS 16 basis, EBITDA was HK\$40,126 million; EBIT was HK\$20,952 million.

Total revenue and total margin in local currencies for 3 Group Europe increased by 17% and 18% respectively compared to last year, primarily reflecting the full year impact of the additional 50% share in Wind Tre which reported solid results in the second half of 2019. Wind Tre completed its network consolidation and modernisation in the second half of 2019, and is already benefiting from higher than planned synergy realisations, churn reduction and stabilising ARPU. Active customer base as at 31 December 2019 of 40.6 million is 5% lower against 2018 mainly from a lower Wind Tre base impacted by the aggressive competition in Italy, partly offset by net additions in other operations in Europe. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base improved from 1.4% in 2018 to 1.3% for the year.

3 Group Europe's net ARPU and net AMPU decreased by 8% and 7% to €12.94 and €11.04 respectively compared to 2018, primarily due to the increased proportion of Wind Tre customers which have a lower net ARPU and net AMPU, as well as keen competition in all markets and certain EU regulatory adverse impacts on intra-EU calls and SMS chargeable rates.

Total data usage increased 35% compared to last year to approximately 4,054 petabytes in 2019. Data usage per active customer was approximately 102.3 gigabytes per user in 2019 compared to 71.9 gigabytes per user in 2018.

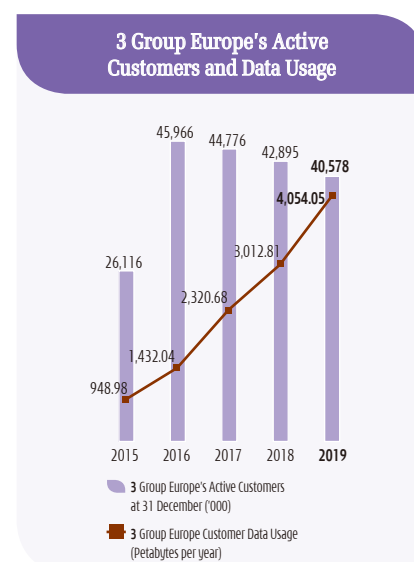
Total CACs, net of handset revenue in contract bundled plans, of HK\$3,496 million in 2019 are 1% lower than 2018 from disciplined cost control in most operations to cope with the keen competition, while operating expenses increased 10% to HK\$23,222 million primarily due to the additional 50% share in Wind Tre.

The EBITDA and EBIT growth primarily reflects the full year impact of the additional 50% share of Wind Tre, as well as disciplined spending on customer acquisition costs. 3 Group Europe continued to report a healthy EBITDA margin of 45%, a 2%-point growth compared to 2018. Higher depreciation and amortisation against last year is driven by the enlarged asset base, resulting in lower EBIT growth year on year.

Except for Sweden and Denmark, all the 3 Group Europe operations have sufficient 5G spectrum, with the operation in the UK progressively rolling out 5G in London and 65 other locations starting from 2019, and the operations in Austria and Ireland launching 5G / fixed wireless access offers in 2019 and 2020 respectively.

The structural separation to form a new telecommunication infrastructure company, CK Hutchison Networks, which will group the 28,500 tower asset interests ⁽⁶⁾ into a separately managed wholly-owned subsidiary of CKH Group Telecom is progressing well and expected to be completed by mid-2020. CK Hutchison Networks will start with an expected tenancy ratio of 1.2x across the six European markets with a projected EBITDA of approximately €300 million on a full year extrapolated basis.

Note 6: CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.



Operations Review – Telecommunications

CKHGT - Results by operations

In million	UK GBP		Italy ⁽⁷⁾ EURO			Sweden SEK		Denmark DKK	
	2019	2018	2019 Wind Tre (100%)	2018 Wind Tre (100%)	2018 Wind Tre (50%/100%)	2019	2018	2019	2018
Total Revenue	2,384	2,439	4,854	4,926	3,271	6,757	7,113	2,182	2,186
<i>% change</i>	-2%		-1%			-5%		-	
Total margin	1,441	1,491	3,548	3,654	2,416	3,909	4,091	1,720	1,700
<i>% change</i>	-3%		-3%			-4%		+1%	
TOTAL CACS	(882)	(840)	(464)	(341)	(227)	(2,563)	(2,745)	(244)	(285)
Less: Handset Revenue	680	675	382	195	137	2,045	2,198	100	120
Total CACS (net of handset revenue)	(202)	(165)	(82)	(146)	(90)	(518)	(547)	(144)	(165)
Operating Expenses	(526)	(574)	(1,366)	(1,500)	(954)	(1,212)	(1,263)	(732)	(807)
<i>Opex as a % of total margin</i>	37%	38%	39%	41%	39%	31%	31%	43%	47%
EBITDA	713	752	2,100	2,008	1,372	2,179	2,281	844	728
<i>% change</i>	-5%		+5%			-4%		+16%	
<i>EBITDA margin % ⁽⁸⁾</i>	42%	43%	47%	42%	44%	46%	46%	41%	35%
Depreciation & Amortisation	(334)	(311)	(743)	(729)	(472)	(962)	(843)	(373)	(318)
EBIT	379	441	1,357	1,279	900	1,217	1,438	471	410
<i>% change</i>	-14%		+6%			-15%		+15%	
Capex (excluding licence)	(426)	(462)	(1,190)	(968)		(1,170)	(1,254)	(215)	(225)
EBITDA less Capex	287	290	910	1,040		1,009	1,027	629	503
Licence ⁽⁹⁾	-	(166)	-	(517)		-	-	(485)	-

HK dollar equivalents of EBITDA and EBIT are summarised as follows:

<i>EBITDA-pre IFRS 16 basis (HK\$)</i>	7,164	7,860	18,426	18,575	12,601	1,806	2,066	990	906
<i>EBITDA-post IFRS 16 basis in 2019 (HK\$)</i>	7,984	7,860	22,994	18,575	12,601	2,083	2,066	1,165	906
<i>EBIT-pre IFRS 16 basis (HK\$)</i>	3,815	4,594	11,914	11,812	8,246	1,008	1,305	552	511
<i>EBIT-post IFRS 16 basis in 2019 (HK\$)</i>	3,988	4,594	12,349	11,812	8,246	1,040	1,305	577	511

Note 7: CKHGT and 3 Group Europe 2019 includes 100% share of Wind Tre's results, of which fixed line business revenue was €967 million and EBITDA was €320 million, while 2018 included 50% share of Wind Tre's results from January to August 2018 and 100% share from September to December 2018, of which fixed line business revenue was €675 million and EBITDA was €226 million. For comparability purposes in the Italy section above, 100% Wind Tre results in 2018 have also been presented and the % changes are calculated based on the 100% Wind Tre numbers.

Note 8: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

	UK		Italy ⁽¹¹⁾		Sweden		Denmark	
	2019	2018	2019	2018	2019	2018	2019	2018
Total registered customer base (million)	13.7	13.2	23.8	27.1	2.1	2.0	1.5	1.4
Total active customer base (million)	10.3	10.0	21.5	24.5	2.0	2.0	1.4	1.3
Contract customers as a % of the total registered customer base	53%	53%	44%	27%	70%	75%	58%	60%
Average monthly churn rate of the total contract registered customer base (%)	1.3%	1.2%	1.5%	2.0%	1.6%	1.8%	1.8%	1.9%
Active contract customers as a % of the total contract registered customer base	98%	98%	93%	92%	100%	100%	100%	100%
Active customers as a % of the total registered customer base	75%	76%	90%	90%	97%	96%	97%	97%
LTE coverage by population (%)	94%	94%	100%	97%	88%	86%	100%	98%
Full year data usage per active customer (Gigabyte)								

Note 11: Italy KBIs were calculated based on 100% of Wind Tre's figures. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of 3, the comparative KBIs have not been restated due to limitations of the data tracking system.

Austria EURO		Ireland EURO		3 Group Europe ⁽⁷⁾ HK\$		HTHKH HK\$		Corporate and Others HK\$		CKHGT ⁽⁷⁾ HK\$		CKHGT ⁽¹⁰⁾ EURO	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
867	881	603	591	87,516	78,411	5,582	7,912	419	410	93,517	86,733	10,786	10,004
-2%		+2%		+12%	+17%	-29%		+2%		+8%	+12%	+8%	
Local currencies growth %													
622	619	454	440	60,229	53,461	3,551	3,654	64	24	63,844	57,139	7,364	6,590
-		+3%		+13%	+18%	-3%		+167%		+12%	+16%	+12%	
Local currencies growth %													
(136)	(141)	(87)	(90)	(17,257)	(15,813)	(797)	(959)	-	-	(18,054)	(16,772)	(2,082)	(1,935)
121	125	82	77	13,761	12,282	472	667	-	-	14,233	12,949	1,641	1,494
(15)	(16)	(5)	(13)	(3,496)	(3,531)	(325)	(292)	-	-	(3,821)	(3,823)	(441)	(441)
(234)	(228)	(238)	(227)	(23,222)	(21,169)	(1,837)	(1,991)	377	201	(24,682)	(22,959)	(2,847)	(2,648)
38%	37%	52%	52%	39%	40%	52%	54%	N/A	N/A	39%	40%	39%	40%
373	375	211	200	33,511	28,761	1,389	1,371	441	225	35,341	30,357	4,076	3,501
-1%		+6%		+17%	+21%	+1%		+96%		+16%	+21%	+16%	
Local currencies growth %													
50%	50%	40%	39%	45%	43%	27%	19%	105%	55%	45%	41%	45%	41%
(140)	(146)	(122)	(105)	(13,399)	(11,098)	(808)	(818)	(3)	(32)	(14,210)	(11,948)	(1,639)	(1,378)
233	229	89	95	20,112	17,663	581	553	438	193	21,131	18,409	2,437	2,123
+2%		-6%		+14%	+18%	+5%		+127%		+15%	+19%	+15%	
Local currencies growth %													
(129)	(123)	(133)	(118)	(18,132)		(503)	(513)	(7)	(1)	(18,642)		(2,150)	
244	252	78	82	15,379		886	858	434	224	16,699		1,926	
(52)	-	(1)	(1)	(1,026)		(203)	-	-	-	(1,229)		(142)	
3,268	3,475	1,857	1,853	33,511	28,761	1,389	1,371	441	225	35,341	30,357	€4,076	€3,501
3,698	3,475	2,202	1,853	40,126	28,761	1,850	1,371	441	225	42,417	30,357	€4,892	€3,501
2,043	2,125	780	882	20,112	17,663	581	553	438	193	21,131	18,409	€2,437	€2,123
2,123	2,125	875	882	20,952	17,663	597	553	438	193	21,987	18,409	€2,536	€2,123

Note 9: 2019 licence cost for Austria represents investment for 10x10 MHz of 3500 MHz spectrum acquired in March 2019, the licence cost for Denmark represents investment for 2x10 MHz of 700 MHz spectrum and 2x10 MHz of 900MHz spectrum acquired in March 2019, and the licence cost for Hong Kong mainly represents investment for 30 MHz of 3300 MHz spectrum acquired in November 2019. 2018 licence cost for UK represents investment for 4x5 MHz of 3400 MHz spectrum acquired in April 2018 and the licence cost for Wind Tre represents investment for 20 MHz of 3600 - 3800 MHz and 200 MHz of 26.5 - 27.5 GHz spectrums in October 2018.

Note 10: The translation of HK\$ into Euro is for illustrative purpose only and was made at the rate of HK\$8.67 to €1.

Austria		Ireland		3 Group Europe		HTHKH	
2019	2018	2019	2018	2019	2018	2019	2018
3.7	3.7	3.9	3.6	48.7	51.0	4.3	3.5
3.0	2.9	2.4	2.2	40.6	42.9	3.7	3.3
71%	69%	38%	38%	50%	40%	35%	43%
0.2%	0.2%	1.0%	1.1%	1.3%	1.4%	1.2%	1.3%
100%	100%	99%	98%	96%	97%	100%	100%
80%	80%	60%	62%	83%	84%	86%	95%
98%	98% ⁽¹²⁾	98%	98%	-	-	90%	90%
				102.3	71.9	4.9	3.3

Note 12: 2018 LTE coverage by population for Austria is restated to conform with current year presentation.

Operations Review – Telecommunications

Key Business Indicators

	Registered Customer Base								
	Registered Customers at 31 December 2019 ('000)			Registered Customer Growth (%) from 30 June 2019 to 31 December 2019			Registered Customer Growth (%) from 31 December 2018 to 31 December 2019		
	Non-contract	Contract	Total	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	6,428	7,267	13,695	+3%	+2%	+3%	+3%	+4%	+3%
Italy ⁽¹⁴⁾	13,348	10,467	23,815	-10%	-3%	-7%	-33%	+44%	-12%
Sweden	620	1,470	2,090	+8%	—	+2%	+19%	-3%	+3%
Denmark	615	853	1,468	+5%	+1%	+3%	+12%	+4%	+7%
Austria	1,089	2,608	3,697	-2%	+2%	+1%	-3%	+2%	+1%
Ireland	2,431	1,492	3,923	+4%	+5%	+5%	+9%	+11%	+10%
3 Group Europe Total	24,531	24,157	48,688	-5%	—	-2%	-19%	+18%	-4%
HTHKH	2,795	1,475	4,270	+24%	-1%	+14%	+42%	-2%	+23%

	Active ⁽¹³⁾ Customer Base								
	Active Customers at 31 December 2019 ('000)			Active Customer Growth (%) from 30 June 2019 to 31 December 2019			Active Customer Growth (%) from 31 December 2018 to 31 December 2019		
	Non-contract	Contract	Total	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	3,146	7,153	10,299	-3%	+2%	+1%	+1%	+4%	+3%
Italy ⁽¹⁴⁾	11,815	9,711	21,526	-8%	-3%	-6%	-33%	+45%	-12%
Sweden	550	1,470	2,020	+9%	—	+2%	+26%	-3%	+3%
Denmark	570	853	1,423	+5%	+1%	+3%	+12%	+4%	+7%
Austria	356	2,603	2,959	-3%	+2%	+1%	-8%	+2%	+1%
Ireland	870	1,481	2,351	-1%	+6%	+3%	-1%	+12%	+7%
3 Group Europe Total	17,307	23,271	40,578	-6%	—	-3%	-25%	+18%	-5%
HTHKH	2,180	1,475	3,655	+19%	-1%	+10%	+23%	-2%	+12%

Note 13: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 14: Italy's KBIs were calculated based on 100% Wind Tre's figures. In addition to the above, Wind Tre's has 2.7 million fixed line customers. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of 3, the comparative KBIs have not been restated due to limitations of the data tracking system.

**12-month Trailing Average Revenue per Active User ⁽¹⁵⁾ ("ARPU")
to 31 December 2019**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2018
United Kingdom	£4.77	£23.73	£17.79	-2%
Italy	€9.90	€11.78	€10.72	-6%
Sweden	SEK117.54	SEK339.52	SEK283.22	-6%
Denmark	DKK88.01	DKK147.95	DKK124.43	-3%
Austria	€10.86	€22.05	€20.62	-2%
Ireland	€15.16	€21.88	€19.28	-4%
3 Group Europe Average ⁽¹⁸⁾	€9.49	€19.72	€15.19	-8%
HTHKH	HK\$13.66	HK\$205.43	HK\$100.17	-3%

**12-month Trailing Net Average Revenue per Active User ⁽¹⁶⁾ ("Net ARPU")
to 31 December 2019**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2018
United Kingdom	£4.77	£16.36	£12.73	-6%
Italy	€9.90	€11.78	€10.72	-6%
Sweden	SEK117.54	SEK213.86	SEK189.43	-7%
Denmark	DKK88.01	DKK137.22	DKK117.91	-2%
Austria	€10.86	€18.14	€17.21	-2%
Ireland	€15.16	€17.35	€16.51	-5%
3 Group Europe Average ⁽¹⁸⁾	€9.49	€15.67	€12.94	-8%
HTHKH	HK\$13.66	HK\$176.07	HK\$86.93	-1%

**12-month Trailing Net Average Margin per Active User ⁽¹⁷⁾ ("Net AMPU")
to 31 December 2019**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2018
United Kingdom	£4.12	£14.17	£11.02	-7%
Italy	€8.13	€10.00	€8.94	-4%
Sweden	SEK93.80	SEK181.86	SEK159.52	-7%
Denmark	DKK74.70	DKK116.20	DKK99.91	—
Austria	€9.51	€16.27	€15.41	—
Ireland	€13.83	€15.24	€14.70	-4%
3 Group Europe Average ⁽¹⁸⁾	€7.92	€13.53	€11.04	-7%
HTHKH	HK\$10.80	HK\$160.69	HK\$78.42	-1%

Note 15: 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.

Note 16: 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.

Note 17: 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.

Note 18: 3 Group Europe ARPU, Net ARPU and Net AMPU in 2019 were calculated based on 100% contribution from Wind Tre, whereas 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards.

Operations Review – Telecommunications

United Kingdom

EBITDA and EBIT decreased by 5% and 14% in local currency compared to 2018 respectively mainly due to lower margin driven by regulatory changes in the UK and within EU in 2019, increased annual spectrum licence fee imposed by Ofcom, as well as increased network & IT transformation spend, partly offset by improvements in other margins from MVNOs and various initiatives as well as more stringent operating costs control.

Italy

EBITDA and EBIT in local currency grew by 53% and 51% respectively over 2018, reflecting the full year accretive contribution from the acquisition of the additional 50% share in Wind Tre since September 2018.

On a comparable basis, Wind Tre's EBITDA and EBIT increased 5% and 6% respectively against last year mainly driven by disciplined cost control, further realisation of synergies, and more efficient network through consolidation and modernisation substantially completed in 2019. The decrease in operating expenses more than mitigates the margin shortfall due to intense competition.

Sweden

Sweden, where the Group has a 60% interest, reported 4% and 15% decrease in EBITDA and EBIT in local currency respectively compared to last year, mainly due to lower total margin as VAT reclaim was not recognised from December 2018 onwards. Underlying EBITDA, without the VAT reclaim benefits would be 6% higher than last year primarily driven by higher customer base and lower operating costs from stringent cost control. Underlying EBIT would be 1% higher than last year primarily due to the higher depreciation and amortisation from an enlarged asset base, particularly the ongoing LTE network rollout since 2018.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 16% and 15% growth in EBITDA and EBIT in local currency respectively compared to last year, mainly due to 1% growth in total margin and lower operating costs from good cost controls. The EBITDA growth was partly offset by higher depreciation and amortisation from an enlarged asset base.

Austria

Austria reported a 1% decrease in EBITDA in local currency compared to 2018, mainly due to higher network and IT costs to cope with network capacity expansion. EBIT in local currency was 2% higher from last year primarily due to lower amortisation from capitalised customer value from Orange acquisition being fully amortised at the end of 2018, partly offset by higher depreciation from an enlarged asset base.

Ireland

EBITDA in local currency increased by 6% compared to 2018 driven by improved margin of 3% from a higher customer base, as well as stringent control on total CACs, partly offset by higher operating cost due to inclusion of certain provision releases in 2018 which did not recur in 2019. EBIT in local currency decreased by 6% from last year due to higher depreciation and amortisation from an enlarged asset base. 3 Ireland continued to realise synergies during the year and have substantially achieved the operating expense synergy run rate of €103 million targeted at the time of the acquisition of O₂ Ireland in 2014.

Hutchison Telecommunications Hong Kong Holdings

HTHKH announced its 2019 Post-IFRS 16 profit attributable to shareholders of HK\$429 million. On Pre-IFRS 16 basis, EBITDA was 1% higher as compared to last year mainly due to tight cost controls to improve operational efficiency. In addition to the improved EBITDA performance, lower amortisation of acquisition and retention costs from contract customers resulted in a 5% improvement in EBIT.

Hutchison Asia Telecommunications

	2019 HK\$ million	2018 HK\$ million	Change	Local currencies change
Total Revenue	8,984	8,220	+9%	+9%
- Indonesia	7,804	7,314	+7%	+6%
- Vietnam	690	561	+23%	+24%
- Sri Lanka	490	345	+42%	+57%
EBITDA⁽¹⁹⁾	2,167	1,028	+111%	+108%
- Indonesia	2,581	1,636	+58%	+56%
- Vietnam	(282)	(494)	+43%	+43%
- Sri Lanka	1	36	-97%	-100%
- Corporate costs	(133)	(150)	+11%	+11%
EBIT⁽¹⁹⁾	1,055	321	+229%	+218%
- Indonesia	1,800	1,067	+69%	+66%
- Vietnam	(511)	(613)	+17%	+17%
- Sri Lanka	(101)	18	-661%	-717%
- Corporate costs	(133)	(151)	+12%	+12%
Total active customer base ('000)	45,527	49,827	-9%	

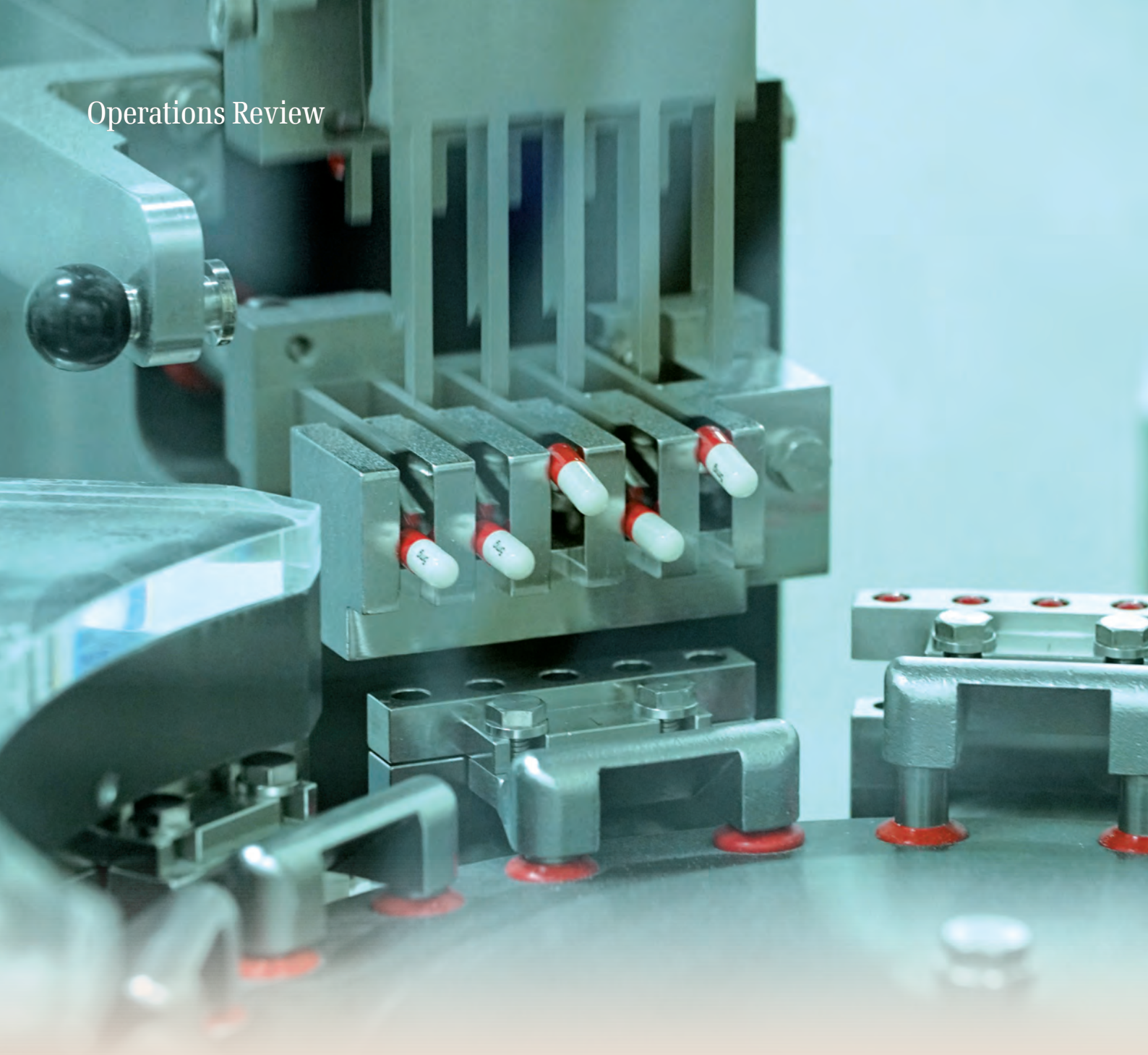
Note 19: Under Post-IFRS 16 basis, EBITDA was HK\$4,328 million; EBIT was HK\$2,032 million.

HAT had an active customer accounts of approximately 45.5 million at the end of 2019, representing 9% decrease compared to last year. Indonesia and Vietnam represent 67% and 23% of the total active customer account numbers respectively.

Despite reporting a 5% full year decline in active customer accounts due to the government imposed subscriber registration requirements since May 2018, the Indonesian operation turnaround the declining trend and reported a 2% growth in active customer accounts in the second half of 2019. This was achieved through acceleration of network expansion to new areas and targeted network enhancement to improve customer satisfaction. As at 31 December 2019, the Indonesian operation had a 4G network of 24,170 base transceiver stations ("BTS") covering over 33,000 villages. The Indonesian operation reported a full year EBITDA and EBIT growth of 56% and 66% respectively in local currency, primarily reflecting revenue and margin growth from improvement of distribution structures and strategies during the year. In 2020, the operation plans to continue its network expansion rollout and network enhancement strategies, providing coverage to an additional 4,500 villages.

The Vietnamese operation reported 12% decline in active customer accounts compared to last year, reflecting the strategic churn of lower value customers during 2019. Despite reporting LBITDA and LBIT for 2019, the results represent 43% and 17% improvement respectively in local currency when compared to 2018. The operation reported solid margin growth during the year, and is expected to continue in 2020.

In Sri Lanka, the operation faced challenges in stabilising its customer base during the year following the Easter terrorist's attacks and ongoing network integration, which resulted in increased customer churn rates. Consequently, active customer accounts decreased 22% compared to 2018. Through realisation of cost synergies after the acquisition of Etisalat Lanka in late 2018 and focus on gradually completing network integration and 4G network rollout, the Sri Lankan operation reported EBITDA positive in the second half of 2019. The growth momentum is expected to continue in 2020.



Operations Review

Finance & Investments and Others

Chi-Med's first home-grown drug for cancer, Elunate®, is included in the National Reimbursement Drug List in China.

The finance & investments and others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), the Marionnaud businesses, listed associate CK Life Sciences Group ("CKLS") and listed subsidiary, HTAL, which has a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA").

	2019 HK\$ million	2018 ⁽¹⁾ HK\$ million	Change	Local currencies change
Total Revenue	33,946	35,136	-3%	+1%
EBITDA ⁽²⁾	12,637	5,111	+147%	+152%
EBIT ⁽²⁾	9,974	2,571	+288%	+289%

Note 1: 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.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$13,958 million; EBIT was HK\$10,119 million.

Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK\$144,849 million at 31 December 2019. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2019 Annual Report.

During 2019, the Group partially disposed of its interest in Hutchison China MediTech Limited ("Chi-Med") for cash proceeds totalling US\$310 million (approximately HK\$2,400 million), reducing the Group's shareholding from 60.15% to 49.86%. This resulted in a one-off disposal gain of approximately HK\$6,885 million recognised within this segment arising from the derecognition of Chi-Med as a subsidiary to an associated company. Chi-Med raised additional equity through an offering of ADS in early 2020. Correspondingly, the Group's shareholding was further diluted to 48.15%.

Operations Review – Finance & Investments and Others

Other Operations

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland, Hong Kong and the United Kingdom, and also has 48.15% interest in Chi-Med, which is dual-listed on the AIM market of the London Stock Exchange in the UK and the Nasdaq Global Select Market in the US. Chi-Med is an innovative biopharmaceutical company committed to the discovery and global development of targeted therapies and immunotherapies for the treatment of cancer and immunological diseases, as well as manufactures and sells pharmaceuticals and healthcare products.

TOM Group

TOM, a 36.1% associate, is a technology and media company listed on SEHK. TOM has technology operations in e-commerce, social network and mobile internet, and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments.

Marionnaud

Marionnaud operated approximately 900 stores in 11 European markets in 2019, providing luxury perfumery and cosmetic products.

CK Life Sciences Group

The Group has an approximate 45.32% interest in CKLS, a company listed on SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which are nutraceuticals, pharmaceuticals and agriculture-related.

HTAL, share of VHA

HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange, has 50% interest of VHA, a mobile telecommunication joint venture with Vodafone Group Plc in Australia. VHA's active customer base decreased 4.6% to approximately 5.7 million (including MVNOS) at 31 December 2019 due to intense competition in the market. VHA's EBITDA⁽³⁾ decreased 5.9% to A\$1,036.6 million for the year and its loss attributable to shareholders⁽³⁾ increased from A\$124.4 million in 2018 to A\$231.3 million in 2019 due to decline in revenue and higher depreciation and amortisation charges from an enlarged asset base, partly mitigated by continued focus on managing costs.

In August 2018, VHA entered into an agreement with TPG Telecom Limited ("TPG") for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia (the "Merged Group"). In February 2020, the Australian Federal Court has ruled to approve the merger and rejected the opposition from the Australian Competition and Consumer Commission ("ACCC"). The ACCC has not appealed the court's decision and the merger is now expected to complete in mid-2020, subject to the remaining regulatory approvals. Following completion, VHA shareholders will own 50.1% of the equity of the Merged Group and TPG shareholders will own the remaining 49.9%. In addition, VHA and TPG have signed a separate joint venture agreement, whereby the joint venture has acquired 60 MHz of 3600 MHz spectrum for a total of A\$263 million in December 2018.

Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$15,657 million, decreased by 13% when compared to last year. The Group's weighted average cost of debt for 2019 was 2.1%, decreased from 2.4% in 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.

The Group recorded current and deferred tax charges of HK\$7,701 million in 2019, a decrease of 5% compared to 2018.

Note 3: Under Post-IFRS 16 basis, EBITDA was A\$1,178.7 million; net loss attributable to shareholders was A\$279.3 million.

Operations Review

Summary

In light of the increasingly volatile and uncertain conditions in financial markets, and the significant disruptions to the movement of people, goods and supply chains resulting from the COVID-19 outbreak, as well as the significant drop and volatility of crude oil prices, the Group will adopt strongly prudential measures and will prioritise financial strength over investment and growth.

The COVID-19 pandemic is expected to mostly impact the Group's retail operations in the Mainland and Europe. Encouragingly, the Group has experienced strong recovery in retail operations in the Mainland and key European Health and Beauty operations. In Mainland, we are very well placed to manage and deliver a strong bounce-back in performance when the COVID-19 situation normalises. Our 3,900+ stores are already re-opened with only less than 5% closed. Market footfall reduction improved from 90% to 50% and Watsons sales reduction is significantly better than market at -25% due to our early years investment digital capabilities to serve customers via click & deliver within one hour across our 3,900+ distribution points. In Europe, COVID-19 has thus far not disrupted our operations. In the past few weeks, our major operations experienced double-digit sales growth in the Netherlands, Poland, Germany and the UK as we are in "mass essential" business selling high demand products, such as hand sanitisers, personal wash, vitamins and other health lines and also household cleaning. As the Group's stores are in the pharmacy and drugstore format, stores in the main markets will remain open.

The Ports division will experience some slowness in throughput due to factory closure in the Mainland, which is now gradually resuming production in early March 2020 with only single-digit decline in throughput for 2020 thus far. The Infrastructure division is expected to have minimal impact from the COVID-19 pandemic.

The Telecommunications division in Europe is currently not affected and is experiencing much reduced churn and much higher voice and data usage. The operations will focus on maintaining network quality and services for customers, and at the same time keeping employees safe.

The Group will prioritise maintenance of the health and safety of our personnel and staff, as well as on customers around the world and will take all available precautionary steps available to us to achieve these objectives.

Fok Kin Ning, Canning

Group Co-Managing Director

Hong Kong, 19 March 2020

Operations Review – Additional Information

Ports and Related Services

The following tables summarise the port operations for the four segments of the division.

Name	Location	The Group's Effective Interest	2019 Throughput (100% basis) (million TEU)
HPH Trust			
Hongkong International Terminals/ COSCO-HIT Terminals/ Asia Container Terminals	Hong Kong	30.07% / 15.03% / 12.03%	10.0
Yantian International Container Terminals - Phase I and II/ Phase III/ West Port	Mainland China	16.96% / 15.53% / 15.53%	13.1
Huizhou International Container Terminals	Mainland China	12.42%	0.2
Ancillary Services - Asia Port Services/ Hutchison Logistics (HK)/ Shenzhen Hutchison Inland Container Depots	Hong Kong and Mainland China	30.07% / 30.07% / 24.58%	0.2

Name	Location	Hutchison Ports' Effective Interest ⁽¹⁾	2019 Throughput (100% basis) (million TEU)
Mainland China and Other Hong Kong			
Shanghai Mingdong Container Terminals/ Shanghai Pudong International Container Terminals	Mainland China	50% / 30%	9.0
Ningbo Beilun International Container Terminals	Mainland China	49%	2.1
River Trade Terminal	Hong Kong	50%	0.8
Ports in Southern China - Nanhai International Container Terminals ⁽²⁾ / Jiangmen International Container Terminals ⁽²⁾ / Huizhou Port Industrial Corporation/ Xiamen International Container Terminals/ Xiamen Haicang International Container Terminals	Mainland China	50% / 50% / 33.59% / 49% / 49%	1.6

Note 1: The Group holds an 80% interest in Hutchison Ports Holdings Group ("Hutchison Ports").

Note 2: Although HPH Trust holds the economic interest in the two River Ports in Nanhai and Jiangmen in Southern China, the legal interests in these operations are retained by this division.

Name	Location	Hutchison Ports' Effective Interest ⁽¹⁾	2019 Throughput (100% basis) (million TEU)
Europe			
Europe Container Terminals (ECT)/ Delta Terminal, ECT/Euromax Terminal, ECT Amsterdam Container Terminals/TMA logistics	Belgium, Germany and The Netherlands	93.5% / 89.37% / 60.78% 100% / 50%	9.4
Hutchison Ports (UK) – Port of Felixstowe/ Harwich International Port/ London Thamesport	United Kingdom	100% / 100% / 80%	3.9
Barcelona Europe South Terminal	Spain	100%	2.4
Gdynia Container Terminal	Poland	100%	0.4
Container Terminal Frihamnen ⁽³⁾	Sweden	100%	0.1
Note 3: The Group holds the right to operate Container Terminal Frihamnen in Sweden and is currently building a new facility at Stockholm Norvik Port, with the new port being operational in mid-2020.			
Asia, Australia and Others			
Westports Malaysia	Malaysia	23.55%	10.9
Jakarta International Container Terminal/Koja Terminal	Indonesia	49% / 45.09%	3.0
Hutchison Korea Terminals/Korea International Terminals	South Korea	100% / 88.9%	2.7
Hutchison Laemchabang Terminal/Thai Laemchabang Terminal	Thailand	80% / 87.5%	3.3
Karachi International Container Terminal/South Asia Pakistan Terminals	Pakistan	100% / 90%	1.5
Saigon International Terminals Vietnam	Vietnam	70%	–
Myanmar International Terminals Thilawa	Myanmar	100%	0.2
Brisbane Container Terminals	Australia	100%	0.2
Sydney International Container Terminals	Australia	100%	0.3
International Ports Services	Saudi Arabia	51%	1.4
Alexandria International Container Terminals	Egypt	80.33%	0.9
Oman International Container Terminal	Oman	65%	0.8
Hutchison Ajman International Terminals	United Arab Emirates	100%	0.2
Hutchison Ports RAK	United Arab Emirates	60%	0.1
Hutchison Ports UAQ	United Arab Emirates	60%	–
Hutchison Ports Basra	Iraq	51%	–
Internacional de Contenedores Asociados de Veracruz/ Lazaro Cardenas Terminal Portuaria de Contenedores/ Lazaro Cardenas Multipurpose Terminal/ Ensenada International Terminal/ Terminal Internacional de Manzanillo	Mexico	100%	2.1
Buenos Aires Container Terminal Services	Argentina	100%	0.2
Freeport Container Port	The Bahamas	51%	1.4
Panama Ports Company	Panama	90%	3.0
Tanzania International Container Terminal Services	Tanzania	66.5%	0.6

Operations Review – Additional Information

Retail

Brand list by Market

Market	Brand
Albania	Rossmann
Belgium	ICI PARIS XL, Kruidvat
Czech Republic	Rossmann
Germany	Rossmann
Hong Kong	Watsons, PARKnSHOP, Fortress, Watson's Wine, Watsons Water, Mr Juicy
Hungary	Rossmann
Indonesia	Watsons
Ireland	The Perfume Shop, Superdrug
Latvia	Drogas
Lithuania	Drogas
Luxembourg	ICI PARIS XL
Macau	Watsons, PARKnSHOP, Fortress, Watson's Wine
Mainland China	Watsons, PARKnSHOP Yonghui, Watson's Wine, Watsons Water, Mr Juicy
Malaysia	Watsons
The Netherlands	ICI PARIS XL, Kruidvat, Trekpleister
The Philippines	Watsons
Poland	Rossmann
Russia	Watsons
Singapore	Watsons
Taiwan	Watsons
Thailand	Watsons
Turkey	Watsons, Rossmann
United Kingdom	The Perfume Shop, Superdrug, Savers
Ukraine	Watsons
Vietnam	Watsons ⁽¹⁾

Note 1: ASW opened its first flagship store in Ho Chi Minh City, Vietnam on 17 January 2019.

Infrastructure

CKI Project Profile by Geographical Location

Geographical Location	Company/Project	Type of Business	Shareholding Interest within CKHH Group
Australia	SA Power Networks	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Powercor Australia Limited	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	CitiPower I Pty Ltd.	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Australian Gas Networks Limited	Gas Distribution	CKHH: 27.51% ⁽¹⁾ ; CKI: 44.97%; Power Assets: 27.51%
	Transmission Operations (Australia) Pty Ltd	Electricity Transmission	CKI: 50%; Power Assets: 50%
	CK William Group (formerly known as DUET Group)	Electricity distribution, gas transmission and distribution, and provision of electricity generation solutions	CKI: 40%; Power Assets: 20%
Canada	Canadian Power Holdings Inc.	Electricity Generation	CKI: 50%; Power Assets: 50%
	Park'N Fly	Off-airport Parking	CKHH: 5% ⁽¹⁾ ; CKI: 65%; Power Assets: 10%
	Husky Midstream Limited Partnership	Oil pipelines and storage	CKI: 16.25%; Power Assets: 48.75%
	Reliance	Building Equipment Services	CKI: 25%
Germany	ista	Energy Management Services	CKI: 35%
Hong Kong	Power Assets Holdings Limited ("Power Assets")	Holding company of a 33.37% interest in HKEI, a listed electricity generation and transmission business in HK, and power and utility-related businesses overseas	CKI: 35.96%
	Alliance Construction Materials Limited	Infrastructure Materials	CKI: 50%
	Green Island Cement Company, Limited	Infrastructure Materials	CKI: 100%
	Anderson Asphalt Limited	Infrastructure Materials	CKI: 100%
Mainland China	Green Island Cement (Yunfu) Company Limited	Infrastructure Materials	CKI: 100%
	Guangdong GITC Green Island Cement Co. Ltd.	Infrastructure Materials	CKI: 66.5%
	Shen-Shan Highway (Eastern Section)	Toll Road	CKI: 33.5%
	Shantou Bay Bridge	Toll Bridge	CKI: 30%
	Tangshan Tangle Road	Toll Road	CKI: 51%
	Jiangmen Chaolian Bridge	Toll Bridge	CKI: 50%
	Panyu Beidou Bridge	Toll Bridge	CKI: 40%
The Netherlands	Dutch Enviro Energy Holdings B.V.	Energy-from-Waste	CKHH: 3.5% ⁽¹⁾ ; CKI: 45.5%; Power Assets: 27%
New Zealand	Wellington Electricity Lines Limited	Electricity Distribution	CKI: 50%; Power Assets: 50%
	Enviro (NZ) Limited	Waste Management	CKI: 100%
The Philippines	Siquijor Limestone Quarry	Infrastructure Materials	CKI: 40%
Portugal	Portugal Renewable Energy	Generation and Sale of Wind Energy	CKI: 50%; Power Assets: 50%
United Kingdom	UK Power Networks Holdings Limited	Electricity Distribution	CKI: 40%; Power Assets: 40%
	Northumbrian Water Group Limited	Water Supply, Sewerage and Waste Water businesses	CKHH: 4% ⁽¹⁾ ; CKI: 52%; Power Assets: 8%
	Northern Gas Networks Limited	Gas Distribution	CKI: 47.06%; Power Assets: 41.29%
	Wales & West Utilities Limited	Gas Distribution	CKHH: 3% ⁽¹⁾ ; CKI: 39%; Power Assets: 36%
	Seabank Power Limited	Electricity Generation	CKI: 25%; Power Assets: 25%
	Southern Water Services Limited	Water and Wastewater Services	CKI: 4.75%
	UK Rails S.à r.l.	Leasing of Rolling Stock	CKHH: 5% ⁽¹⁾ ; CKI: 65%; Power Assets: 10%

Note 1: Represents CKHH's direct interest.

Operations Review – Additional Information

Energy

Husky Energy is one of Canada's largest integrated energy companies with a diverse oil and gas portfolio in Canada and Asia Pacific. Western Canada production is connected to upgrading and transportation infrastructure in Western Canada, plus refining operations in the United States. The table below summarises the major projects and activities of the division.

Operations	Project	Status/Production Timeline	Husky Energy's Working Interest
UPSTREAM			
Western Canada			
- Oil Resource Plays	Cardium, Wapiti, Alberta	In production	Varies
	Montney, Karr, Alberta	First Oil in October 2017	100%
- Liquids-Rich Gas Resource Plays	Ansell Multi-zone, Alberta	In production	Varies
	Duvernay, Kaybob, Alberta	In production	Varies
	Montney, Wembley, Alberta	First Gas in August 2017	100%
	Kakwa Multi-zone, Alberta	In production	Varies
	Montney, Sinclair, Alberta	Under evaluation	100%
	Viking, North Blackstone, Alberta	2019	55%
- Heavy Oil Thermal Projects	Bolney/Celtic	In production	100%
	Paradise Hill	In production	100%
	Pikes Peak South	In production	100%
	Sandall	In production	100%
	Rush Lake	In production	100%
	Vawn	In production	100%
	Edam West	In production	100%
	Edam East	In production	100%
	Rush Lake II	In production	100%
	Dee Valley	In production	100%
	Spruce Lake Central	Mid-Year 2020	100%
	Spruce Lake North	Around the end of 2020	100%
	Spruce Lake East	End of 2021	100%
	Edam Central	2022	100%
	Dee Valley II	2023	100%
	Westhazel	Reprioritised	100%
- Other	Rainbow Lake Gas Processing Plant	In operation	100%
Atlantic Region			
	Terra Nova	In production	13%
	South Avalon	In production	72.5%
	North Amethyst	In production	68.875%
	South White Rose Extension	In production	68.875%
	West White Rose	Around the end of 2022	68.875%
	Flemish Pass Basin	Under evaluation	35%
	Northwest White Rose	Under evaluation	93.232%
Oil Sands			
	Tucker, Alberta	In production	100%
	Sunrise (Phase 1), Alberta	In production	50%
Asia Pacific			
	Liwan 3-1, Block 29/26, South China Sea	In production	49%
	Liuhua 34-2, Block 29/26, South China Sea	In production	49%
	Liuhua 29-1, Block 29/26, South China Sea	By the end of 2020	75%
	Block 15/33, South China Sea	Under evaluation	100%
	Block 16/25, South China Sea	Production Sharing Contract signed in 2017	100%
	Madura Strait, BD, Indonesia	In production	40%
	Madura Strait, MDA, MBH & MDK, Indonesia	2021 timeframe	40%
	Madura Strait, MAC, MAX & MBJ, Indonesia	Under evaluation	40%
	Madura Strait, MBF, Indonesia	Under evaluation	50%
	Offshore Taiwan	Joint Venture Contract signed in 2012	75%
DOWNSTREAM			
	Lima Refinery, Ohio, USA	Facility upgrade in Q4 2019 and expected full production in Q1 2020	100%
	Toledo Refinery, Ohio, USA	In production	50%
	Superior Refinery, Wisconsin, USA	Rebuilt commenced in 2019 and expected to resume full production in 2021	100%
	Lloydminster Upgrader, Saskatchewan	In production	100%
	Lloydminster Asphalt Refinery, Alberta	In production	100%
	Prince George Refinery, British Columbia	Disposed of in November 2019	100%
	Lloydminster Ethanol Plant, Saskatchewan	In production	100%
	Minnedosa Ethanol Plant, Manitoba	In production	100%
	Cold Lake Pipeline System, Alberta	In operation	35%
	Saskatchewan Gathering System	In operation	35%
	Mainline Pipeline System, Alberta	In operation	35%
	Hardisty Terminal	In operation	35%
	LLB Pipeline	In operation	35%

Telecommunications

Summary of licence investments

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
United Kingdom	800 MHz	5 MHz	1	Paired	10 MHz
	1400 MHz	5 MHz	4	Unpaired	20 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3400 MHz	5 MHz	4	Unpaired	20 MHz
	3500 MHz	40 MHz	1	Unpaired	40 MHz
	3600 MHz	80 MHz	1	Unpaired	80 MHz
	3900 MHz	84 MHz	1	Unpaired	84 MHz
	28 GHz (National)	112 MHz	2	Unpaired	224 MHz
	28 GHz (Regional)	112 MHz	2	Unpaired	224 MHz
	40 GHz	1000 MHz	2	Unpaired	2000 MHz
Italy	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2000 MHz	5 MHz	2	Unpaired	10 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	15 MHz	2	Unpaired	30 MHz
	3600 MHz	20 MHz	1	Unpaired	20 MHz
	27 GHz	200 MHz	1	Unpaired	200 MHz
Austria	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	5 MHz	5	Paired	50 MHz
	2600 MHz	25 MHz	1	Unpaired	25 MHz
	3500 MHz	10 MHz	10	Unpaired	100 MHz
Sweden	800 MHz	10 MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	1	Paired	10 MHz
	2100 MHz	20 MHz	1	Paired	40 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	50 MHz	1	Unpaired	50 MHz
Denmark	700 MHz	10MHz	1	Paired	20 MHz
	900 MHz	10MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	10 MHz	2	Paired	40 MHz
	2100 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	5 MHz	5	Unpaired	25 MHz
Ireland	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	5 MHz	7	Paired	70 MHz
	2100 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3600 MHz	5 MHz	20	Unpaired	100MHz

Operations Review – Additional Information

Telecommunications (continued)

Summary of licence investments (continued)

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
Hong Kong ⁽³⁾	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz ⁽¹⁾	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz ⁽¹⁾	11.6 MHz	1	Paired	23.2 MHz
	2100 MHz	14.8 MHz	1	Paired	29.6 MHz
	2300 MHz	30 MHz	1	Unpaired	30 MHz
	2600 MHz ⁽²⁾	5 MHz	1	Paired	10 MHz
	2600 MHz ⁽²⁾	15 MHz	1	Paired	30 MHz
	3300 MHz	30 MHz	1	Unpaired	30 MHz
Macau	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	1	Paired	10 MHz
Indonesia	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
Sri Lanka	900 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	7.5 MHz	2	Paired	30 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
Vietnam	900 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz ⁽⁴⁾	15 MHz	1	Paired	30 MHz
Australia ⁽⁵⁾	700 MHz	5 MHz	1	Paired	10 MHz
	850 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	8.2 MHz	1	Paired	16.4 MHz
	1800 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	3600 MHz ⁽⁶⁾	5 MHz	12	Unpaired	60 MHz

Note 1: After the spectrum auction and licence 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 licences.

Note 2: Spectrum held by 50/50 joint venture with PCCW.

Note 3: After the spectrum auction in 2019, HTHKH will hold 40 MHz in 3500 MHz band from 2020 to 2035.

Note 4: Spectrum shared with Viettel Mobile.

Note 5: VHA's spectrum holdings vary across different locations, hence the above reflects spectrum allocated in Sydney and Melbourne only.

Note 6: Spectrum held by VHA's 50/50 joint venture with TPG.

Group Capital Resources and Liquidity

Treasury Management

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 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.

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.

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% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 62% were at fixed rates (31 December 2018: 39% floating; 61% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$6,760 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, 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 33% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 67% were at fixed rates at 31 December 2019 (31 December 2018: 27% floating; 73% fixed). All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, 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.

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, net debt and net assets, in particular for Euro and British Pounds. EBITDA⁽¹⁾ for 2019 was HK\$112,068 million, of which 55% was derived from European operations, including 22% from the UK. At 31 December 2019, of the Group's total principal amount of bank and other debts after currency swap arrangements, 52% and 5% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 9% Euro and 5% British Pounds denominated cash and cash equivalents. As a result, 82% and 6% of the Group's consolidated net debt⁽²⁾ of HK\$202,877 million were denominated in Euro and British Pounds respectively. Net assets⁽³⁾ was HK\$612,950 million, with 15% and 22% attributable to Continental Europe and UK operations respectively.

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$136,049 million.

Note 2: Under Post-IFRS 16 basis, consolidated net debt was HK\$202,648 million.

Note 3: Under Post-IFRS 16 basis, net assets was HK\$596,963 million.

Group Capital Resources and Liquidity

Foreign Currency Exposure (continued)

At 31 December 2019, the Group's total principal amount of bank and other debts were denominated as follows: 42% in Euro, 41% in US dollars, 4% in HK dollars, 5% in 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 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, were denominated as follows: 52% in Euro, 31% in US dollars, 4% in HK dollars, 5% in British Pounds and 8% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the results for 2019, a 10% depreciation of British Pounds would result in a HK\$2.5 billion decrease in EBITDA, a HK\$0.9 billion decrease in NPAT, HK\$1.2 billion decrease in net debt and 0.3%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK\$3.2 billion decrease in EBITDA, a HK\$1.2 billion decrease in NPAT, HK\$16.7 billion decrease in net debt and 1.3%-point decrease on net debt to net total capital ratio. Actual sensitivity will depend on actual results and cash flows for the period under consideration.

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.

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

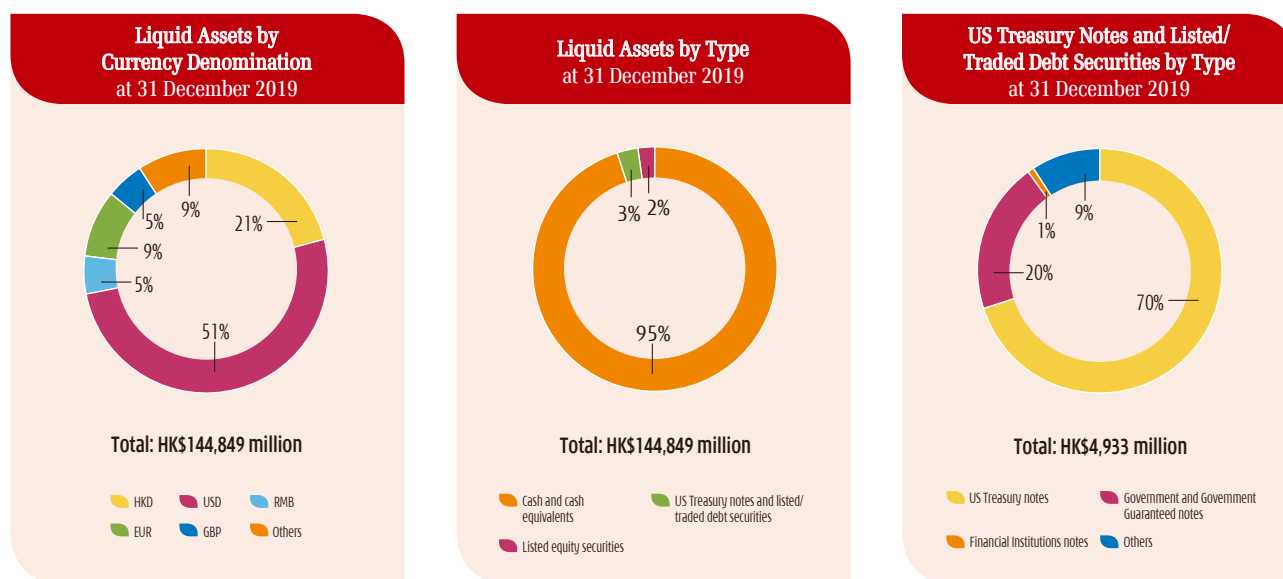
Market Price Risk

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 5% (31 December 2018 - approximately 6%) of the cash, liquid funds and other listed investments ("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.

Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$144,849 million at 31 December 2019, flat against the balance of HK\$144,703 million at 31 December 2018, 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.

Cash and cash equivalents represented 95% (31 December 2018 - 94%) of the liquid assets, US Treasury notes and listed/traded debt securities 3% (31 December 2018 - 4%) and listed equity securities 2% (31 December 2018 - 2%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 70%, government and government guaranteed notes of 20%, notes issued by financial institutions of 1% and others of 9%. Of these US Treasury notes and listed/traded debt securities, 99% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.3 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.



Cash Flow

EBITDA in 2019 was HK\$112,068 million, a decrease of 1% compared to HK\$113,580 million last year. Consolidated funds from operations⁽⁴⁾ ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$57,919 million for the year, an increase of 1% against last year.

The Group's capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for 2019 amounted to HK\$29,642 million (31 December 2018 - HK\$37,546 million). Capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for the ports and related services division amounted to HK\$3,037 million (31 December 2018 - HK\$3,910 million); for the retail division HK\$3,072 million (31 December 2018 - HK\$3,454 million); for the infrastructure division HK\$438 million (31 December 2018 - HK\$6,060 million); for CKH Group Telecom HK\$19,871 million (31 December 2018 - HK\$19,229 million); for HAT HK\$2,902 million (31 December 2018 - HK\$4,656 million); and for the finance and investments and others segment HK\$322 million (31 December 2018 - HK\$237 million).

The Group's dividends received from associated companies and joint ventures for 2019 amounted to HK\$9,097 million (31 December 2018 - HK\$14,519 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$1,613 million (31 December 2018 - HK\$1,946 million); for the retail division HK\$1,291 million (31 December 2018 - HK\$1,255 million); for the infrastructure division HK\$4,659 million (31 December 2018 - HK\$10,043 million); for Husky HK\$1,164 million (31 December 2018 - HK\$667 million); and for the finance and investments and others segment HK\$370 million (31 December 2018 - HK\$608 million).

The Group's purchases of and advances to associated companies and joint ventures amounted to HK\$885 million (31 December 2018 - HK\$2,446 million). Purchases of and advances to associated companies and joint ventures for the ports and related services divisions was nil (31 December 2018 - HK\$3 million), for the retail division HK\$82 million (31 December 2018 - Nil); for the infrastructure division HK\$396 million (31 December 2018 - HK\$1,444 million); for CKH Group Telecom HK\$104 million (31 December 2018 - HK\$72 million); and for the finance and investments and others segment HK\$303 million (31 December 2018 - HK\$927 million).

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 3(b)(v) and the "Consolidated Statement of Cash Flows" section of this Annual Report.

Note 4: Under Post-IFRS 16 basis, FFO was HK\$74,847 million.

Group Capital Resources and Liquidity

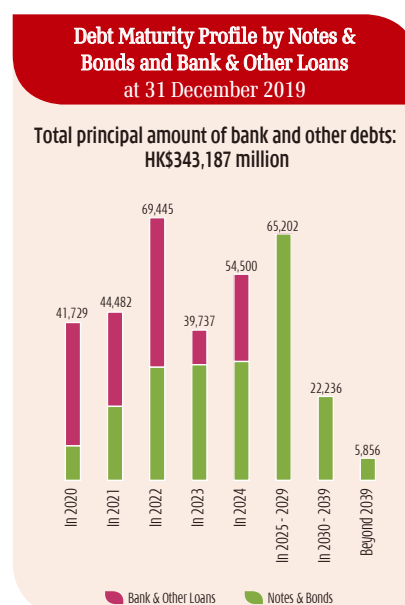
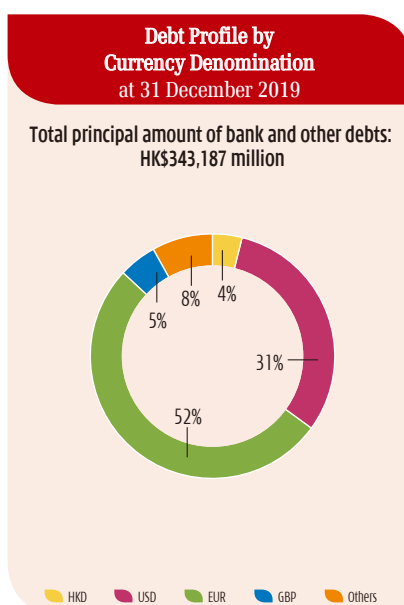
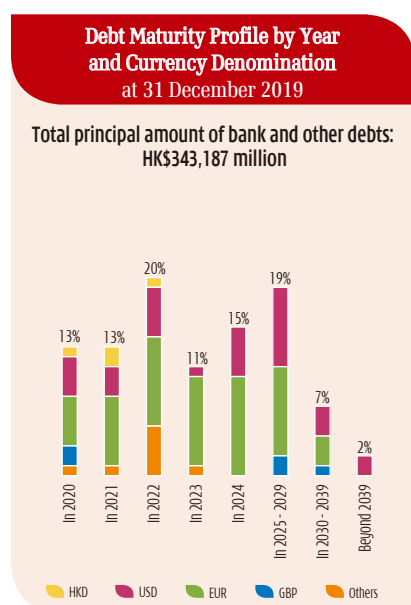
Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2019 amounted to HK\$347,726 million (31 December 2018 - HK\$352,668 million) which comprises principal amount of bank and other debts of HK\$343,187 million (31 December 2018 - HK\$346,918 million) and unamortised fair value adjustments arising from acquisitions of HK\$4,539 million (31 December 2018 - HK\$5,750 million). The Group's total principal amount of bank and other debts at 31 December 2019 consist of 62% notes and bonds (31 December 2018 - 66%) and 38% bank and other loans (31 December 2018 - 34%). The Group's weighted average cost of debt for the year ended 31 December 2019 is 2.1% (31 December 2018 - 2.4%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$728 million as at 31 December 2019 (31 December 2018 - HK\$752 million).

The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2019 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2020	1%	4%	5%	2%	1%	13%
In 2021	2%	3%	7%	—	1%	13%
In 2022	1%	5%	9%	—	5%	20%
In 2023	—	1%	9%	—	1%	11%
In 2024	—	5%	10%	—	—	15%
In 2025 - 2029	—	8%	9%	2%	—	19%
In 2030 - 2039	—	3%	3%	1%	—	7%
Beyond 2039	—	2%	—	—	—	2%
Total	4%	31%	52%	5%	8%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2019 were as follows:

- In February, partially prepaid EUR450 million (approximately HK\$4,010 million) of a floating rate loan facility of EUR3,000 million maturing in November 2022;
- In April, repaid USD1,500 million (approximately HK\$11,700 million) principal amount of fixed rate notes on maturity;
- In April, repaid a floating rate loan facility of SEK1,786 million (approximately HK\$1,500 million) on maturity;
- In April, issued USD750 million (approximately HK\$5,850 million) guaranteed notes due 2024 and USD750 million (approximately HK\$5,850 million) guaranteed notes due 2029;
- In July, prepaid GBP165 million (approximately HK\$1,605 million) of a floating rate loan facility maturing in October 2021;
- In July, obtained a bridging loan facility of EUR10,400 million (approximately HK\$90,584 million);
- In August, prepaid the remaining EUR2,550 million (approximately HK\$22,210 million) of a floating rate loan facility of EUR3,000 million maturing in November 2022;
- In August, early redeemed EUR5,139 million (approximately HK\$44,684 million) of guaranteed notes due 2023 to 2025;
- In August, early redeemed USD1,843 million (approximately HK\$14,266 million) of guaranteed notes due 2026;
- In September, repaid USD1,000 million (approximately HK\$7,800 million) principal amount of fixed rate notes on maturity;
- In September, issued USD500 million (approximately HK\$3,900 million) guaranteed notes due 2029 and USD750 million (approximately HK\$5,850 million) guaranteed notes due 2049;
- In October, obtained a two year floating rate term loan facility of EUR2,100 million (approximately HK\$18,123 million), a four year floating rate term loan facility of EUR2,100 million (approximately HK\$18,123 million) and a two year revolving credit facility of EUR360 million (approximately HK\$3,107 million);
- In October, issued EUR1,500 million (approximately HK\$13,080 million) guaranteed notes due 2023; EUR1,000 million (approximately HK\$8,720 million) guaranteed notes due 2026; EUR1,000 million (approximately HK\$8,720 million) guaranteed notes due 2028 and EUR750 million (approximately HK\$6,540 million) guaranteed notes due 2031; and
- In October, issued GBP500 million (approximately HK\$5,055 million) guarantee notes due 2027 and GBP300 million (approximately HK\$3,033 million) guarantee notes due 2034.

Furthermore, the significant debt financing activities undertaken by the Group subsequent to the year ended 31 December 2019 were as follows:

- In January 2020, repaid two HK\$500 million fixed rate notes on maturity; and
- In February 2020, obtained a three year floating rate term loan facility of USD1,300 million (approximately HK\$10,140 million).

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities⁽⁵⁾ increased to HK\$488,648 million as at 31 December 2019, compared to HK\$458,477 million as at 31 December 2018, reflecting profit for 2019, partly offset by the Group's 2018 final and 2019 interim dividends and distributions paid and other items recognised directly in reserves.

As at 31 December 2019, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$202,877 million (31 December 2018 – HK\$207,965 million), a 2% decrease compared to the net debt at the beginning of the year primarily due to the positive funds from operations, partly offset by dividend payments, capital expenditure and investment spending. The Group's consolidated net debt to net total capital ratio⁽⁶⁾ was 24.8% as at 31 December 2019 (31 December 2018 – 26.0%). The Group's consolidated cash and liquid investments as at 31 December 2019 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2022.

Note 5: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities was HK\$476,695 million.

Note 6: Under Post-IFRS 16 basis, net debt to net total capital ratio was 25.3%.

Group Capital Resources and Liquidity

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$5,916 million (31 December 2018: HK\$5,948 million) in 2019 was HK\$4,985 million (31 December 2018: HK\$4,226 million). EBITDA of HK\$112,068 million (31 December 2018: HK\$113,580 million) and FFO excluding net interest⁽⁷⁾ of HK\$63,001 million (31 December 2018: HK\$62,063 million) for the year covered consolidated net interest expenses and other finance costs 21.3 times (31 December 2018 – 25.5 times) and 12.6 times (31 December 2018 – 14.7 times) respectively.

Secured Financing

At 31 December 2019, assets of the Group totalling HK\$1,260 million (31 December 2018 – HK\$111,017 million) were pledged as security for bank loans.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2019 amounted to the equivalent of HK\$7,528 million (31 December 2018 – HK\$14,402 million).

Contingent Liabilities

At 31 December 2019, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$6,960 million (31 December 2018 – HK\$4,138 million), of which HK\$6,058 million (31 December 2018 – HK\$3,505 million) has been drawn down as at 31 December 2019 and also provided performance and other guarantees of HK\$2,817 million (31 December 2018 – HK\$2,885 million).

Note 7: Under Post-IFRS 16 basis, FFO excluding net interest was HK\$83,552 million.

Risk Factors

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Global Economy

As a global business, the Group 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, the Group'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 the Group's financial condition or results of operations.

Industry Trends, Interest Rates and Currency Markets

The Group'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 the Group 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, the Group'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 the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group'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 the Group's financial condition and results of operations.

Cashflow and Liquidity

From time to time, the Group 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 the Group's credit ratings. Although the Group 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 the Group formulates, implements and integrates its Environmental, Social and Governance ("ESG") strategies in relation to its core businesses. If liquidity in the capital markets declines and/or credit ratings of the Group decline or other factors, such as ESG considerations, the availability and cost of borrowings could be affected and thereby impact the Group's financial condition and results of operations, liquidity and cash flows.

Currency Fluctuations

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

Risk Factors

Crude Oil and Natural Gas Markets

Husky Energy's results of operations and financial condition are dependent on the prices received for its refined products, crude oil, natural gas liquids ("NGL") and natural gas production. Lower prices for crude oil, NGL and natural gas could adversely affect the value and quantity of Husky Energy's oil and gas reserves. 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 Organisation 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. Volatility in refined products, crude oil and natural gas prices could adversely affect the Group's financial condition and results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. New market entrants, intensification of price competition by existing competitors, product innovation or technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- continued consolidation and vertical integrations of international shipping lines that are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and may not require the use of the Group's terminal facilities;
- significant competition and pricing pressure regularly experienced by the retail business of the Group from both online and brick and mortar retail competitors, which may materially and adversely affect the financial performance of the Group's retail operations;
- new market entrants and intensified price competition among existing market players of the Group's waste management and off-airport car park businesses, which could adversely affect the financial performance of the Group's waste management and off-airport car park operations;
- risk of competition with respect to gaining access to the resources required to increase oil and gas reserves and production and gain access to markets. The Group's ability to successfully complete development projects could be adversely affected if it is unable to acquire economic supplies and services due to competition;
- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenue it receives as a major provider of telecommunications services; and
- risk of competition from disruptive alternate telecommunications or energy technologies and potential competition in the future from substitute telecommunications or energy technologies being developed or to be developed or if the Group fails to develop, or obtain timely access to new technologies and equipment.

Retail Product Liability

The Group'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 the Group'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 the Group's retail operations, even if the basis for the concern may be outside of the Group'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 the Group maintains product liability insurance coverage in amounts and with deductibles that the Group 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 the Group. Any material shortfall in coverage may have an adverse impact on the results of the Group's retail operations. In addition, any lost confidence on the part of the Group'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 the Group sells, regardless of the cause, could materially and adversely affect the business, and results of the Group's retail operations.

Strategic Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries, associated companies 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 the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries, associated companies and joint ventures and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries, associated companies and joint ventures may undergo a change of control or financial difficulties, which may negatively impact the Group's financial condition and results of operations.

Future Growth

The Group 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 the Group's mergers and acquisitions will depend, among other things, on the ability of the Group to realise 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 realise the expected synergies will not have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer bases in Europe, Hong Kong and Macau, Asia, and Australia. The Group may need to incur more capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to retain and build its customer bases. There can be no assurance that any additional investments will further increase customer levels and operating margins, and consequently, additional investments may materially and adversely impact the Group's financial condition and results of operations.

As of 31 December 2019, the Group had a total deferred tax asset balance⁽¹⁾ of HK\$18,640 million, of which HK\$17,342 million were attributable to the Group's mobile telecommunications operations in the UK, Ireland, Austria, Sweden and Denmark. The ultimate realisation of deferred tax assets recognised depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. In the UK, Ireland, Austria, Sweden and Denmark, taxation losses may be carried forward indefinitely. In addition, in the UK, the Group benefits from the availability of group relief in relation to taxation losses generated by its mobile telecommunications operations to offset taxable profits from its other businesses in the same period. 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. If there is a significant adverse change in taxation rates and legislations, or in the projected performance and resulting cash flow 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 the Group's financial condition and results of operations.

Completion risk of mergers and acquisitions

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

Note 1: Under Post-IFRS 16 basis, the Group had a total deferred tax asset balance of HK\$20,353 million, of which HK\$17,535 million were attributable to the Group's mobile telecommunications operations in the UK, Ireland, Austria, Sweden and Denmark.

Risk Factors

Impact of National, European Union and International Law and Regulatory Requirements

As a global business, the Group 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. The Group 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 European Union ("EU") or the World Trade Organisation ("WTO") or national authorities. These include:

- changes in tariffs and trade barriers;
- changes in taxation regulations and interpretations;
- competition (anti-trust) laws applicable to the Group'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 the Group'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 licences, 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.

There can be no assurance that the European institutions and/or the regulatory authorities of the countries in which the Group operates will not make decisions or interpret and implement regulations in a manner that materially and adversely affects the Group's financial condition and results of operations in the future.

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 the Group's port operations.

Certain infrastructure investments of the Group (for example, water, gas and electricity distribution) are subject to regulatory pricing and strict licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Furthermore, certain regulated operations of the Group'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 the Group's financial conditions and results of operations.

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

New policies or measures by governments, whether fiscal, regulatory or other changes, may pose a risk to the overall investment return of the Group's infrastructure and energy businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenue and profit.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities in each country in which it operates. Some of these licences have historically been issued for fixed terms and subsequently renewed. There can be no assurance, however, that any application for the renewal of one or more of these licences upon expiry of their respective terms will be successful or would be renewed on equivalent or satisfactory terms. In addition, the Group may not be successful in obtaining new licences for the provision of mobile services using new technologies that may be developed in the future and will likely face competition for any such licences. Due to changes in legislation, the Group's mobile telecommunications licences in the UK and Italy effectively provide for perpetual renewal rights. However, all of these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct its businesses, 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 licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (including 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 licences necessary for the Group's mobile telecommunications business, could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

The Group'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 the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business.

Accounting

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is continuing its policy of issuing Hong Kong Financial Reporting Standards ("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 the Group's financial condition and results of operations.

Impact of Regulatory Reviews

The Group and some of its subsidiaries and associated companies 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 the Group's publicly listed companies endeavour 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 the Group's interpretations and judgements and that any required actions mandated by the authorities will not have an adverse impact on the Group's reported financial position and results of operations.

Outbreak of Highly Contagious Disease

The Severe Acute Respiratory Syndrome outbreak in 2003 had a significant adverse impact on the economies of the affected countries. Since then, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A", the spread of H1N1 virus or "Swine Flu" among humans, the outbreak of H7N9 virus in the Mainland, an epidemic of the Ebola virus and the Zika virus. Currently, extensive disruption on movement of people and goods is occurring due to the global outbreak of COVID-19, which the World Health Organization has declared to be a pandemic. COVID-19 or other outbreaks of contagious disease can disrupt the Group's operations, supply chains and customer facing businesses, with potential adverse effects on the Group's operating results.

Natural Disasters

Some of the Group's assets and projects, and many of the Group'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 the Group's business materially and adversely affect the Group's financial condition and results of operations.

Although the Group 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 the Group's infrastructure projects, ports or other facilities, or on the general supporting infrastructure facilities in the vicinity, which could materially and adversely affect the Group's financial condition and results of operations.

Risk Factors

Climate Change

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

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

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

Political Unrest and Terrorist Attacks

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

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

Governments and multinational organisations (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 will not affect the jurisdictions in which the Group conducts its business, any of the Group's business partners or suppliers or otherwise. To the extent that any such sanction is imposed in any jurisdictions where the Group's business operates, the Group may need to cease operations in those jurisdictions and suffer losses in that regard. If any of the Group's business partners or suppliers is impacted by sanctions, provision of goods, services or support by them may be disrupted or discontinued, which may affect the Group's ability to continue to operate related businesses. If any of the Group's business partners is affected by sanctions, the continuation or disruption of strategic alliance with such business partners may also affect the Group's ability to continue to operate related businesses and/or may result in suspension of operations. There can be no assurance that the Group 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 the Group'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 unauthorised access to or disrupting the operation of the networks, systems and data base of the Group or its suppliers, vendors and other service providers, could have an adverse effect on the Group'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 the Group'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 the Group may not be able to prevent, eliminate or minimise the risks associated with cyber attacks.

Any operational impacts caused by cyber attacks to the networks, systems and data base of the Group 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 the Group could include expensive incentives to certain existing customers and business partners, increased expenditures on cyber security measures and the use of alternate resources. The Group may also suffer a loss of revenue owing to business interruption and claims from regulators and other third parties. The potential costs or losses associated with these attacks could exceed the insurance coverage the Group 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 the Group's reputation, adversely impact customer and investor confidence, and materially and adversely affect the Group's financial condition and results of operations.

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group 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 the Group'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 EU 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 Group 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 the Group's financial condition and results of operations.

UK's Exit from the EU

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

In October 2019, a revised withdrawal agreement and political declaration was agreed between the EU and the UK Government. Both documents were subsequently ratified by the UK Parliament and the European Parliament. The UK formally left the EU on 31 January 2020. The withdrawal agreement includes a transition period until 31 December 2020, during which time EU laws and regulations will continue to apply broadly as now. The long-term impact of the UK's decision to leave the EU is not known and will depend on the final terms agreed (if any) between the UK and the EU during the course of 2020 as well as on the UK's ability to secure favourable 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 the Group's financial condition and results of operations.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this Annual Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Annual Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Information on Directors

Biographical Details of Directors

LI Tzar Kuoi, Victor

aged 55, has been a Director of the Company since December 2014. He was designated as Executive Director, Managing Director and Deputy Chairman of the Company in January 2015, re-designated as Executive Director, Group Co-Managing Director and Deputy Chairman of the Company in June 2015, and appointed as Chairman of the Company since May 2018. Mr Li has been a member of the Remuneration Committee of the Company since May 2018 and Chairman of the Nomination Committee of the Company since January 2019. He joined Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") in 1985 and acted as Deputy Managing Director from 1993 to 1998. He was Deputy Chairman of Cheung Kong (Holdings) since 1994, Managing Director since 1999 and Chairman of the Executive Committee since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited (the "SEHK") was replaced by the Company 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 the Company. Mr Li is Chairman, Managing Director and Executive Director of CK Asset Holdings Limited ("CKA"), Chairman of CK Infrastructure Holdings Limited ("CKI") and CK Life Sciences Int'l., (Holdings) Inc. ("CKLS"), a Non-executive Director of Power Assets Holdings Limited ("Power Assets") and HK Electric Investments Manager Limited ("HKEIML") as the trustee-manager of HK Electric Investments ("HKEI"), a Non-executive Director and Deputy Chairman of HK Electric Investments Limited ("HKEIL") and Co-Chairman of Husky Energy Inc. ("Husky Energy"). Save and except CKA, the aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Li oversees the management. Mr Li is also the Deputy Chairman of Li Ka Shing Foundation Limited ("LKSF") and Li Ka Shing (Global) Foundation ("LKSGF", formerly known as Li Ka Shing (Overseas) Foundation), Member Deputy Chairman of Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and a degree of Doctor of Laws, honoris causa (LL.D.). Mr Li is the elder son of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) of the Company, and a nephew of Mr Kam Hing Lam, Deputy Managing Director of the Company. Mr Li is a director of certain substantial shareholders of the Company and certain companies controlled by substantial shareholders of the Company.

FOK Kin Ning, Canning

aged 68, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director and Group Co-Managing Director of the Company in June 2015. He has been a member of the Nomination Committee of the Company since January 2019. Mr Fok was a Director of Cheung Kong (Holdings) since 1985 and became a Non-executive Director in 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 the Company. He is also Chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), Power Assets, HKEIML as the trustee-manager of HKEI, and HKEIL, Co-Chairman of Husky Energy and Deputy Chairman of CKI. The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Fok oversees the management. Mr Fok is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of the Company. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

Frank John SIXT

aged 68, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director, Group Finance Director and Deputy Managing Director of the Company in June 2015. He has been a member of the Nomination Committee of the Company since January 2019. Mr Sixt was an Executive Director of Cheung Kong (Holdings) since 1991 and became a Non-executive Director in 1998 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 the Company. He is also Non-executive Chairman of TOM Group Limited ("TOM"), an Executive Director of CKI, a Director of HTAL and Husky Energy, and an Alternate Director to Directors of HTAL, HKEIML as the trustee-manager of HKEI, and HKEIL. The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Sixt oversees the management. Mr Sixt is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by substantial shareholders of the Company. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

IP Tak Chuen, Edmond

aged 67, has been a Director of the Company since December 2014 and was designated as an Executive Director and Deputy Managing Director of the Company in January 2015. He has been a member of the Nomination Committee of the Company since January 2019. He is an Executive Director and a Deputy Managing Director of CKA. Mr Ip was an Executive Director of Cheung Kong (Holdings) since 1993 and Deputy Managing Director since 2005 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 Group of which Mr Ip oversees the management. Mr Ip is a director of certain companies controlled by substantial shareholders (within the meaning of the SFO) of the Company. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

KAM Hing Lam

aged 73, has been an Executive Director and Deputy Managing Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. He is also an Executive Director and Deputy Managing Director of CKA. Mr Kam was Deputy Managing Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He is also Group Managing Director of CKI and the President and Chief Executive Officer of CKLS. Mr Kam was an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. 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 Group of which Mr Kam oversees the management. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder (within the meaning of the SFO) of the Company, and an uncle of Mr Li Tzar Kuoi, Victor, Chairman and Group Co-Managing Director of the Company.

LAI Kai Ming, Dominic

aged 66, has been an Executive Director and Deputy Managing Director of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. Mr Lai was an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. 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 Group of which Mr Lai oversees the management. Mr Lai has over 35 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Information on Directors

Edith SHIH

aged 68, has been an Executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since January 2019. She is also the Company Secretary of the Company and was the Head Group General Counsel of the Company 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 the Company. She is a Non-executive Director of HTHKH, Hutchison China MediTech Limited ("Chi-Med") and HPHM as the trustee-manager of HPH Trust. She is also a member of the Board of Commissioners of PTDI. The aforementioned companies are either subsidiaries or associated companies of the Group of which Ms Shih oversees the management. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is currently the International President and Executive Committee Chairman of The Chartered Governance Institute ("CGI", formerly known as the Institute of Chartered Secretaries and Administrators) as well as a past President and current chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also the Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants, a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the CGI and HKICS, holding Chartered Secretary and Chartered Governance Professional dual designations. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHOW Kun Chee, Roland

aged 82, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. He was a Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 the Company. Mr Chow is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by substantial shareholders of the Company.

LEE Yeh Kwong, Charles

GBM, GBS, OBE, JP, aged 83, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. Mr Lee was a Non-executive Director of Cheung Kong (Holdings) since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 the Company. He is the President, Chairman of the Board and a Vice Patron of The Community Chest of Hong Kong as well as a member of the Board of Governors of Our Hong Kong Foundation. Mr Lee is one of the founders of the solicitor's firm Woo Kwan Lee & Lo, a major law firm in Hong Kong. He holds a Master's degree in law and is a qualified solicitor in both Hong Kong and the United Kingdom. He was awarded the degree of Doctor of Laws honoris causa by The Hong Kong University of Science and Technology, the degree of Doctor of Business Administration honoris causa by The Hong Kong Polytechnic University and the degree of Doctor of Social Sciences honoris causa by the University of Hong Kong and The Open University of Hong Kong respectively. Mr Lee is also a qualified accountant and a chartered secretary.

LEUNG Siu Hon

aged 88, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. He was a Director of Cheung Kong (Holdings) since 1984 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Leung holds a B.A. Law (Honours) (Southampton) degree, and has been awarded the Honorary degree of Doctor of Laws by the University of Southampton in July 2001 and appointed by the Northwest University of Politics & Law, China to the post of Adjunct Professor in May 2014 and July 2018. Mr Leung is a solicitor of the High Court of the Hong Kong Special Administrative Region and an attesting officer appointed by the People's Republic of China. He is presently a consultant of Messrs. S.H. Leung and Co., Solicitors. Mr Leung is a cousin of Mr Chow Kun Chee, Roland, a Non-executive Director of the Company.

George Colin MAGNUS

OBE, BBS, aged 84, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. He acted as an Executive Director of Cheung Kong (Holdings) since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company 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 the Company. He served as Deputy Chairman of HWL from 1984 to 1993. He is also a Non-executive Director of CKI, an Independent Non-executive Director of HKEIML as the trustee-manager of HKEI, and HKEIL, and a Director (independent) of Husky Energy. Mr Magnus holds a Master's degree in Economics.

WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)

aged 66, has been a Non-executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since January 2019. She was an Executive Director and Group Deputy Managing Director of the Company from June 2015 to July 2016, Senior Advisor of the Company 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 the Company since June 2015) from October 1993 to June 2015, Deputy Group Managing Director from January 1998 to June 2015 and Director from June 2015 to July 2016. Prior to joining HWL, Mrs Chow was a partner of Woo Kwan Lee & Lo, a major law firm in Hong Kong. Mrs Chow is a Director of HTAL and an Alternate Director to Directors of CKI, HKEIML as the trustee-manager of HKEI, and HKEIL. She previously served as a member of the Listing Committee of the SEHK, the Joint Liaison Committee on Taxation of the Law Society of Hong Kong, the Committee on Real Estate Investment Trusts of the Securities and Futures Commission, the Trade and Industry Advisory Board, the Court of The Hong Kong University of Science and Technology and the Appeal Boards Panel (Education). Mrs Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

KWOK Tun-li, Stanley

aged 93, has been an Independent Non-executive Director of the Company since January 2015, a member of the Audit Committee of the Company since March 2015 and a member of the Nomination Committee of the Company since January 2019. He was a member of the Remuneration Committee of the Company from March 2015 to June 2015. He was a Director of Cheung Kong (Holdings) since 1989 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. Mr Kwok holds a Bachelor's degree in Science (Architecture) from St. John's University, Shanghai, China, and an A.A. Diploma from the Architectural Association School of Architecture, London, England. Mr Kwok is a Director (independent) of Husky Energy. He is also presently a Director of Amara Holdings Inc. and Element Lifestyle Retirement Inc..

CHENG Hoi Chuen, Vincent

GBS, OBE, JP, aged 71, has been an Independent Non-executive Director and a member of both the Audit Committee and the Remuneration Committee of the Company since June 2015, and a member of the Nomination Committee of the Company 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 the Company. He is an Independent Non-executive Director of Airstar Bank Limited, CLP Holdings Limited, Great Eagle Holdings Limited, HXAML as manager of Hui Xian REIT, Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. He was previously an Independent Non-executive Director of MTR Corporation Limited. Mr Cheng joined The Hongkong and Shanghai Banking Corporation Limited in 1978 of which he became Chief Financial Officer in 1994, General Manager and an Executive Director in 1995 and Chairman from 2005 to 2010. He was also the Chairman of HSBC Bank (China) Limited from 2007 to 2011, an Executive Director of HSBC Holdings plc from 2008 to 2011 and an adviser to the Group Chief Executive of HSBC Holdings plc from 2011 to 2012. In 2008, Mr Cheng was appointed as a member of the 11th National Committee of the CPPCC of the People's Republic of China and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC of the People's Republic of China. Mr Cheng's previous government advisory roles include being a member of the Executive Council (the Hong Kong government's highest policy-making body) from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council of the Hong Kong Government from 1991 to 1995. In 2005, Honorary Doctorates of Social Science and of Business Administration were conferred on Mr Cheng by The Chinese University of Hong Kong and The Open University of Hong Kong respectively. Mr Cheng holds a Bachelor of Social Science degree in Economics and a Master of Philosophy degree in Economics.

Information on Directors

The Hon Sir Michael David KADOORIE

GBS, Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne, Commandeur de l'Ordre de Leopold II, aged 78, has been an Independent Non-executive Director of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He was a Director of HWL since 1995 until July 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is the Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited.

LEE Wai Mun, Rose

JP, aged 67, has been an Independent Non-executive Director of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. She was an Independent Non-executive Director of HWL since 2012 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. She is also an Independent Non-executive Director of Swire Pacific Limited and MTR Corporation Limited, a Board Member of the West Kowloon Cultural District Authority, a member of its Investment Committee, as well as Vice Patron of The Community Chest of Hong Kong. Ms Lee was previously an Executive Director, Vice-chairman and Chief Executive of Hang Seng Bank Limited, Group General Manager of HSBC Holdings plc and Vice President of The Hong Kong Institute of Bankers. Ms Lee is a Fellow of The Hong Kong Institute of Bankers. She holds a Bachelor's degree in Business Administration.

William Elkin MOCATTA

aged 67, has been an Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director of the Company, 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 the Company. He is the Chairman of CLP Power Hong Kong Limited, CLP Properties Limited and Castle Peak Power Company Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

William SHURNIAK

S.O.M., M.S.M., LLD (Hon), aged 88, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2015, and a member of the Nomination Committee of the Company since January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. In addition, Mr Shurniak is a Director (independent) and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan, The University of Western Ontario and the University of Regina in Canada. He was awarded the Saskatchewan Order of Merit by the Government of Saskatchewan in 2009, the Queen Elizabeth II Diamond Jubilee Medal by the Lieutenant Governor of Saskatchewan in 2012 and the Meritorious Service Medal by Governor General of Canada in 2016.

WONG Chung Hin

CBE, JP, aged 86, has been an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of the Company since June 2015, and a member of the Nomination Committee of the Company since January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. Mr Wong was previously an Independent Non-executive Director of Power Assets. He is a solicitor.

WONG Yick-ming, Rosanna

DBE, JP, aged 67, has been an Independent Non-executive Director of the Company since January 2015, Chairman of the Remuneration Committee of the Company since March 2015 and a member of the Nomination Committee of the Company since January 2019. She was an Independent Non-executive Director of Cheung Kong (Holdings) since 2001 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. She was previously an Alternate Director of the Company 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 also serves as a Global Advisor to Mars, Incorporated. She is an Independent Non-executive Director of HTHKH and The Hongkong and Shanghai Hotels, Limited, the Senior Advisor of The Hong Kong Federation of Youth Groups ("HKFYG"), a Director of RJJ Ideas Limited, a Steward of The Hong Kong Jockey Club, a member of the Board of Governors of Our Hong Kong Foundation and Chairman of Asia International School Limited. She was previously the Executive Director of HKFYG, Non-executive Chairman of the Advisory Committee of The Hongkong Bank Foundation, an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, Chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority, a member of The Hong Kong University of Science and Technology Business School Advisory Council and Chairman of the Advisory Board of California Center Early Learning School, Shanghai. 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.

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), the changes in information of Directors of the Company, as notified to the Company, subsequent to the date of the 2019 Interim Report are set out below:

Directors	Details of Changes
Chow Woo Mo Fong, Susan	Appointed as - Director of HTAL⁽¹⁾ on 9 December 2019 - Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited⁽²⁾ effective on 7 May 2020
Cheng Hoi Chuen, Vincent	Appointed as Independent Non-executive Director of Airstar Bank Limited on 9 May 2019
Wong Chung Hin	Resigned as Independent Non-executive Director of Power Assets ⁽²⁾ on 19 March 2020
Wong Yick-ming, Rosanna	Ceased to serve as Chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority on 1 March 2020 Will cease to serve as a Global Advisor to Mars, Incorporated on 1 April 2020

Notes:

(1) A company whose shares are listed on the Australian Securities Exchange

(2) A company whose shares are listed on the Main Board of the SEHK

In respect of the change in emoluments of Directors, please refer to note 4 to the financial statements on pages 160 to 161.

Information on Directors

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "CKHH Securities Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares Held	Approximate % of	
				Total	Shareholding
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	1,160,195,710 ⁽¹⁾	1,163,893,260	30.1820%
			)		
	Beneficial owner	Personal interest	220,000		
			)		
	Interest of controlled corporations	Corporate interest	3,072,350 ⁽²⁾⁽³⁾		
			)		
	Interest of spouse	Family interest	200,000	1,163,893,260	30.1820%
			)		
	Interest of child	Family interest	205,200 ⁽⁴⁾	1,163,893,260	30.1820%
			)		
Fok Kin Ning, Canning	Interest of controlled corporations	Corporate interest	5,711,438 ⁽⁵⁾	5,711,438	0.1481%
Frank John Sixt	Beneficial owner	Personal interest	166,800	166,800	0.0043%
Kam Hing Lam	Beneficial owner	Personal interest	51,040	108,400	0.0028%
			)		
	Interest of child	Family interest	57,360	108,400	0.0028%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	34,200	34,200	0.0008%
Edith Shih	Beneficial owner	Personal interest	87,125	92,187	0.0023%
			)		
	Interest of spouse	Family interest	5,062	92,187	0.0023%
Chow Kun Chee, Roland	Beneficial owner	Personal interest	99,752	99,752	0.0025%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	129,960	129,960	0.0033%
Lee Yeh Kwong, Charles	Beneficial owner	Personal interest	862,124	906,584	0.0235%
			)		
	Interest of spouse	Family interest	37,620		
			)		
	Interest of a controlled corporation	Corporate interest	6,840 ⁽⁶⁾		
			)		
Leung Siu Hon	Beneficial owner	Personal interest	663,968	748,030	0.0193%
			)		
	Interest of spouse	Family interest	84,062	748,030	0.0193%

Directors	Capacity	Nature of Interests	Number of Shares Held	Total	Approximate % of Shareholding
George Colin Magnus	Founder and/or beneficiary of a discretionary trust	Other interest	833,868 ⁽⁷⁾)		
			)		
			)		
	Beneficial owner	Personal interest	85,361)		
			)		
	Interest of spouse	Family interest	16,771)	936,000	0.0242%
Cheng Hoi Chuen, Vincent	Beneficial owner	Personal interest	10,000	10,000	0.0002%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	Other interest	11,752,120 ⁽⁸⁾	11,752,120	0.3047%
William Shurniak	Beneficial owner	Personal interest	265,000	265,000	0.0068%

Notes:

(1) The 1,160,195,710 shares of the Company comprise:

- (a) 1,003,380,744 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies"). Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, Mr Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as a Director of the Company.

Information on Directors

- (b) 72,387,720 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3") and its related companies in which TUT3 as trustee of UT3 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT3 related companies"). Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, Mr Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 and TUT3 related companies under the SFO as a Director of the Company.

- (c) 84,427,246 shares held by a company controlled by TDT3 as trustee of DT3.
- (2) Among those shares, 300,000 and 500,000 shares are held by LKSF and a wholly owned subsidiary of LKSGF respectively. By virtue of the terms of the constituent documents of LKSF and LKSGF, Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF and LKSGF.
- (3) Among those shares, 2,272,350 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (4) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.
- (5) Such shares are held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- (6) Such shares are held by a company of which Mr Lee Yeh Kwong, Charles is interested in the entire issued share capital.
- (7) 184,000 shares are held by a company controlled by a trust of which Mr George Colin Magnus is a discretionary beneficiary and 649,868 shares are indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and/or a discretionary beneficiary.
- (8) Such shares are ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2019, Mr Li Tzar Kuoi, Victor, as a Director of the Company, was deemed to be interested in the following by virtue of, inter alia, his interests as described in Note (1) above:

- (i) 5,428,000 ordinary shares, representing approximately 0.20% of the issued voting shares, in CKI held by TUT1 as trustee of UT1;
- (ii) 153,280 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by TUT3 as trustee of UT3;
- (iii) 294,703,249 common shares, representing approximately 29.32% of the issued voting shares, in Husky Energy held by a company controlled by TDT3 as trustee of DT3; and
- (iv) 15,000,000 ordinary shares, representing approximately 15% of the issued voting shares, in Beautiland Company Limited held by a wholly owned subsidiary of TUT1 as trustee of UT1.

As at 31 December 2019, Mr Li Tzar Kuoi, Victor was also deemed to be interested in (i) 7,870,000 share stapled units, representing approximately 0.08% of the issued voting share stapled units, in HKEI and HKEIL of which 5,170,000 share stapled units are held by LKSF and 2,700,000 share stapled units are held by a wholly owned subsidiary of LKSGF; (ii) 2,835,759,715 ordinary shares, representing approximately 29.50% of the issued voting shares, in CKLS held by wholly owned subsidiaries of LKSF; and (iii) 350,773,499 ordinary shares, representing approximately 7.27% of the issued voting shares, in HTHKH of which 245,546 ordinary shares are held by LKSGF and 350,527,953 ordinary shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF and LKSGF, Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF and LKSGF.

In addition, Mr Li Tzar Kuoi, Victor had, as at 31 December 2019, the following interests:

- (i) personal interests in 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS held in his capacity as a beneficial owner;
- (ii) family interests in (a) 192,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by a company in which his child is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings; and (b) 227,000 ordinary shares, representing approximately 0.008% of the issued voting shares, in CKI held by his spouse; and
- (iii) corporate interests in (a) 2,519,250 ordinary shares, representing approximately 0.05% of the issued voting shares, in HTHKH; and (b) a nominal amount of US\$38,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by CK Hutchison Capital Securities (17) Limited, which are held by companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

Information on Directors

Mr Fok Kin Ning, Canning had, as at 31 December 2019, the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (ii) family interests in 267,400* ordinary shares, representing approximately 0.04% of the issued voting shares, in Chi-Med held by his spouse;
- (iii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.02% of the issued voting shares, in HTHKH;
- (iv) corporate interests in 255,365 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy;
- (v) corporate interests in 2,000,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL; and
- (vi) corporate interests in 1,500,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS.

Mr Fok Kin Ning, Canning holds the above personal interests in his capacity as a beneficial owner and holds the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2019, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.007% of the issued voting shares, in HTAL; (ii) 255,000 ordinary shares, representing approximately 0.005% of the issued voting shares, in HTHKH; (iii) 70,190 common shares, representing approximately 0.006% of the issued voting shares, in Husky Energy; (iv) 900,000 ordinary shares, representing approximately 0.009% of the issued voting shares, in CKLS; and (v) 492,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM.

Mr Ip Tak Chuen, Edmond in his capacity as a beneficial owner had, as at 31 December 2019, personal interests in (i) 262,840 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy; and (ii) 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS.

Mr Kam Hing Lam had, as at 31 December 2019, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in CKI held in his capacity as a beneficial owner; and
- (ii) family interests in (a) 100,000 ordinary shares, representing approximately 0.004% of the issued voting shares, in Power Assets; (b) 1,025,000 share stapled units, representing approximately 0.01% of the issued voting share stapled units, in HKEI and HKEIL; and (c) 6,225,000 ordinary shares, representing approximately 0.06% of the issued voting shares, in CKLS, which are held by his child.

Ms Edith Shih in her capacity as a beneficial owner had, as at 31 December 2019, personal interests in (i) 700,000* ordinary shares and 100,000 American depositary shares ("ADS", each representing five# ordinary shares), in aggregate representing approximately 0.18% of the issued voting shares, in Chi-Med; and (ii) a nominal amount of US\$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited.

* Effective from 30 May 2019, each ordinary share of US\$1.00 each of Chi-Med was subdivided into 10 new ordinary shares of US\$0.10 each (the "Subdivision"). Accordingly, the number of ordinary shares held increased by a multiple of 10.

Concurrent with the Subdivision, the ADS conversion ratio of Chi-Med changed to one ADS representing five new ordinary shares.

Mr Chow Kun Chee, Roland in his capacity as a beneficial owner had, as at 31 December 2019, personal interests in (i) 10,000 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKI; (ii) 903,936 ordinary shares, representing approximately 0.009% of the issued voting shares, in CKLS; (iii) 134,918 ordinary shares, representing approximately 0.006% of the issued voting shares, in Power Assets; (iv) 582,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM; and (v) 33,730 share stapled units, representing approximately 0.0003% of the issued voting share stapled units, in HKEI and HKEIL.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2019, personal interests in 250,000 ordinary shares, representing approximately 0.005% of the issued voting shares, in HTHKH.

Mr Lee Yeh Kwong, Charles had, as at 31 December 2019, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in CKI held in his capacity as a beneficial owner;
- (ii) 247,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in Power Assets comprising corporate interests in 100,000 ordinary shares held through a company of which Mr Lee is interested in the entire issued share capital and family interests in 147,000 ordinary shares held by his spouse;
- (iii) family interests in 1,532 common shares, representing approximately 0.0001% of the issued voting shares, in Husky Energy held by his spouse; and
- (iv) corporate interests in 25,000 share stapled units, representing approximately 0.0002% of the issued voting share stapled units, in HKEI and HKEIL held through a company of which Mr Lee is interested in the entire issued share capital.

Mr Leung Siu Hon had, as at 31 December 2019, the following interests:

- (i) 2,106,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL comprising personal interests in 1,200,000 share stapled units held in his capacity as a beneficial owner and family interests in 906,000 share stapled units held by his spouse;
- (ii) personal interests in 100,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in TOM held in his capacity as a beneficial owner; and
- (iii) 1,693,100 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS comprising (a) personal interests in 1,688,130 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 2,000 ordinary shares held by his spouse; and (c) corporate interests in 2,970 ordinary shares held by a company which is wholly owned by Mr Leung and his spouse.

Mr George Colin Magnus had, as at 31 December 2019, the following interests:

- (i) 13,333 ordinary shares, representing approximately 0.0002% of the issued voting shares, in HTHKH comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse;
- (ii) personal interests in 34,974 common shares and 43,917 unlisted and physically settled Deferred Share Units (each representing one common share), in aggregate representing approximately 0.007% of the issued voting shares, in Husky Energy held in his capacity as a beneficial owner; and
- (iii) 765,000 ordinary shares, representing approximately 0.007% of the issued voting shares, in CKLS comprising (a) personal interests in 753,360 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 600 ordinary shares held by his spouse; and (c) other interests in 11,040 ordinary shares held by a company controlled by a trust of which Mr Magnus is a discretionary beneficiary.

Information on Directors

Mr Kwok Tun-li, Stanley had, as at 31 December 2019, the following interests:

- (i) 122,885 common shares, representing approximately 0.01% of the issued voting shares, in Husky Energy comprising (a) personal interests in 20,606 common shares and 2,983 unlisted and physically settled Deferred Share Units (each representing one common share) held in his capacity as a beneficial owner; and (b) family interests in 10,215 common shares and 89,081 unlisted and physically settled Deferred Share Units (each representing one common share) held by his spouse; and
- (ii) family interests in 200,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS held by his spouse.

Ms Lee Wai Mun, Rose had, as at 31 December 2019, the following interests:

- (i) personal interests in 2,200 ordinary shares, representing approximately 0.0001% of the issued voting shares, in Power Assets held in her capacity as a beneficial owner; and
- (ii) 43,122 common shares, representing approximately 0.004% of the issued voting shares, in Husky Energy comprising corporate interests in 10,488 common shares held through a company of which Ms Lee is interested in the entire issued share capital and other interests in 32,634 common shares held jointly with another person.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2019, personal interests in (i) 43,376 common shares and 2,983 unlisted and physically settled Deferred Share Units (each representing one common share), in aggregate representing approximately 0.004% of the issued voting shares, in Husky Energy; and (ii) 225,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the CKHH Securities Code.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Directors' Interests in Competing Business

During the year ended 31 December 2019, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Core Business Activities of the Company and its subsidiaries:

- (1) Ports and related services
- (2) Retail
- (3) Infrastructure
- (4) Energy
- (5) Telecommunications

Interests in Competing Business:

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Li Tzar Kuoi, Victor	CKA	Chairman and Managing Director	(3) & (4)
	CKLS	Chairman	(2)
	HKEIML as trustee-manager of HKEI, and HKEIL	Deputy Chairman of HKEIL and Non-executive Director of both HKEIML and HKEIL	(3) & (4)
	Husky Energy	Co-Chairman	(4)
	Power Assets	Non-executive Director	(3) & (4)
Fok Kin Ning, Canning	HKEIML as trustee-manager of HKEI, and HKEIL	Chairman	(3) & (4)
	HPHM as trustee-manager of HPH Trust	Chairman	(1)
	Husky Energy	Co-Chairman	(4)
	Power Assets	Chairman	(3) & (4)
Frank John Sixt	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
	Husky Energy	Director	(4)
	TOM	Non-executive Chairman	(5)

Information on Directors

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Ip Tak Chuen, Edmond	CKA	Deputy Managing Director	(3) & (4)
	CKLS	Senior Vice President and Chief Investment Officer	(2)
Kam Hing Lam	CKA	Deputy Managing Director	(3) & (4)
	CKLS	President and Chief Executive Officer	(2)
Lai Kai Ming, Dominic	TOM	Alternate Director	(5)
Edith Shih	HPHM as trustee-manager of HPH Trust	Non-executive Director	(1)
Chow Woo Mo Fong, Susan	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
Lee Yeh Kwong, Charles	Team Investment Limited	Director and Shareholder	(4)

Save as disclosed above, none of the Directors is interested in any businesses (apart from the businesses of the Company or its subsidiaries) which compete or are likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries during the year.

Information on Senior Management

Biographical Details of Senior Management

The Company is engaged in five core businesses, each with a Managing Director who oversees the operations of the relevant business, with his own team of executives, under the guidance of the Board and supported by executives from the head office of the Company. The senior management of the Company comprises the Managing Directors of these core businesses and the executives in charge of major head office functions of the Company.

CHEUNG Kwan Hoi

aged 55, has been Group Deputy Chief Financial Officer of the Company since June 2015 and was previously the Group Deputy Chief Financial Officer since 2011 of Hutchison Whampoa Limited ("HWL"), which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the CK Hutchison Holdings Limited group (the "Group") for over 22 years in various finance and accounting roles and has over 31 years of experience in accounting and finance. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Management Science. He is a member of both the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants.

IP Sing Chi

aged 66, has been Group Managing Director of Hutchison Port Holdings Limited, the Company's ports division, since 2014 and has been with the Group since 1993. He is an Executive Director of Hutchison Port Holdings Management Pte. Limited ("HPHM") as trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"). He is also a Non-independent Non-executive Director of Westports Holdings Berhad, an Independent Non-executive Director of COSCO SHIPPING Energy Transportation Co., Ltd. and Piraeus Port Authority S.A. and a Non-executive Director of Orient Overseas (International) Limited. He was previously an external Director of Hyundai Merchant Marine Co., Ltd.. In addition, Mr Ip was a member of the Hong Kong Port Development Council from 2009 until the end of December 2014 and was the founding Chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. He has over 35 years of experience in the maritime industry. He holds a Bachelor of Arts degree.

KAM Hing Lam

aged 73, has been an Executive Director and Deputy Managing Director of the Company since January 2015 and a member of the Nomination Committee of the Company since January 2019. He is also an Executive Director and a Deputy Managing Director of CK Asset Holdings Limited ("CKA"). He is the founding Group Managing Director of CK Infrastructure Holdings Limited, the infrastructure arm of the Company, and the founding President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., the agriculture-related/nutraceutical/pharmaceutical business of the Company. Mr Kam was Deputy Managing Director of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited was replaced by the Company in March 2015 and he was then re-designated as Director of Cheung Kong (Holdings) in June 2015. He 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 and became a wholly owned subsidiary of the Company. He is also the Chairman and a Non-executive Director of Hui Xian Asset Management Limited ("HXAML") as manager of Hui Xian Real Estate Investment Trust. Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Kam oversees the management. Prior to joining the 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. Mr Kam holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. He is the brother-in-law of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) of the Company, and the uncle of Mr Li Tzar Kuoi, Victor, Chairman and Group Co-Managing Director of the Company.

Information on Senior Management

LAI Kai Ming, Dominic

aged 66, has been an Executive Director and Deputy Managing Director of the Company since June 2015 and a member of the Nomination Committee of the Company since January 2019. He 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 the Company. He is Group Managing Director of the A.S. Watson Group, the retail arm of the Company, and has been with the Group for over 25 years. He is also a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and a Director of Hutchison Telecommunications (Australia) Limited ("HTAL"), as well as Alternate Director to directors of each of HTHKH, HTAL and TOM Group Limited, and a member of the Board of Commissioners of PT Duta Intidaya Tbk ("PTDI"). The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Lai oversees the management. He 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.

LUI Pok Man, Dennis

aged 69, heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Asia and assists to oversee telecommunications operations of the Group in Europe. He first joined the Group in 1986 and has been with the telecommunications arm of the Company for over 33 years in various positions in a number of countries. Mr Lui is Co-Deputy Chairman and a Non-executive Director of HTHKH. He has over 34 years of experience in the telecommunications industry. He holds a Bachelor of Science degree.

John Lyon MULCAHY

aged 64, has been Group Treasurer of the Company since June 2015 and was previously the Group Treasurer since January 2015 of HWL, which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the Group since 2000 as Deputy Group Treasurer of HWL and has over 40 years of experience in banking and finance. He holds a Bachelor of Science degree in International Politics and a Master's degree in Business Administration.

Edith SHIH

aged 68, has been an Executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since January 2019. She is also the Company Secretary of the Company and was the Head Group General Counsel of the Company from June 2015 to March 2017 overseeing legal, regulatory, corporate finance, compliance and corporate governance affairs of the Group. 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 the Company. She is also a Non-executive Director of HTHKH, Hutchison China MediTech Limited and HPHM as 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 Group of which Ms Shih oversees the management. She has been with the Group for over 31 years and has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. She holds a Bachelor of Science degree in Education, a Master of Arts degree in Education, a Master of Arts degree in Teaching of English and a Master of Education degree in Applied Linguistics. She is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries, holding Chartered Secretary and Chartered Governance Professional dual designations.

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and joint ventures are shown on pages 259 to 262.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2019 (if any) as well as an indication of likely future development in the business of the Group are provided in the Chairman's Statement, Operations Review, Analyses of Core Business Segments by Geographical Location, Analyses by Core Business Segments, Key Financial Information and Business Highlights on pages 4 to 62 and Risk Factors on pages 69 to 75 of this annual report. To the extent necessary for an understanding of the development, performance or position of the Group's business, discussions on the Group's environmental policies and performance, and an account of the Group's key relationships with its stakeholders are provided in the "Environmental, Social and Governance Responsibility" section on pages 126 to 128 of the Corporate Governance Report. Details regarding the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided in the Corporate Governance Report on page 128 of this annual report. All such discussions form part of this report.

Group Profit

The Consolidated Income Statement is set out on page 134 and shows the Group profit for the year ended 31 December 2019.

Dividends

An interim dividend of HK\$0.87 per share was paid to shareholders on 12 September 2019.

The Directors recommended the declaration of a final dividend of HK\$2.30 per share to be payable on Friday, 29 May 2020 to all persons registered as holders of shares on the register of members of the Company on Wednesday, 20 May 2020, being the record date for determining the entitlement of shareholders to the proposed final dividend.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 44 to the financial statements on pages 257 to 258 and the Consolidated Statement of Changes in Equity on pages 138 to 139 respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$24 million (2018 – approximately HK\$42 million).

Fixed Assets

Particulars of the movements of fixed assets are set out in note 9 to the financial statements on pages 164 to 165.

Report of the Directors

Share Capital

Details of the shares movement during the year are set out in note 30 to the financial statements on page 197.

Directors

As at the date of this report, the board of Directors of the Company (the "Board") comprises Mr Li Tzar Kuoi, Victor, Mr Fok Kin Ning, Canning, Mr Frank John Sixt, Mr Ip Tak Chuen, Edmond, Mr Kam Hing Lam, Mr Lai Kai Ming, Dominic, Ms Edith Shih, Mr Chow Kun Chee, Roland, Mrs Chow Woo Mo Fong, Susan, Mr Lee Yeh Kwong, Charles, Mr Leung Siu Hon, Mr George Colin Magnus, Mr Kwok Tun-li, Stanley, Mr Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Ms Lee Wai Mun, Rose, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr William Shurniak, Mr Wong Chung Hin and Dr Wong Yick-ming, Rosanna.

Mr Fok Kin Ning, Canning, Mr Kam Hing Lam, Ms Edith Shih, Mr Chow Kun Chee, Roland, Mr Leung Siu Hon, Mr Cheng Hoi Chuen, Vincent and Mr Wong Chung Hin will retire by rotation at the forthcoming annual general meeting pursuant to Article 111(A) of the Articles of Association of the Company. Mr Wong Chung Hin will not offer himself for re-election at the forthcoming annual general meeting while all other retiring Directors, being eligible, will offer themselves for re-election.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all the Independent Non-executive Directors to be independent.

The Directors' biographical details are set out in the Information on Directors of this annual report.

Directors' Service Contract

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed in the transactions relating to "Economic Benefits Agreements" under the section "Connected Transactions" in this report, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

Economic Benefits Agreements

During the year ended 31 December 2019 and up to the date of this report, the Group conducted the following transaction which constituted a variation of the connected transaction of the Company as disclosed in an announcement dated 31 August 2018 (the "August 2018 Announcement"), in respect of which an announcement dated 29 March 2019 (the "March 2019 Announcement") was issued.

As disclosed in the August 2018 Announcement issued by the Company and the 2018 Annual Report, Henley Riches Limited ("CKH Sub", an indirect wholly owned subsidiary of the Company) and the Company (as guarantor of CKH Sub) entered into, among other things, an economic benefits agreement (the "Economic Benefits Agreement") with Team Ace Enterprises Limited ("CKA Sub", a wholly owned subsidiary of CK Asset Holdings Limited ("CKA")) on 31 August 2018 pursuant to which CKH Sub would pay CKA Sub its economic benefits amounts (the "Economic Benefits Amounts") on an ongoing basis with effect from the date upon receipt by CKH Sub of the consideration of approximately US\$1,222.93 million (equivalent to approximately HK\$9,600 million) (the "Effective Date").

The Economic Benefits Amounts payable by CKH Sub to CKA Sub under the Economic Benefits Agreement refer to the sums (in US dollars) equal to 40% of the economic benefits, comprising amounts including dividends and other distributions declared by Cheung Kong (Infrastructure Investment) Limited ("CKII", an indirect wholly owned subsidiary of the Company) to Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)", a wholly owned subsidiary of the Company and a holding company of CKII) and other proceeds or payments received by Cheung Kong (Holdings) from CKII from and including the Effective Date.

Subsequently, as jointly announced by the Company and CKA in the March 2019 Announcement, the Company, CKH Sub and CKA Sub entered into a supplemental agreement (the "CKA Sub Supplemental Agreement") on the same day to amend and restate the Economic Benefits Agreement on the terms of and subject to the conditions set out in the CKA Sub Supplemental Agreement.

Subject to the satisfaction (or, where applicable, waiver) of the conditions summarised in the March 2019 Announcement, the Economic Benefits Agreement will be amended and restated pursuant to the CKA Sub Supplemental Agreement to provide certain ancillary protections in relation to CKA Sub's interest in the Economic Benefits Amounts under the existing terms of the Economic Benefits Agreement which will, on one hand, enhance the protection of the CKA group's interest in relation to its Economic Benefits Amounts through the voting arrangement provided to CKA Sub over the exercise of 40% of the voting rights at general meetings of any Voting Right Company (as defined in the March 2019 Announcement) and the director nomination rights to the relevant Voting Right Companies (other than 1822604 Alberta Ltd.) and thereby further solidify its interests in the relevant infrastructure businesses with effect from the Amendment Effective Date (as defined in the March 2019 Announcement), while, on the other hand, streamline the existing operation of the Economic Benefits Agreement for the Company and CKH Sub.

Given that CKA is deemed by The Stock Exchange of Hong Kong Limited (the "SEHK") as a connected person of the Company under the Listing Rules, the entering into of the Economic Benefits Agreement with CKA Sub constituted a connected transaction for the Company under the Listing Rules. The CKA Sub Supplemental Agreement constituted a variation of the connected transaction of the Company as disclosed in the August 2018 Announcement, and the variation may be regarded as material. Since Mr Victor T K Li has or may be regarded as having a material interest in the transactions contemplated in the Economic Benefits Agreement and the CKA Sub Supplemental Agreement, he had voluntarily abstained from voting on the board resolutions of the Company for approving the Economic Benefits Agreement and the CKA Sub Supplemental Agreement.

Continuing Connected Transactions

As announced by the Company on 15 December 2017 (the "Announcement"), the Company 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 Group (the "Leasing Transactions") for the period from 1 January 2018 to 31 December 2020.

Pursuant to the Master Leasing Agreement, relevant members of the 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 Group's perspective, would be no less favourable than those which the relevant members of the Group could obtain from independent landlords, lessors or licensors of comparable premises. In particular, the rental or licence fee payable would be at market rates, and the Group would seek competitive quotes for management review with a view to ensuring that the rental or licence fees payable by the 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 management/service fees chargeable by the CKA group to relevant members of the Group would be the same as those chargeable by the CKA group to other tenants or licensees of the same building or property.

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

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

For the year ended 31 December 2019, the aggregate amount paid by the Group to the CKA group in respect of the Leasing Transactions (the "2019 CCTs") was approximately HK\$725 million (representing approximately 81% of the annual cap for 2019 as disclosed in the Announcement).

The internal audit of the Group has reviewed the 2019 CCTs and the relevant internal control procedures in respect of the negotiation, review, approval, agreement, management, reporting and monitoring process of the 2019 CCTs, and is of the view that the 2019 CCTs were conducted in accordance with the terms of the Master Leasing Agreement and in compliance with the internal control procedures.

Report of the Directors

All the Independent Non-executive Directors of the Company, having reviewed the 2019 CCTs and the findings provided by the Group's internal audit, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged its external auditor to report on the 2019 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

- (i) the 2019 CCTs have not been approved by the Board;
- (ii) the 2019 CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) the aggregate amount paid by the Group in respect of the 2019 CCTs has exceeded the annual cap for 2019 as disclosed in the Announcement.

A summary of all related parties transactions entered into by the Group during the year ended 31 December 2019 is contained in note 37 to the financial statements. All the related parties transactions described in this note do not fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

Permitted Indemnity Provisions

The Articles of Association of the Company provides that subject to the provisions of the relevant statutes, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place for the Directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the Directors. The relevant provisions in the Articles of Association of the Company and the Directors' liability insurance were in force during the financial year ended 31 December 2019 and as of the date of this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures are set out in Information on Directors on pages 82 to 88.

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as the Directors and chief executive of the Company are aware, as at 31 December 2019, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under Information on Directors, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK:

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of Shares Held	Total	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")	Trustee and beneficiary of a trust	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")	Trustee and beneficiary of a trust	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-shing	Interest of controlled corporations	71,207,800)		
		)		
	Founder of discretionary trusts	1,160,195,710)		
		)	1,161,403,510 ⁽²⁾	30.11%

Notes:

- (1) The three references to 1,003,380,744 shares of the Company relate to the same block of shares of the Company. Of these 1,003,380,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 90,002,040 shares of the Company are held by companies controlled by TUT1 as trustee of UT1. Each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of another discretionary trust is taken to have a duty of disclosure under the SFO in relation to the same 1,003,380,744 shares of the Company as described in Note (1)(a) under the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Information on Directors.
- (2) The 1,161,403,510 shares of the Company comprise:
- (a) 71,207,800 shares of the Company of which:
- (i) 407,800 shares held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (ii) 300,000 and 500,000 shares held by Li Ka Shing Foundation Limited ("LKSF") and a wholly owned subsidiary of Li Ka Shing (Global) Foundation ("LKSGF") respectively. By virtue of the terms of the constituent documents of LKSF and LKSGF, Mr Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF and LKSGF.
- (b) 1,160,195,710 shares of the Company as described in Note (1) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Information on Directors. As Mr Li Ka-shing may be regarded as a founder of each of DT1, DT2 and two discretionary trusts (DT3 and DT4) for the purpose of the SFO, Mr Li Ka-shing is taken to have a duty of disclosure under the SFO as a substantial shareholder in relation to the same 1,160,195,710 shares of the Company after his retirement from the directorship of the Company.

Save as disclosed above, as at 31 December 2019, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

Report of the Directors

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

Share Option Schemes

The Company has no share option scheme, but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarised as follows:

(I) Hutchison China MediTech Limited ("Chi-Med")

On 2 October 2019, Chi-Med ceased to be a subsidiary of the Company. Accordingly, the disclosure in respect of the share option schemes of Chi-Med below only covers the period from 1 January 2019 to 2 October 2019 (the "Relevant Period").

2006 Share Option Scheme (the "2006 Plan")

On 18 May 2006, Chi-Med adopted the 2006 Plan for the grant of options to acquire ordinary shares in the share capital of Chi-Med (the "Chi-Med Shares"). The 2006 Plan was valid and effective during the period from 18 May 2006 to 17 May 2016, being the date falling 10 years from the date on which the 2006 Plan was adopted. After 17 May 2016, no further share options could be granted under the 2006 Plan but the provisions of the 2006 Plan remained in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior to the end of the validity period or otherwise to the extent as may be required in accordance with the provisions of the 2006 Plan. A summary of the 2006 Plan is as follows:

- (1) The purpose of the 2006 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2006 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a "2006 Chi-Med Eligible Person", being any person who is (or will be on and following the date of offer of the relevant option) a director (other than an independent non-executive director) or an employee of Chi-Med, its listed parent company and any of its subsidiaries, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the board of directors of Chi-Med (the "Chi-Med Board") determines will be subject to the 2006 Plan, who is notified by the Chi-Med Board that he or she is an eligible person. Actual participation is at the discretion of the Chi-Med Board.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2006 Chi-Med Eligible Person, there is no minimum period required under the 2006 Plan for the holding of a share option before it can be exercised.
- (5) Subject to any adjustment according to the rules of the 2006 Plan, the subscription price shall be:
 - (a) in the case of the one-time initial grants of share options by Chi-Med under the 2006 Plan to founders and non-founders prior to the Chi-Med Listing (as defined below), the price determined by the Chi-Med Board and notified to the relevant share option holder; and
 - (b) in respect of any other share option, the 2006 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

where "2006 Market Value" on any particular day on or after the Chi-Med Listing means the higher of:

- (i) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date;
- (ii) the closing price of the Chi-Med Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and
- (iii) the nominal value of the Chi-Med Shares.

- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2006 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all share options to be granted under all share option schemes of Chi-Med must not in aggregate exceed 5% of the Chi-Med Shares in issue on the date on which the Chi-Med Shares are listed for trading on a recognised stock exchange (including the AIM) (the "Chi-Med Listing");
 - (b) the Chi-Med Board may refresh and recalculate the limit in paragraph (6)(a) above by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company, if required, under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares issued and issuable pursuant to the exercise of share options under all share option schemes of Chi-Med may not exceed 10% of the issued ordinary share capital on the date of the approval of the refreshed limit. Share options previously granted under the 2006 Plan and any other employee share schemes of Chi-Med (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the limit as refreshed. As at 2 October 2019, the total number of Chi-Med Shares available for issue under the 2006 Plan (including the share options granted but yet to be exercised) was 1,636,180, representing approximately 0.25% of the total number of Chi-Med Shares in issue;
 - (c) share options may be granted to any 2006 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board in excess of the limit, including the refreshed limit, under paragraphs (6)(a) and (6)(b) above, with the approval of the shareholders of Chi-Med in a general meeting and by the shareholders of the listed parent company, if required under the Listing Rules, and subject to paragraphs (6)(d) and (6)(e) below and restrictions on grant to key individuals under the 2006 Plan;
 - (d) no 2006 Chi-Med Eligible Person may be granted a share option if, as a result, the total number of Chi-Med Shares over which that 2006 Chi-Med Eligible Person holds share options granted in the previous 12 months, when added to the number of Chi-Med Shares, the subject of the proposed grant, would exceed 1% of the issued ordinary share capital of Chi-Med on that date; but notwithstanding the aforesaid, share options may be granted to any 2006 Chi-Med Eligible Person(s) which would cause the aforesaid limit to be exceeded, but only with the approval of the shareholders of the listed parent company in a general meeting (with such 2006 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
 - (e) the total number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2006 Plan and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2006 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

Report of the Directors

Particulars of share options outstanding under the 2006 Plan at the beginning and at the end of the Relevant Period and share options granted, exercised, cancelled or lapsed under the 2006 Plan during the Relevant Period were as follows:

2006 Plan

Category of participants	Date of grant of share options	Number of share options held as at 1 January 2019 ⁽³⁾	Granted during the Relevant Period	Exercised during the Relevant Period	Lapsed/ cancelled during the Relevant Period	Number of share options held as at 2 October 2019 ⁽³⁾	Exercise period of share options	Exercise price of share options ⁽³⁾ £	Price of Chi-Med Share	
									prior to the grant date of share options ⁽³⁾ £	prior to the exercise date of share options £
Employees										
in aggregate	24.6.2011 ⁽¹⁾	750,000	—	—	—	750,000	24.6.2011 to 23.6.2021	0.4405	0.4400 ⁽²⁾	N/A
	20.12.2013 ⁽¹⁾	1,095,180	—	(209,000)	—	886,180	20.12.2013 to 19.12.2023	0.6100	0.6100 ⁽²⁾	3.39 ⁽⁴⁾
Total:		1,845,180	—	(209,000)	—	1,636,180				

Notes:

- (1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (2) The stated prices were the adjusted prices as a result of the share subdivision mentioned in Note (3) below. The prices prior to the adjustment were closing prices of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the respective dates of grant of share options.
- (3) Effective from 30 May 2019, each ordinary share of US\$1.00 each of Chi-Med was subdivided into 10 new ordinary shares of US\$0.10 each. Accordingly, adjustments have been made to the number of share options by multiplying the number by 10 and to the share price and exercise price by dividing the price by 10 pursuant to the terms of the 2006 Plan.
- (4) The stated price was the weighted average closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date on which the share options were exercised.

2016 Share Option Scheme (the “2016 Plan”)

On 24 April 2015, Chi-Med conditionally adopted the 2016 Plan for the grant of options to acquire the Chi-Med Shares. The 2016 Plan is valid and effective during the period commencing on 13 May 2016 and ending on 12 May 2026, being the date falling 10 years from the date on which the 2016 Plan became unconditional. The 2016 Plan has a remaining term of approximately six years as at the date of this report. A summary of the 2016 Plan is as follows:

- (1) The purpose of the 2016 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2016 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a “2016 Chi-Med Eligible Person”, being any person who is (or will be on and following the date of offer of the relevant option) a non-executive director (excluding any independent non-executive directors) or an employee or a director holding salaried office or employment under a contract with Chi-Med, its listed parent company and any of its subsidiaries or affiliates, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the Chi-Med Board determines will be subject to the 2016 Plan, who is notified by the Chi-Med Board that he or she is an eligible person.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2016 Chi-Med Eligible Person, there is no minimum period required under the 2016 Plan for the holding of a share option before it can be exercised.

- (5) Subject to any adjustment according to the rules of the 2016 Plan, the exercise price shall be, in respect of any share option, the 2016 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

where "2016 Market Value" on any particular day means:

- (a) where the Chi-Med Shares of the same class are admitted to trading on any stock exchange, the higher of:
 - (i) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date;
 - (ii) the closing price of the Chi-Med Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and
 - (iii) the nominal value of the Chi-Med Shares; or
 - (b) where the Chi-Med Shares of the same class are not admitted to trading on any recognised stock exchange, the value of a Chi-Med Share is determined in such manner as the Chi-Med Board considers reasonable according to objective criteria.
- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2016 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all options to be granted under the 2016 Plan must not in aggregate exceed 4% of the Chi-Med Shares in issue as at 13 May 2016, being the date on which the 2016 Plan was approved by the shareholders of the Company in a general meeting (the "Scheme Limit"). Share options lapsed in accordance with the terms of the 2016 Plan will not be counted for the purpose of calculating the Scheme Limit;
 - (b) the Chi-Med Board may refresh the Scheme Limit by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company, if required, under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares which may be issued upon the exercise of share options to be granted under the 2016 Plan and any options under any other share option schemes of Chi-Med under the limit as refreshed shall not exceed 10% of the Chi-Med Shares in issue at the date on which shareholders of the listed parent company approve the refreshed limit (where applicable). Share options previously granted under the 2016 Plan and any other share option schemes of Chi-Med (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as refreshed. As at 2 October 2019, the total number of Chi-Med Shares available for issue under the 2016 Plan (including the share options granted but yet to be exercised) was 23,130,970, representing approximately 3.47% of the total number of Chi-Med Shares in issue;
 - (c) share options may be granted to any 2016 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board which would cause the Scheme Limit (including, for the avoidance of doubt, any such limit as refreshed under paragraph (6)(b) above) to be exceeded, but only with the approval of the shareholders of Chi-Med in a general meeting (and by the shareholders of the listed parent company, if required under the Listing Rules), and subject always to paragraphs (6)(d) and (6)(e) below and restrictions on grant to key individuals under the 2016 Plan;
 - (d) the Chi-Med Board shall not grant any share options (the "Relevant Chi-Med Options") to any 2016 Chi-Med Eligible Person which, if exercised, would result in such person becoming entitled to subscribe for such number of Chi-Med Shares as, when aggregated with the total number of Chi-Med Shares already issued or to be issued to him/her under all share options (including both exercised and outstanding share options) granted to him/her in the 12-month period up to, and including, the offer date of the Relevant Chi-Med Options, exceeds 1% of the Chi-Med Shares in issue at such date; but notwithstanding the aforesaid, the Chi-Med Board may grant the Relevant Chi-Med Options to any 2016 Chi-Med Eligible Person(s) which would cause the aforesaid limit to be exceeded, but only with the approval of the shareholders of the listed parent company in a general meeting (with such 2016 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
 - (e) the total number of Chi-Med Shares which may be issued upon exercise of all outstanding share options granted and not yet exercised under the 2016 Plan, and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2016 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

Report of the Directors

Particulars of share options outstanding under the 2016 Plan at the beginning and at the end of the Relevant Period and share options granted, exercised, cancelled or lapsed under the 2016 Plan during the Relevant Period were as follows:

2016 Plan

Name or Category of participants	Date of grant of share options	Number of share options held as at 1 January 2019 ⁽⁴⁾	Granted during the Relevant Period ⁽⁴⁾	Exercised during the Relevant Period	Lapsed/ cancelled during the Relevant Period ⁽⁴⁾	Number of share options held as at 2 October 2019 ⁽⁴⁾	Exercise period of share options	Exercise price of share options ⁽⁴⁾ £	Price of Chi-Med Share	
									prior to the grant date of share options ⁽⁴⁾ £	prior to the exercise date of share options £
Director										
Weiguo Su	15.6.2016 ⁽¹⁾	3,000,000	—	—	—	3,000,000	15.6.2016 to 19.12.2023	1.9700	1.9750 ⁽³⁾	N/A
	27.3.2017 ⁽²⁾	1,000,000	—	—	—	1,000,000	27.3.2017 to 26.3.2027	3.1050	3.1050 ⁽³⁾	N/A
	19.3.2018 ⁽²⁾	1,000,000	—	—	—	1,000,000	19.3.2018 to 18.3.2028	4.9740	4.8900 ⁽³⁾	N/A
Employees in aggregate										
	15.6.2016 ⁽¹⁾	2,936,860	—	—	—	2,936,860	15.6.2016 to 19.12.2023	1.9700	1.9750 ⁽³⁾	N/A
	20.4.2018 ⁽²⁾	7,293,450	—	—	(853,290)	6,440,160	20.4.2018 to 19.4.2028	4.6450	4.5900 ⁽³⁾	N/A
	6.6.2018 ⁽²⁾	369,360	—	—	—	369,360	6.6.2018 to 5.6.2028	4.1660	4.1100 ⁽³⁾	N/A
	6.8.2018 ⁽²⁾	680,000	—	—	—	680,000	6.8.2018 to 5.8.2028	4.8600	5.0000 ⁽³⁾	N/A
	19.10.2018 ⁽²⁾	430,000	—	—	(175,000)	255,000	19.10.2018 to 18.10.2028	4.6100	4.6000 ⁽³⁾	N/A
	21.5.2019 ⁽²⁾	—	180,000	—	—	180,000	21.5.2019 to 20.5.2029	4.2200	4.1750 ⁽³⁾	N/A
Total:		16,709,670	180,000	—	(1,028,290)	15,861,380				

Notes:

- (1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of approximately 50% on the day after the acceptance of the offer, approximately 25% on 20 December 2016 and approximately 25% on 20 December 2017.
- (2) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (3) The stated prices were the adjusted prices as a result of the share subdivision mentioned in Note (4) below. The prices prior to the adjustment were closing prices of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the respective dates of grant of share options.
- (4) Effective from 30 May 2019, each ordinary share of US\$1.00 each of Chi-Med was subdivided into 10 new ordinary shares of US\$0.10 each. Accordingly, adjustments have been made to the number of share options by multiplying the number by 10 and to the share price and exercise price by dividing the price by 10 pursuant to the terms of the 2016 Plan.

As at 2 October 2019, Chi-Med had 1,636,180 share options and 15,861,380 share options outstanding under the 2006 Plan and 2016 Plan respectively, representing approximately 0.25% and 2.38% respectively of the Chi-Med Shares in issue.

The fair values of share options granted during the Relevant Period, determined using the Polynomial Model were as follows:

Value of each share option	£1.51*
Significant inputs into the valuation model:	
Exercise price	£4.22*
Share price at effective grant date	£4.22*
Expected volatility	37.74%
Risk-free interest rate	1.08%
Contractual life of share options	10 years
Expected dividend yield	0%

The volatility of the underlying stock during the life of the share options was estimated with reference to the historical volatility prior to the issuances of share options. Changes in such subjective input assumptions could affect the fair value estimate.

(II) Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH")

On 6 April 2009, HTHKH conditionally adopted a share option scheme (the "HTHKH Plan") for the grant of options to acquire ordinary shares in the share capital of HTHKH (the "HTHKH Shares"). The HTHKH Plan was valid and effective during the period from 21 May 2009 to 20 May 2019, being the date falling 10 years from the date on which the HTHKH Plan became unconditional. After 20 May 2019, no further share options could be granted under the HTHKH Plan. A summary of the HTHKH Plan is as follows:

- (1) The purpose of the HTHKH Plan is to enable HTHKH and its subsidiaries (the "HTHKH Group") to grant share options to selected participants as incentives or rewards for their contribution to the HTHKH Group, to continue and/or render improved service with the HTHKH Group and/or to establish a stronger business relationship between the HTHKH Group and such participants.
- (2) The directors of HTHKH (the "HTHKH Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for HTHKH Shares:
 - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of HTHKH, any of its subsidiaries or any entity in which any member of the HTHKH Group holds any equity interest (the "HTHKH Invested Entity");
 - (b) any non-executive directors (including independent non-executive directors) of HTHKH, any of its subsidiaries or any HTHKH Invested Entity;
 - (c) any supplier of goods or services to any member of the HTHKH Group or any HTHKH Invested Entity;
 - (d) any customer of any member of the HTHKH Group or any HTHKH Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of the HTHKH Group or any HTHKH Invested Entity;
 - (f) any shareholders of any member of the HTHKH Group or any HTHKH Invested Entity or any holder of any securities issued by any member of the HTHKH Group or any HTHKH Invested Entity;
 - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the HTHKH Group; and

* Effective from 30 May 2019, each ordinary share of US\$1.00 each of Chi-Med was subdivided into 10 new ordinary shares of US\$0.10 each. Accordingly, adjustments have been made to the number of share options by multiplying the number by 10 and to the share price and exercise price by dividing the price by 10 pursuant to the 2016 Plan.

Report of the Directors

- (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any share options by HTHKH for the subscription of HTHKH Shares or other securities of the HTHKH Group to any person who falls within any of the above classes of participants shall not, by itself, unless the HTHKH Directors otherwise determine, be construed as a grant of share options under the HTHKH Plan.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the HTHKH Directors from time to time on the basis of their contribution to the development and growth of the HTHKH Group.

- (3) A nominal consideration of HK\$1 is payable on acceptance of the offer of the grant of a share option.
- (4) Unless otherwise determined by the HTHKH Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the HTHKH Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the HTHKH Shares under the HTHKH Plan shall be a price determined by the HTHKH Directors but shall not be less than the highest of (a) the closing price of HTHKH Shares as stated in the daily quotations sheet of the SEHK for trade in one or more board lots of the HTHKH Shares on the date of the offer of grant of the share options which must be a business day; (b) the average closing price of the HTHKH Shares as stated in the SEHK's daily quotations sheet for trade in one or more board lots of the HTHKH Shares for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (c) the nominal value of HTHKH Shares.
- (6) The maximum number of HTHKH Shares which may be allotted and issued pursuant to the HTHKH Plan is as follows:
- (a) the maximum number of HTHKH Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the HTHKH Plan and any other share option scheme adopted by the HTHKH Group ("Other HTHKH Plan") must not in aggregate exceed 30% of the relevant class of securities of HTHKH (or its subsidiaries) in issue from time to time;
- (b) the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the HTHKH Plan and Other HTHKH Plan) to be granted under the HTHKH Plan and Other HTHKH Plan must not in aggregate exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue, being 4,814,346,208 HTHKH Shares, as at 8 May 2009, the date on which the HTHKH Shares were first listed on the SEHK (the "HTHKH Listing Date") (the "HTHKH General Scheme Limit"). Based on the number of HTHKH Shares in issue on the HTHKH Listing Date, the HTHKH General Scheme Limit of the HTHKH Plan is 481,434,620 HTHKH Shares;
- (c) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(d) below, HTHKH may seek approval of its shareholders (the "HTHKH Shareholders") in a general meeting to refresh the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the HTHKH Shareholders for that purpose) provided that the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options to be granted under the HTHKH Plan and Other HTHKH Plan must not exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options including those outstanding, cancelled, lapsed or exercised in accordance with the HTHKH Plan and Other HTHKH Plan previously granted under the HTHKH Plan and Other HTHKH Plan will not be counted;

- (d) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(c) above, HTHKH may seek separate approval of the HTHKH Shareholders in a general meeting to grant share options under the HTHKH Plan beyond the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rule to be despatched to the HTHKH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph (6)(c) above to participants specifically identified by HTHKH before such approval is sought; and
- (e) the total number of HTHKH Shares issued and to be issued upon the exercise of the share options granted to each participant under the HTHKH Plan and Other HTHKH Plan (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of HTHKH, unless approved by the HTHKH Shareholders in a general meeting (with such participant and his/her associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the HTHKH Plan at any time during a period to be determined on the date of offer of grant of the share option and notified by the HTHKH Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof.

Particulars of share options outstanding under the HTHKH Plan at the beginning and at the end of the financial year ended 31 December 2019 and share options granted, exercised, cancelled or lapsed under the HTHKH Plan during the year were as follows:

Category of participants	Date of grant of share options ⁽¹⁾	Number of share options held as at 1 January 2019	Granted during 2019	Exercised during 2019	Lapsed/ cancelled during 2019	Number of share options held as at 31 December 2019	Exercise period of share options	Exercise price of share options ⁽²⁾ HK\$	Price of HTHKH Share	
									prior to the grant date of share options ⁽³⁾ HK\$	prior to the exercise date of share options ⁽⁴⁾ HK\$
Employees in aggregate	1.6.2009	200,000	—	(200,000)	—	—	1.6.2009 to 31.5.2019	1.00	0.96	3.32

Notes:

- (1) The share options were vested in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010, respectively, so long as the grantee remained an Eligible Participant (as defined in the HTHKH Plan) on each vesting date.
- (2) The exercise price of the share options was subject to adjustment in accordance with the provisions of the HTHKH Plan.
- (3) The stated price was the closing price of the HTHKH Shares on the SEHK on the trading day immediately prior to the date of grant of the share options.
- (4) The stated price was the closing price of the HTHKH Shares on the SEHK on the trading day immediately prior to the date of exercise of the share options.

As at the date of this report, there are no share options outstanding under the HTHKH Plan.

No share option was granted under the HTHKH Plan during the year ended 31 December 2019.

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major Customers and Suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group revenue.

Sufficiency of Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the 2020 annual general meeting.

By order of the Board

Edith Shih

Executive Director and Company Secretary

Hong Kong, 19 March 2020

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality board of Directors (the "Board"), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2019 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the separate roles of Chairman and Chief Executive, and the composition of the Nomination Committee as explained below in this report.

The Board

Corporate Strategy

The principal objective of the Company is to enhance long-term total return for its shareholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities, as well as organic growth in sectors or geographies where the Group has strong management experience and resources. Technology transformation also remains a key initiative of the Group to capture new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced debt maturity profile and actively managing cash flow and working capital. The Group explores opportunities to enhance shareholders' returns, which include potential telecom infrastructure divestures and solidifying strategic alliances with global technology partners. The Chairman's Statement and the Operations Review contained in this annual report and the Operations Analysis which are posted on the Group's website (<http://www.ckh.com.hk/en/ir/presentation.php>), include discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives.

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. Directors are charged with the task of promoting the long term success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

The Board, led by the Chairman, Mr Victor T K Li, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Group Co-Managing Directors.

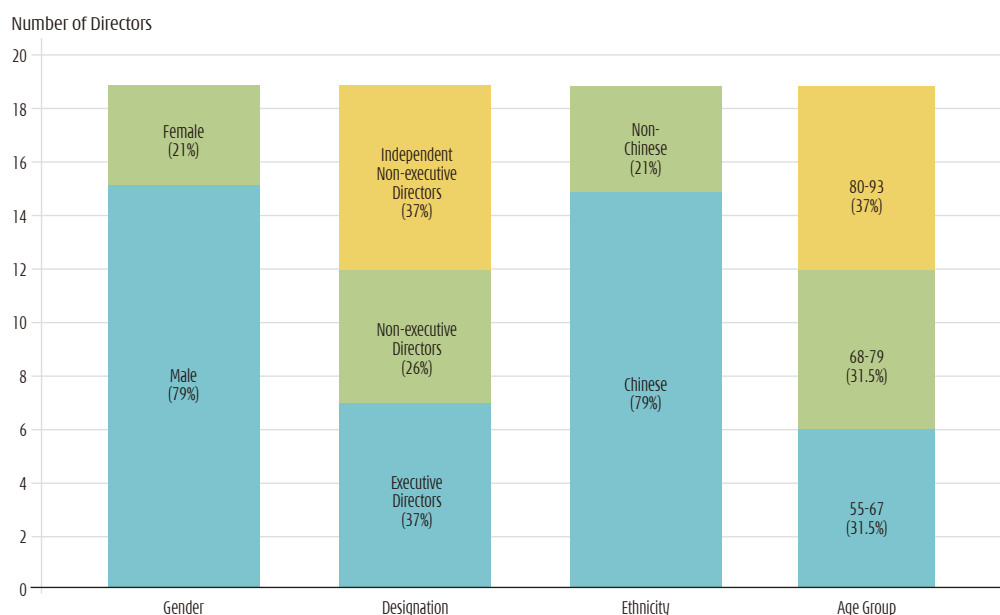
Board Composition

As at 31 December 2019 and up to the date of this report, the Board comprised 19 Directors, including the Chairman and Group Co-Managing Director, Group Co-Managing Director, Group Finance Director and Deputy Managing Director ("GFD/DMD"), three Deputy Managing Directors, one Executive Director, five Non-executive Directors and seven Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

The Nomination Committee comprising the full Board is responsible for reviewing the structure, size, diversity profile and skills set of the Board and the progress in achieving the diversity objectives of the Company. It is also responsible for the selection and appointment of Directors and succession planning of Directors and senior management. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of the Company's Board Diversity Policy and Director Nomination Policy, along with the results of the review of the Board composition, nomination and independence of Independent Non-executive Directors are set out in the section "Nomination Committee" below.

Corporate Governance Report

The following chart shows the diversity profile of the Board as at 31 December 2019:



Biographical details of the Directors are set out in the Information on Directors on pages 76 to 81 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEX") (www.hkexnews.hk).

Chairman and Group Co-Managing Directors

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

The Group Co-Managing Directors, assisted by the other Executive Directors, are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal managers of the Group's businesses, the Group Co-Managing Directors attend to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and are directly responsible for overseeing and delivering operational performance of the Group.

Working with the Executive Directors and the executive management team of each core business division, the Group Co-Managing Directors present annual budgets to the Board for consideration and approval, and ensure that the Board is fully apprised of the funding requirements of the Group. With the assistance of the GFD/DMD, the Group Co-Managing Directors ensure that the funding requirements of the businesses are met and monitor the operating and financial performance of the businesses against plans and budgets. The Group Co-Managing Directors maintain an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, they are also responsible for building and maintaining an effective executive team to support them in their roles.

The position of Chief Executive of the Company has been jointly held by Mr Victor T K Li and Mr Fok Kin Ning, Canning as Group Co-Managing Directors since June 2015. Following the appointment of Mr Li as Chairman of the Company in May 2018, he continued to hold the position of Group Co-Managing Director. Accordingly, with Mr Fok acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared between Mr Li and Mr Fok with no single individual having unfettered management decision-making power.

Further, the Board which comprises experienced and seasoned professionals continues to monitor the Management to ensure that joint management is effectively and properly exercised. Hence, the current arrangements provide checks and balances and do not jeopardise the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

Board Process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance and business activities of the Group. Throughout the year, in addition to physical Board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional physical Board meetings are held. Further, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and a draft agenda for review and comment about three weeks prior thereto. The full set of Board papers is supplied no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction or arrangement in which he/she or any of his/her close associates is materially interested, and such Director is not counted for quorum determination purposes.

In 2019, the Company held four Board meetings with overall attendance of approximately 99%. All Directors attended the annual general meeting of the Company held on 16 May 2019 (the "2019 AGM") and the Board meeting held on the same day except for one Independent Non-executive Director who was not able to attend due to personal reasons. The attendance record is set out below:

Corporate Governance Report

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2019 AGM
Chairman		
Victor T K Li ⁽¹⁾ (<i>Group Co-Managing Director</i>)	4/4	√
Executive Directors		
Fok Kin Ning, Canning (<i>Group Co-Managing Director</i>)	4/4	√
Frank John Sixt (<i>Group Finance Director and Deputy Managing Director</i>)	4/4	√
Ip Tak Chuen, Edmond (<i>Deputy Managing Director</i>)	4/4	√
Kam Hing Lam ⁽¹⁾ (<i>Deputy Managing Director</i>)	4/4	√
Lai Kai Ming, Dominic (<i>Deputy Managing Director</i>)	4/4	√
Edith Shih	4/4	√
Non-executive Directors		
Chow Kun Chee, Roland ⁽²⁾	4/4	√
Chow Woo Mo Fong, Susan	4/4	√
Lee Yeh Kwong, Charles	4/4	√
Leung Siu Hon ⁽²⁾	4/4	√
George Colin Magnus	4/4	√
Independent Non-executive Directors		
Kwok Tun-ii, Stanley	4/4	√
Cheng Hoi Chuen, Vincent	4/4	√
Michael David Kadoorie	4/4	√
Lee Wai Mun, Rose	4/4	√
William Shurniak	3/4	-
Wong Chung Hin	4/4	√
Wong Yick-ming, Rosanna	4/4	√

Notes:

(1) Mr Victor T K Li is a nephew of Mr Kam Hing Lam.

(2) Mr Chow Kun Chee, Roland is a cousin of Mr Leung Siu Hon.

In addition to Board meetings, in 2019 the Chairman held regular meetings with the Executive Directors and also met with Independent Non-executive Directors twice without the presence of other Directors. The Independent Non-executive Directors are encouraged to provide their independent views to the Board.

All Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of appointment. Thereafter, such contracts are automatically renewed for successive 12-month periods. All Directors are subject to re-election by shareholders at general meetings at least about once every three years on a rotation basis. A retiring Director is eligible for re-election, and re-election of retiring Directors at general meetings is presented in separate resolutions. Further, no Director has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Training and Commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group comprising information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group. These orientation materials are presented to the Directors by senior executives in the form of a detailed induction to the Group's businesses, strategic direction and governance practice.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also count toward CPD training.

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 8 hours by each Director during the year:

Directors	Areas		
	Legal and Regulatory	Corporate Governance/ Environmental, Social & Governance ("ESG") Practices	Group's Businesses/ Directors' Duties
Chairman			
Victor T K Li (<i>Group Co-Managing Director</i>)	√	√	√
Executive Directors			
Fok Kin Ning, Canning (<i>Group Co-Managing Director</i>)	√	√	√
Frank John Sixt (<i>Group Finance Director and Deputy Managing Director</i>)	√	√	√
Ip Tak Chuen, Edmond (<i>Deputy Managing Director</i>)	√	√	√
Kam Hing Lam (<i>Deputy Managing Director</i>)	√	√	√
Lai Kai Ming, Dominic (<i>Deputy Managing Director</i>)	√	√	√
Edith Shih	√	√	√
Non-executive Directors			
Chow Kun Chee, Roland	√	√	√
Chow Woo Mo Fong, Susan	√	√	√
Lee Yeh Kwong, Charles	√	√	√
Leung Siu Hon	√	√	√
George Colin Magnus	√	√	√
Independent Non-executive Directors			
Kwok Tun-li, Stanley	√	√	√
Cheng Hoi Chuen, Vincent	√	√	√
Michael David Kadoorie	√	√	√
Lee Wai Mun, Rose	√	√	√
William Shurniak	√	√	√
Wong Chung Hin	√	√	√
Wong Yick-ming, Rosanna	√	√	√
Alternate Director			
William Elkin Mocatta (<i>Alternate Director to Michael David Kadoorie</i>)	√	√	√

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments as well as update the Company on any subsequent changes.

Corporate Governance Report

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement to deal. The Director has five business days after receiving clearance to deal and after dealings, submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2019.

Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Group and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient detail the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosure requirements under the Listing Rules and applicable laws, rules and regulations are complied with and, where required, reported in the annual report of the Company.

The Company Secretary also serves as a crucial conduit of communications internally and externally. She facilitates information flow and communication among Directors and also conveys the Board's decisions to the Management from time to time and ensures a good channel of communication with shareholders. She also works with the Board and Management to assist in responding to regulators in a timely manner.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Co-Managing Directors, all members of the Board have access to her advice and service. The Company Secretary of the Company has day-to-day knowledge of the Group's affairs. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules.

Accountability and Audit

Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 129 to 133 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies and made judgements and estimates that are reasonable in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position and reflect the transactions of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Corporate Governance Report

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors who possess the relevant financial and business management experience and skills to understand financial statements and monitor the financial governance, internal controls and risk management of the Company. It is chaired by Mr Wong with Mr Kwok, Mr Cheng and Mr Shurniak as members.

The Audit Committee held four meetings in 2019 with 88% attendance. All members attended the Audit Committee meetings held during 2019 except for two Independent Non-executive Directors who were not able to attend due to unforeseen indisposition and personal reasons respectively.

Members	Attended/Eligible to Attend
Wong Chung Hin (<i>Chairman</i>)	4/4
Kwok Tun-li, Stanley	3/4
Cheng Hoi Chuen, Vincent	4/4
William Shurniak	3/4

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the Group's interim and annual results, and interim and annual financial statements, reviewing the Group's risk management and internal control systems as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements; and review the scope, extent and effectiveness of the activities of the Group's internal audit function. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2019, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.

During 2019 and 2020 (up to the date of this report), the Audit Committee met with the GFD/DMD and other senior management of the Group to review the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PricewaterhouseCoopers ("PwC"), to ensure that the Group's 2018 and 2019 consolidated financial statements were prepared in accordance with HKFRS and comply with the applicable disclosure requirements of the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2019 and two times during 2020 (up to the date of this report) with the external auditor to consider their reports on the scope, strategy, progress and outcome of its independent review of the 2019 interim financial report and annual audit of the 2018 and 2019 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor and GFD/DMD separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, the Audit Committee reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the risk management report, the composite risk register, risk heat map as well as the Management presentation on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget.

In addition, the Audit Committee reviewed, in conjunction with the Group's Internal Audit, the work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal controls in the business operations of the Group. Further, it also considered the reports from the Group Legal Department ("GLD") on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. The Audit Committee also received presentations on the compliance status of the Group on corporate governance matters, and ensured that any deviation to the CG code was properly explained and disclosed in this report.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendation to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services - include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, such as audits of the Group's pension plans, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed to undertake, by it in its capacity as auditor.
- Taxation related services - include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services - include, amongst others, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services - the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 37 to the financial statements. For the year ended 31 December 2019, PwC fees, amounting to HK\$246 million were primarily for audit services and those for non-audit services amounted to HK\$26 million, representing approximately 10% of the total PwC fees (audit and non-audit).

Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2019 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The unqualified auditor's report is set out on pages 129 to 133. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2019 have also been reviewed by the Audit Committee.

Risk Management, Internal Control and Legal & Regulatory Compliance

Board Oversight

The Board has overall responsibility for the Group's systems of risk management, internal control and legal and regulatory compliance.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. The Board evaluates and determines the nature and extent of the risks (including ESG-related risks) that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by Executive Directors and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management, as well as review by the Audit Committee of ongoing work of the Group's internal audit and risk management functions.

Corporate Governance Report

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Executive Director and Company Secretary, and comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategy and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the separate roles of Chairman and Chief Executive, and the composition of the Nomination Committee as explained in this report.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Risk Management

The Company adopts an Enterprise Risk Management (ERM) framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about the current and emerging risks, their plausible impact and mitigation measures. These measures include instituting additional controls and deploying appropriate insurance instruments to minimise or transfer the impact of risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each core business is required to formally identify and assess the significant risks their business faces, whilst the Executive Directors provide input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the Executive Directors, form part of the risk management report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the report and provides input as appropriate so as to ensure effective risk management in place. Pages 69 to 75 of this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

Internal Control Environment

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly, management of each business is accountable for its conduct and performance. The Group Co-Managing Directors monitor the performance and review the risk profiles of the Group companies on an ongoing basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each core business attend monthly meetings with the GFD/DMD and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations. The Group's Treasury function oversees the Group's investment and lending activities and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the GFD/DMD or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group also has established treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants, approval and reporting process for derivatives and hedging transactions.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, that requires the executive management team and senior management of each core business to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the risk management report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

Legal and Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The GLD has the responsibility of safeguarding the legal interests of the Group. The Group has in place a Policy on Legal Documentation Review, Reporting Procedures and Litigation Proceedings which is applicable to material legal matters across the entire Group worldwide, subject to variations that may be agreed between the GLD and an individual division from time to time.

In addition, the Group has established a Policy on Corporate Secretarial Practices which sets out the procedures for corporate secretarial compliance, including corporate authorisation for execution of documentation, preparation, approval and signing of minutes of Board and committee meetings and Board resolutions. In respect of any transaction which requires GLD clearance, Group Corporate Secretarial Department ("GCSD") will require confirmation of GLD clearance before it would arrange for the convening of Board meetings or the signing of Board resolutions. The GCSD is also responsible for regulatory filings and Listing Rules compliance.

The GLD team, led by the Head Group General Counsel, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management on legal and commercial issues of concern. In addition, the GLD is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings with relevant regulatory and/or government authorities on regulatory issues and consultations.

GLD also prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. It determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, GLD organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the Group legal and corporate secretarial teams.

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance, the SFO and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated and where their securities are listed and traded. The GLD is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group.

Corporate Governance Report

Governance Policies

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. It is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Group has adopted and implemented a number of governance policies imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group include:

Code of Conduct

The Code of Conduct sets the standards for employees as are necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for compliance with the Code of Conduct. Every employee is required to undertake to adhere to the Group's Code of Conduct, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. It is also the Group's general policy not to make any form of donation to political associations or individual politicians. Approval from the Group Co-Managing Directors is required for any political contributions by the Group. Employees are required to report any non-compliance with the Code of Conduct in accordance with the established reporting and escalation procedures.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control

In line with the commitment to achieve and maintain high standards of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control, which is posted on the website of the Group. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them against unfair dismissal or victimisation for any genuine reports made.

Anti-Bribery and Anti-Corruption Policy

In its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Bribery and Anti-Corruption Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. Each Group company is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the GFD/DMD and the General Manager of the Group's internal audit function ("Internal Audit GM") for independent analyses and necessary follow up (see page 119 of this report for more details).

Policy on Appointment of Third Party Representatives

The Group is also committed to promoting anti-corruption practices amongst any third party representatives (such as advisers, agents, consultants, introducers and finders) it engages. All Group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

Media, Public Engagement and Donation Policy

The Group places high value on its reputation in the communities and countries where it operates. Employees are required to observe the Media, Public Engagement and Donation Policy to ensure that the market receives timely and accurate information about the Group. The Group Corporate Affairs Department and subsidiary corporate communications/public relations departments are designated to help the Management provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

Shareholder Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The Shareholder Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

Policy on Securities Dealing and Handling of Confidential and Price-Sensitive Inside Information

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and dissemination of information to stated purpose and on a need to know basis. Whilst all employees are absolutely prohibited at all times from dealing in the securities of any listed entity within the Group when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from designated members of management prior to any dealing in any such securities is allowed). Further, certain staff members in the Group Finance Department are subject to a two-month blackout period prior to the release of the Company's annual results while relevant staff in the GCSD and Group Corporate Affairs Department are subject to a two-week blackout period.

Group Policy on Personal Data Governance

The Group is also committed to the safeguard and protection of the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Group Policy on Personal Data Governance and the local policies and procedures of its employing company.

Information Security Policy

Employees must not disclose any confidential information of the Group, its customers, suppliers, business partners or shareholders, except when disclosure is authorised by the Group in accordance with the Information Security Policy which defines the common policies for information confidentiality, integrity and availability to be applied across the entire Group.

Employees are required to make a self-declaration every year to confirm that he/she has read, understood and will continue to comply with the various Group policies.

Board Diversity Policy and Director Nomination Policy

The two Board policies, Board Diversity Policy and Director Nomination Policy, were adopted by the Board in February 2015 and January 2019, respectively. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on page 123 of this report.

Internal Audit

The Internal Audit GM, reporting directly to the Audit Committee and also to the GFD/DMD, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. It has wide authority to access to documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the Group's activities, internal audit devises its three-year risk-based audit plan for review by the Audit Committee. The audit plan is subject to continuous reassessment taking into account external and internal factors such as macro economic and political concerns, business and operational changes, as well as audit and fraud findings which may affect the risk profile of the Group during the year.

Internal audit is responsible for assessing the Group's risk management and internal control systems, including reviewing the continuing connected transactions of the Company (refer to pages 95 and 96 of this annual report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial, IT, operations, governance policy and regulatory compliance reviews, recurring and surprise audits, as well as productivity efficiency reviews.

The internal audit function is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Conduct and Anti-Bribery and Anti-Corruption Policy, each core business derives its own set of escalation procedures to cater for its operational needs, and is required to report to the GFD/DMD and the Internal Audit GM any actual or suspected fraudulent activities within a 24-hour timeframe should the amount involved exceeds the de minimis threshold as agreed between the GFD/DMD and the executive management team of each core business. In addition, each core business submits a summary of fraud incidents statistics to the GFD/DMD and the Internal Audit GM on a quarterly basis. These cases, together with those escalated through the whistleblowing channels, are recorded in the Company's centralised fraud incidents register under the custody of the Internal Audit GM, and are independently assessed and investigated as appropriate. The Internal Audit GM would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the Audit Committee and the Executive Directors on a quarterly basis.

Corporate Governance Report

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the Internal Audit GM and, as appropriate, to the GFD/DMD and the finance director or financial controller of the relevant executive management team. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Wong, an Independent Non-executive Director, with the Chairman Mr Li, Independent Non-executive Directors Mr Cheng and Mr Wong, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna (<i>Chairman</i>)	1/1
Victor T K Li	1/1
Cheng Hoi Chuen, Vincent	1/1
Wong Chung Hin	1/1

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2020 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2020 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration.

Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

2019 Remuneration

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. Details of emoluments paid to each Director in 2019 are set out below:

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 ⁽⁵⁾						
<i>Paid by the Company</i>	0.28	4.89	78.87	-	-	84.04
<i>Paid by CK Infrastructure Holdings Limited ("CKI")</i>	0.08	-	33.24	-	-	33.32
	0.36	4.89	112.11	-	-	117.36
FOK Kin Ning, Canning ⁽¹⁾	0.22	11.56	215.09	1.04	-	227.91
Frank John SIXT ⁽¹⁾	0.22	8.65	67.58	0.75	-	77.20
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	11.21	-	-	13.05
<i>Paid by CKI</i>	0.08	1.80	12.07	-	-	13.95
	0.30	3.42	23.28	-	-	27.00
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.43	-	-	13.07
<i>Paid by CKI</i>	0.08	4.20	12.07	-	-	16.35
	0.30	6.62	22.50	-	-	29.42
LAI Kai Ming, Dominic ⁽¹⁾	0.22	5.92	67.00	0.48	-	73.62
Edith SHIH ⁽¹⁾	0.22	4.44	20.36	0.32	-	25.34
CHOW Kun Chee, Roland ⁽²⁾	0.22	-	-	-	-	0.22
CHOW WOO Mo Fong, Susan ⁽²⁾	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles ⁽²⁾	0.22	-	-	-	-	0.22
LEUNG Siu Hon ⁽²⁾	0.22	-	-	-	-	0.22
George Colin MAGNUS ⁽²⁾						
<i>Paid by the Company</i>	0.22	-	-	-	-	0.22
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley ⁽³⁾⁽⁴⁾	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent ⁽³⁾⁽⁴⁾⁽⁵⁾	0.41	-	-	-	-	0.41
Michael David KADOORIE ⁽³⁾	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose ⁽³⁾	0.22	-	-	-	-	0.22
William SHURNIAK ⁽³⁾⁽⁴⁾	0.35	-	-	-	-	0.35
WONG Chung Hin ⁽³⁾⁽⁴⁾⁽⁵⁾	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna ⁽³⁾⁽⁵⁾	0.28	-	-	-	-	0.28
Total:	5.26	45.50	527.92	2.59	-	581.27

Corporate Governance Report

Notes:

- (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) Non-executive Director.
- (3) 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).
- (4) Member of the Audit Committee.
- (5) Member of the Remuneration Committee.

The remuneration paid to the members of senior management by bands during the year is set out below:

Remuneration Bands*	Number of Individuals
HK\$15 million to HK\$19 million	1
HK\$20 million to HK\$24 million	2
HK\$25 million to HK\$29 million	3
HK\$70 million to HK\$75 million	1

* Rounding to the nearest million.

Nomination of Directors

Nomination Committee

The Board established the Nomination Committee chaired by the Chairman of the Board with all Directors as members. An ad hoc sub-committee, chaired by the Chairman comprising members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. The Board is of the view that the ultimate responsibilities of the Nomination Committee rest with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews and determines the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of the Board against its needs and make recommendation on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in the conduct of the selection and nomination of Directors, makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

Nomination Process

The nomination process has been, and will continue to be conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which are available on the website of the Group. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board candidates are selected based on merit and the contribution such candidate can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Board may consider relevant from time to time towards achieving a diversified Board.

As noted above, the Nomination Committee will, on an ad hoc basis, establish a sub-committee when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the sub-committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the sub-committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may also nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Group.

The Nomination Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to Attend
Victor T K Li (<i>Chairman</i>)	1/1
Fok Kin Ning, Canning	1/1
Frank John Sixt	1/1
Ip Tak Chuen, Edmond	1/1
Kam Hing Lam	1/1
Lai Kai Ming, Dominic	1/1
Edith Shih	1/1
Chow Kun Chee, Roland	1/1
Chow Woo Mo Fong, Susan	1/1
Lee Yeh Kwong, Charles	1/1
Leung Siu Hon	1/1
George Colin Magnus	1/1
Kwok Tun-ii, Stanley	1/1
Cheng Hoi Chuen, Vincent	1/1
Michael David Kadoorie	1/1
Lee Wai Mun, Rose	1/1
William Shurniak	1/1
Wong Chung Hin	1/1
Wong Yick-ming, Rosanna	1/1

During 2019, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. The Committee also assessed the independence of all the Independent Non-executive Directors and considered all of them are independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the day-to-day management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. In connection with the re-election of Directors at the 2019 AGM, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Wong and Dr Wong was established to facilitate the Nomination Committee in the nomination process described above.

In February 2020, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Cheng and Dr Wong, was established to assist the Nomination Committee in selecting the Directors for retirement and re-election at the 2020 annual general meeting. It also assessed potential candidates for appointment as Independent Non-executive Director to replace a Director who retires and does not seek re-election. The sub-committee, having considered the potential contributions, the skills set, experience, expertise, independence and other factors of the candidates, recommended one candidate to the Nomination Committee.

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through its Executive Directors, the Group Corporate Affairs Department, Group Investor Relations Department and the GCSD, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In 2019, about 300 meetings were held with institutional investors and analysts. The Shareholder Communication Policy, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board formalised and adopted a Dividend Policy for the Company which took effect from 1 January 2019 and it is committed to maintaining an optimal capital structure and investment grade credit ratings. The policy is pursued to deliver returns to shareholders whilst ensuring that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, market opportunities and maintenance of the Company's strong investment grade credit ratings, the Board aims to deliver a sustainable dividend that is in line with earnings improvement and long-term growth of the Company.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company is published on the websites of the Group and HKEx. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

Annual general meetings and other general meetings of the Company provide one of the primary forums for communication with shareholders and for shareholder participation. Such meetings provide shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between shareholders of the Company, Board members and management.

Shareholders are encouraged to participate at general meetings of the Company physically, or by proxy if they are unable to attend in person. Pursuant to Article 73 of the Articles of Association of the Company, any two or more shareholders (or one shareholder which is a recognised clearing house, or its nominee(s)) holding not less than one-tenth of the paid up share capital of the Company, carrying the right of voting at general meetings of the Company, have statutory rights to call for general meetings and to put forward agenda items for consideration by shareholders, by depositing at the principal place of business of the Company in Hong Kong a written request for such general meetings, signed by the shareholders concerned together with the objects of the meeting. The Board would within 21 days from the date of deposit of requisition convene the meeting to be held within a further 21 days.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Hong Kong Share Registrar. The results of the poll are published on the websites of the Group and HKEx. In addition, regular updated financial, business and other information on the Group is made available to the shareholders and stakeholders on the Group's website.

The latest shareholders' meeting of the Company was the 2019 AGM which was held on 16 May 2019 at Harbour Grand Kowloon. The 2019 AGM was attended by all of the Directors (other than one Independent Non-executive Director who was not able to attend due to personal reason) and the external auditor. The respective chairman of the Board, Audit Committee, Remuneration Committee and Nomination Committee were all present. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Corporate Governance Report

Separate resolutions were proposed at the 2019 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 16 May 2019 are set out below:

Resolutions proposed at the 2019 AGM		Percentage of Votes
1	Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2018	99.98%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr Li Tzar Kuoi, Victor as a Director	84.84%
3(b)	Re-election of Mr Frank John Sixt as a Director	69.45%
3(c)	Re-election of Mrs Chow Woo Mo Fong, Susan as a Director	85.57%
3(d)	Re-election of Mr George Colin Magnus as a Director	85.16%
3(e)	Re-election of The Hon Sir Michael David Kadoorie as a Director	97.16%
3(f)	Re-election of Ms Lee Wai Mun, Rose as a Director	99.52%
3(g)	Re-election of Mr William Shurniak as a Director	97.17%
4	Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.72%
5	Approval of the remuneration of Directors	99.97%
6(1)	Granting of a general mandate to Directors to issue additional shares of the Company	98.53%
6(2)	Approval of the repurchase by the Company of its own shares	99.89%

Accordingly, all resolutions put to shareholders at the 2019 AGM were passed. The results of the voting by poll were published on the websites of the Group and HKEx.

Other corporate information relating to the Company is set out in the Information for Shareholders section of this annual report. This includes, among others, dates for key corporate events for 2020 and public float capitalisation as at 31 December 2019.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Group Investor Relations or the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or by email at ir@ckh.com.hk.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to ESG responsibility and has established a committee, comprising Executive Directors and representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts.

This year, the Group further strengthened ESG reporting by expanding and prioritising Group-wide efforts and activities on ESG and will be publishing later in the year for the first time, a standalone ESG Report covering the financial year 2019. The Directors mandated the ESG Committee to deepen the ESG engagement by developing a pathway for more relevant reporting and setting coherent targets. The standalone report will provide more details of the Group's ESG efforts by business sector so that investors and stakeholders can have a more meaningful view of how ESG considerations are integrated into the risk assessment and investment decisions of the Group in the context of a sustainable business. As part of its ongoing ESG initiatives, the Group is currently reviewing, updating and refining its ESG-related policies with a view to ensuring that the policies, systems, processes and standards are in line with global best practice and trends. These include policies covering such areas as health and safety, the environment, green procurement, human rights, as well as the Group's approach to sustainability development. These, together with the Group's Governance Policies mentioned earlier (see pages 118 and 119 of this report for more details), form part of the Group's ESG governance framework. Details on the Group's performance in this regard and the relevant policies will be included in the standalone report. The Group is well aware of the interest of stakeholders, especially the investor community for additional disclosures. As the ESG rating and disclosure guidelines evolve, the Group's disclosures will be aligned accordingly.

The Group strives to integrate ESG considerations in its daily operations, both at the Group and business levels. Managing climate-related issues and emissions, and safeguarding environmental and natural resources are important issues for many of the Group's stakeholders. Reducing and controlling emissions of greenhouse gas (GHG) and waste remains a top priority for the Group.

At the business level, the Ports division adopted smarter operating processes and increased the number of electric and hybrid powercranes. The Yantian Port also rolled out shore power, which reduces container ship emissions at the port as they can tap into the electricity grid on-land. The Telecommunications division attached great importance on reducing energy consumption of cellular networks. The Infrastructure division launched a large-scale project 'H21' to support conversion of gas networks to carry 100% hydrogen.

By adopting Group-wide initiatives to safeguard environment and natural resources, Husky Energy deployed measures to minimise its impact on land and habitat, air and water, exploring innovative opportunities to responsibly reduce, recycle and re-use. HK Electric has been collecting rain water and plant processing water for reuse at the Lamma Power Station. All business units are encouraged to explore renewable energy (if applicable) and efficient uses of electricity.

Since 2014, ASW has been taking proactive steps to ban the use of micro plastic in its rinse-off own brand cosmetics and personal care scrub products. PARKnSHOP Hong Kong introduced concentrate refills and package optimisation to drive use of new formats and leverage conversion of existing refill packages through commercial activity. Where applicable, individual business units of the Group have in place policies and indicators in specific areas to encourage waste reduction, recycling and sustainability.

During the year, the Group continued its on-going efforts to carry on constructive dialogues and discussions with a variety of stakeholders. As the Group has a diverse range of businesses and operates in over 50 countries, maintaining a close dialogue with key stakeholders in each industry and geographical jurisdiction is critical when making business decisions and considering their potential ESG impact. Of particular importance are ESG issues that impact customers, shareholders, employees, banks, business partners, suppliers, regulators, the community as well as the environment in which the businesses operate.

The Group has a workforce of over 300,000 dedicated individuals worldwide who help the Group deliver quality products and services in a consistent and efficient manner. The Group aspires to be an employer of choice through competitive remuneration packages, continuous professional training, and safe and inclusive working environment. As part of the talent pipeline development, monthly in-house and external training courses and programmes covering a wide range of topics including technical skills development training, soft skills training and wellness programmes are provided to employees at all levels. Furthermore, Group companies work with educational institutions and professional institutions to inspire, train and mentor the younger generation for future careers with the Group. The Group follows a stringent anti-discriminatory employment policy by which staff members are hired without regard to race, gender, physical ability or religious faith.

With a history spanning over two centuries, many of the Group's customers have been key partners to the Group's businesses for many years. Service reliability and safety are important factors to keep the relationship vibrant. Additionally, the Group continues to employ new technologies to ensure that the quality and delivery of service are consistent, efficient and timely. The Group embraces a service oriented culture, which is crucial to sustainability of the business.

The Group's diversified businesses are supported by a wide range of suppliers and contractors whose businesses are interlinked with the Group's performance. Regular dialogues, responsible sourcing and oversight are important elements for the Group in understanding the needs of customers and conveying them to the suppliers, thereby creating positive change according to group requirements. The Group's policy strictly prohibits child labour or forced labour and rigorous measures and audits are conducted to prevent such practices in the Group's operations. Since 2016, ASW, as a member of the Mekong Club, utilises digital tools to raise awareness towards modern slavery for its business units and suppliers.

Corporate Governance Report

Many of the Group's businesses operate in regulatory environments. Regulatory frameworks are closely analysed and monitored and internal policies are prepared and updated accordingly. Tailor-made workshops are conducted to strengthen awareness and understanding of internal controls and compliances procedures of the Group. In addition, refresher on ethical business practices are provided on a regular basis. Where appropriate, best practices are shared amongst Group companies to increase cross-fertilisation of ideas and know-how. Further, the Group internal audit function is responsible for independent assessment of the Group's ESG practices and relevant regulatory compliance.

The Group is not aware of any incidents of non-compliance with laws and regulations that has a significant impact on the Group concerning employment, occupational health and safety or labour standards, product responsibility, anti-corruption, air and water discharges, and generation of waste during the year. The Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided on page 117 of this report.

By order of the Board

Edith Shih

Executive Director and Company Secretary

Hong Kong, 19 March 2020

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.

Independent Auditor's Report

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 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.

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 used in the estimation of recoverable amounts based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and
- Performing sensitivity analyses on the key assumptions to consider reasonable plausible changes on the recoverable amounts, where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive.

We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters *(continued)*

Key Audit Matter

Investments in associated companies and joint ventures

Refer to notes 15, 16 and 42 to the consolidated financial statements

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2019, investments in associated companies and joint ventures amounted to approximately HK\$288 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the recoverable amounts of the Group's investments in the associated companies and the joint ventures, taking into consideration the share of the associated companies' and the joint ventures' future cash flows and the assumptions, including the growth rates used to prepare the associated companies' and joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Husky Energy Inc. ("Husky Energy"), a listed associated company of the Group, has recorded an impairment loss for the year ended 31 December 2019. The Group therefore recognised an impairment loss after tax of approximately HK\$4.2 billion relating to Husky Energy for the year ended 31 December 2019 as the Group's carrying value of Husky Energy exceeded its estimated recoverable amount. Refer to note 3(b)(xv) to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, except for Husky Energy, there is no impairment of the Group's investments in other associated companies and joint ventures. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and
- Performing sensitivity analyses on the key assumptions as stated above.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

Consolidated Income Statement

for the year ended 31 December 2019

2019 [#]			2019	2018 [*]
US\$ million		Note	HK\$ million	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.

for the year ended 31 December 2019

See note 46.
* See note 41.

Consolidated Statement of Financial Position

at 31 December 2019

2019 [#]			2019	Restated
US\$ million		Note	HK\$ million	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			Perpetual capital securities HK\$ million	Non-controlling interests HK\$ million	Total equity HK\$ million
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million	Total ordinary shareholders' funds HK\$ million			
75,746	At 31 December 2018, as previously reported, and 1 January 2019	248,233	197,918	446,151	12,326	132,346	590,823
(2,012)	Effect on adoption of HKFRS 16 (see note 41)	–	(11,812)	(11,812)	–	(3,887)	(15,699)
73,734	At 1 January 2019, as adjusted	248,233	186,106	434,339	12,326	128,459	575,124
6,125	Profit for the year	–	39,830	39,830	482	7,465	47,777
	Other comprehensive income (losses)						
(41)	Equity securities at FVOCI						
	Valuation losses recognised directly in reserves	–	(228)	(228)	–	(95)	(323)
13	Debt securities at FVOCI						
	Valuation gains recognised directly in reserves	–	104	104	–	–	104
4	Valuation losses previously in reserves recognised in income statement	–	29	29	–	–	29
(115)	Remeasurement of defined benefit obligations recognised directly in reserves	–	(625)	(625)	–	(274)	(899)
(104)	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
	Losses recognised directly in reserves	–	(692)	(692)	–	(116)	(808)
(70)	Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	–	(414)	(414)	–	(133)	(547)
(104)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(582)	(582)	–	(231)	(813)
581	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	3,850	3,850	–	685	4,535
44	Share of other comprehensive income (losses) of associated companies	–	380	380	–	(40)	340
(9)	Share of other comprehensive income (losses) of joint ventures	–	(64)	(64)	–	(4)	(68)
35	Tax relating to components of other comprehensive income (losses)	–	218	218	–	55	273
234	Other comprehensive income (losses), net of tax	–	1,976	1,976	–	(153)	1,823
6,359	Total comprehensive income	–	41,806	41,806	482	7,312	49,600
(11)	Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	(73)	(73)	–	(10)	(83)
(1,137)	Dividends paid relating to 2018	–	(8,870)	(8,870)	–	–	(8,870)
(430)	Dividends paid relating to 2019	–	(3,355)	(3,355)	–	–	(3,355)
(868)	Dividends paid to non-controlling interests	–	–	–	–	(6,769)	(6,769)
(51)	Distribution paid on perpetual capital securities	–	–	–	(398)	–	(398)
–	Equity contribution from non-controlling interests	–	–	–	–	1	1
(1)	Equity redemption to non-controlling interests	–	–	–	–	(10)	(10)
8	Share option schemes and long term incentive plans of subsidiary companies	–	36	36	–	27	63
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
(61)	Relating to purchase of non-controlling interests	–	(200)	(200)	–	(277)	(477)
(1,009)	Relating to partial disposal / disposal of subsidiary companies	–	596	596	–	(8,465)	(7,869)
(3,559)		–	(11,860)	(11,860)	(398)	(15,503)	(27,761)
76,534	At 31 December 2019	248,233	216,052	464,285	12,410	120,268	596,963

Total equity # US\$ million		Attributable to					
		Ordinary shareholders			Perpetual capital securities *	Non-controlling interests *	Total equity *
		Share capital and share premium *(a) HK\$ million	Reserves *(b) HK\$ million	Total ordinary shareholders' funds * HK\$ million			
75,941	At 1 January 2018	248,363	182,123	430,486	29,481	132,374	592,341
5,972	Profit for the year	–	39,000	39,000	551	7,029	46,580
	Other comprehensive income (losses)						
(212)	Equity securities at FVOCI						
	Valuation losses recognised directly in reserves	–	(1,490)	(1,490)	–	(162)	(1,652)
(3)	Debt securities at FVOCI						
	Valuation losses recognised directly in reserves	–	(20)	(20)	–	–	(20)
79	Remeasurement of defined benefit obligations recognised directly in reserves	–	455	455	–	160	615
46	Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
	Gains recognised directly in reserves	–	322	322	–	41	363
479	Gains on net investment hedges (forward foreign 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	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	(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	(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	(1,522)	1,121
(312)	Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	(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	211,526	55,313
(27,110)	Repayment of borrowings	(211,455)	(54,961)
(2,048)	Payment of lease liabilities	(15,969)	—
—	Net loans to non-controlling shareholders	(2)	(185)
—	Consideration received from the economic benefits agreements (see note 29(b))	—	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.

Notes to the Financial Statements

1 Basis of preparation and presentation

The consolidated financial statements of CK Hutchison Holdings Limited (the “Company” or “CK Hutchison”) and its subsidiaries (the “Group”) for the year ended 31 December 2019 have been prepared in accordance with the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 and Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting the new lease accounting standard Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”). Other than changes in accounting policies resulting from application of HKFRS 16, the accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the Company's consolidated financial statements for the year ended 31 December 2018. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 40.

In adopting HKFRS 16, the Group has elected to adopt HKFRS 16 retrospectively and taken transitional provisions in the new standard not to restate comparative information for prior periods. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening statement of financial position on 1 January 2019. The adoption of HKFRS 16 has resulted in a HK\$15,699 million decrease in the opening balance of total equity on 1 January 2019. The effect of adoption of HKFRS 16 is summarised in note 41.

Note 2(b), 3(a) and 23(c) discuss reclassifications of certain 2018 comparative information. These reclassifications have no impact on the total equity as at 31 December 2019 and 31 December 2018 or profit for the year ended 31 December 2019 and 31 December 2018.

These financial statements have been prepared on a historical cost basis, except that defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) are measured at fair values, and non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. In these financial statements, non-current assets classified as held for sale and assets of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. Major classes of assets and liabilities classified as held for sale are disclosed separately in note 23.

2 Revenue

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

	2019 HK\$ million	2018 HK\$ million
Sale of goods	163,500	165,781
Revenue from services	129,072	105,288
Interest	5,916	5,948
Dividend income	533	112
	299,021	277,129

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15:

(i) By segments *

	Revenue from contracts with customers			Revenue from other sources	2019 Total
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	—	26,512	26,512	484	26,996
Retail	132,312	181	132,493	—	132,493
Infrastructure	3,706	10,425	14,131	6,351	20,482
Husky Energy	—	—	—	—	—
CKH Group Telecom					
3 Group Europe	14,137	73,368	87,505	—	87,505
Hutchison Telecommunications Hong Kong Holdings	1,969	3,613	5,582	—	5,582
Corporate and Others	—	39	39	253	292
	16,106	77,020	93,126	253	93,379
Hutchison Asia Telecommunications	—	8,984	8,984	—	8,984
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

	Revenue from contracts with customers			Revenue from other sources	2018 Total
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	—	26,425	26,425	162	26,587
Retail	133,371	204	133,575	—	133,575
Infrastructure	3,834	10,600	14,434	6,192	20,626
Husky Energy	—	—	—	—	—
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.

Notes to the Financial Statements

2 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15 (continued):

(ii) By geographical locations *

	Revenue from contracts with customers			Revenue from other sources	2019 Total
	recognised at a point in time	recognised over time	Subtotal		
	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			Revenue from other sources	2018 Total
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
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

Notes to the Financial Statements

3 Operating segment information

(a) Description of segments and principal activities

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on the following five operating divisions.

Ports and Related Services:

This division operates container terminals in six of the 10 busiest container ports in the world. This division had 290 operational berths as at 31 December 2019. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers. ASW operated 12 retail brands with 15,794 stores in 25 markets worldwide as at 31 December 2019.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the Group's direct interests in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in these six co-owned infrastructure assets. In December 2019, the Group completed supplementary agreements with the counter-parties to the economic arrangements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these five co-owned investments. Results of these six infrastructure investments for the period following the divestiture are included in the segment results on a net of divestiture basis.

Husky Energy:

This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:

The Group's telecommunications division consists of 3 Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), which is listed on the Stock Exchange and Hutchison Asia Telecommunications. In the second half of 2018, the Group acquired the remaining 50% interest in the 3 Group Europe telecommunications businesses in Italy operated by Wind Tre S.p.A. ("Wind Tre") and became the sole shareholder of Wind Tre. Results of Wind Tre for the period following the acquisition are included in the segment results (under 3 Group Europe) on a 100% basis.

In July 2019, the Group has formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings ("CKH Group Telecom"), which consolidates the Group's telecommunication businesses of 3 Group Europe and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. For segment information presentation purposes, CKH Group Telecom is presented as an operating division for the current and comparative years in this operating segment note, with separate sub-totals for 3 Group Europe, HTHKH and CKH Group Telecom's Corporate and Others (which covers CKH Group Telecom's corporate head office operations and the returns earned on its holdings of cash and liquid investments). Comparative information for 2018 have been amended accordingly to conform with this change in classification adopted in the current year. These amendments and reclassifications have no impact on the profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

3 Operating segment information *(continued)*

(a) Description of segments and principal activities *(continued)*

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia ("VHA"), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated companies Hutchison China MediTech Limited ("Chi-Med") (see note 3(b)(xvi)), TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items.

(b) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$ 61 million (2018 - HK\$54 million), Hutchison Telecommunications Hong Kong Holdings of HK\$14 million (2018 - HK\$11 million) and Hutchison Asia Telecommunications of HK\$3 million (2018 - HK\$2 million). The Group uses two measures of segment results, EBITDA (see note 3(b)(xiii)) and EBIT (see note 3(b)(xiv)).

In the current year, the Group has adopted the HKFRS 16 accounting standard (which relates to accounting for leases) for its statutory reporting, but its management reporting has remained on the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). The Group believes that the HKAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), provide useful information to allow comparable growth rates to be calculated and a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performances. Accordingly, segmental information is presented on a HKAS 17 basis ("Pre-HKFRS 16 basis") as this is the basis of the information used for resource allocation, performance assessment and internal decision-making. As additional information, reconciliation from Pre-HKFRS 16 metrics to Post-HKFRS 16 is included in the following segmental information analysis. The HKAS 17 lease accounting policy is disclosed in note 40(f).

Notes to the Financial Statements

3 Operating segment information (continued)

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

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	26,996	8,379	35,375	8%	26,587	8,588	35,175	8%
Retail	132,493	36,732	169,225	38%	133,575	35,416	168,991	37%
Infrastructure	12,837	38,354	51,191	12%	19,522	45,202	64,724	14%
Husky Energy	–	47,618	47,618	11%	–	54,251	54,251	12%
CKH Group Telecom								
3 Group Europe	87,505	11	87,516	20%	62,855	15,556	78,411	17%
Hutchison Telecommunications Hong Kong Holdings	5,582	–	5,582	1%	7,912	–	7,912	2%
Corporate and Others	292	127	419	–	282	128	410	–
	93,379	138	93,517	21%	71,049	15,684	86,733	19%
Hutchison Asia Telecommunications	8,984	–	8,984	2%	8,220	–	8,220	2%
Finance & Investments and Others	16,687	17,259	33,946	8%	17,072	18,064	35,136	8%
	291,376	148,480	439,856	100%	276,025	177,205	453,230	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	1,098	1,098		–	1,098	1,098	
Divestiture of infrastructure investments	7,645	4,481	12,126		1,104	860	1,964	
	299,021	154,059	453,080		277,129	179,163	456,292	
HKFRS 16 impact	–	–	–					
	299,021	154,059	453,080					

3 Operating segment information (continued)

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

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) ^{(b)(ii)}							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	9,806	3,599	13,405	12%	9,683	3,709	13,392	12%
Retail	13,676	3,215	16,891	15%	12,874	3,290	16,164	14%
Infrastructure	7,437	21,051	28,488	25%	11,234	24,188	35,422	31%
Husky Energy ^(iv)	—	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					

Notes to the Financial Statements

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	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	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 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	2,979	1,365	4,344	3,213	1,453	4,666
Retail	2,512	708	3,220	2,368	718	3,086
Infrastructure	2,117	7,151	9,268	3,409	7,975	11,384
Husky Energy	–	6,143	6,143	–	6,364	6,364
CKH Group Telecom						
3 Group Europe	13,399	–	13,399	8,690	2,408	11,098
Hutchison Telecommunications Hong Kong Holdings	761	47	808	768	50	818
Corporate and Others	3	–	3	32	–	32
	14,163	47	14,210	9,490	2,458	11,948
Hutchison Asia Telecommunications	1,112	–	1,112	707	–	707
Finance & Investments and Others	214	2,449	2,663	164	2,376	2,540
	23,097	17,863	40,960	19,351	21,344	40,695
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	–	273	273	–	271	271
	23,097	18,136	41,233	19,351	21,615	40,966
Divestiture 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			

Notes to the Financial Statements

3 Operating segment information (continued)

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

(v) An analysis of capital expenditure by segments

	Capital expenditure ^(xxx)								
	Fixed assets [@]	Telecom-munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2018 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,037	–	–	–	3,037	3,909	–	1	3,910
Retail	3,072	–	–	–	3,072	3,454	–	–	3,454
Infrastructure	363	–	75	6,744	7,182	5,924	–	136	6,060
Husky Energy	–	–	–	–	–	–	–	–	–
CKH Group Telecom									
3 Group Europe	15,397	1,026	2,735	–	19,158	10,990	6,384	1,341	18,715
Hutchison Telecommunications Hong Kong Holdings	503	203	–	–	706	513	–	–	513
Corporate and Others	4	–	3	–	7	–	–	1	1
	15,904	1,229	2,738	–	19,871	11,503	6,384	1,342	19,229
Hutchison Asia Telecommunications	2,845	57	–	–	2,902	2,513	2,143	–	4,656
Finance & Investments and Others	318	–	4	–	322	237	–	–	237
	25,539	1,286	2,817	6,744	36,386	27,540	8,527	1,479	37,546
HKFRS 16 impact	(93)	–	–	–	(93)				
	25,446	1,286	2,817	6,744	36,293				

@ excluding capital expenditure incurred during the year for assets classified as held for sale during the year.

3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	Total assets									
	Company and Subsidiaries					Company and Subsidiaries				
	Segment assets ^(vii)	Deferred tax assets	Assets classified as held for sale ^(viii)	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets ^(vii)	Deferred tax assets	Assets classified as held for sale ^(viii)	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					

Notes to the Financial Statements

3 Operating segment information (continued)

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

(vii) An analysis of total liabilities by segments

	Total liabilities								
	Segment liabilities ^(xvi) HK\$ million	Current & non-current borrowings ^(xvii) and other non-current liabilities HK\$ million	Current & deferred tax liabilities HK\$ million	2019 Total liabilities HK\$ million	Segment liabilities ^(xvi) HK\$ million	Current & non-current borrowings ^(xvii) and other non-current liabilities HK\$ million	Liabilities directly associated with assets classified as held for sale HK\$ million	Current & deferred tax liabilities HK\$ million	2018 Total liabilities HK\$ million
Ports and Related Services	11,982	17,384	4,032	33,398	13,433	16,127	–	4,472	34,032
Retail	25,799	12,905	9,819	48,523	26,366	13,407	–	9,962	49,735
Infrastructure	5,875	32,298	604	38,777	4,910	30,535	77,600	590	113,635
Husky Energy	–	–	–	–	–	–	–	–	–
CKH Group Telecom									
3 Group Europe	38,325	22,745	230	61,300	55,660	110,297	–	94	166,051
Hutchison Telecommunications Hong Kong Holdings	1,554	482	24	2,060	1,804	343	–	16	2,163
Corporate and Others	597	81,976	31	82,604	274	–	–	231	505
	40,476	105,203	285	145,964	57,738	110,640	–	341	168,719
Hutchison Asia Telecommunications	11,241	14,304	2	25,547	5,976	18,897	–	1	24,874
Finance & Investments and Others	8,987	217,291	5,000	231,278	10,292	234,168	–	5,966	250,426
	104,360	399,385	19,742	523,487	118,715	423,774	77,600	21,332	641,421
HKFRS 16 impact	91,809	(229)	(1,054)	90,526					
	196,169	399,156	18,688	614,013					

3 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

	Revenue ^(xx)							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	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) ^(xxiii)							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	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.

Notes to the Financial Statements

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	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	706	861	1,567	2%	561	929	1,490	2%
Mainland China	4,947	3,068	8,015	11%	5,208	3,397	8,605	12%
Europe	30,370	10,306	40,676	57%	26,897	15,458	42,355	58%
Canada ^(xv)	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 ^(xvi)								
	Fixed assets [@]	Telecom-munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total	Fixed assets and leasehold land	Telecom-munications licences	Brand names and other rights	2018 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,295	203	–	–	1,498	1,316	–	–	1,316
Mainland China	958	–	–	–	958	1,147	–	–	1,147
Europe	17,072	1,026	2,738	6,711	27,547	18,626	6,384	1,341	26,351
Canada	–	–	–	33	33	14	–	37	51
Asia, Australia and Others	5,896	57	75	–	6,028	6,200	2,143	100	8,443
Finance & Investments and Others	318	–	4	–	322	237	–	1	238
	25,539	1,286	2,817	6,744	36,386	27,540	8,527	1,479	37,546
HKFRS 16 impact	(93)	–	–	–	(93)				
	25,446	1,286	2,817	6,744	36,293				

@ excluding capital expenditure incurred during the year for assets classified as held for sale during the year.

3 Operating segment information (continued)

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

(xii) An analysis of total assets by geographical locations

	Total assets									
	Company and Subsidiaries					Company and Subsidiaries				
	Segment assets ^(xvi)	Deferred tax assets	Assets classified as held for sale ^(xviii)	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets ^(xvi)	Deferred tax assets	Assets classified as held for sale ^(xviii)	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 ^(xvii)	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.

Notes to the Financial Statements

3 Operating segment information *(continued)*

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

- (xv) The Group's 40.19% owned listed associated company, Husky Energy recognised non-cash asset impairments and other charges aggregating C\$2.3 billion (after tax), primarily related to its upstream assets in North America, including the Sunrise Energy Project and the Atlantic and Western Canada segments, and were largely due to lower long-term commodity price assumptions and a reduction in future capital spending. The reduction in future capital spending has the effect of reducing reserves, which in turn reduces asset values. Other charges included exploration-related write-downs and asset de-recognition at the Lima Refinery associated with redundant equipment following the completion of the crude oil flexibility project. The Group's share of these charges, after consolidation adjustments, is HK\$ 5,983 million at the EBITDA and EBIT levels, and is reported under "Husky Energy" in the segment results. The Group's share of these charges, after tax and consolidation adjustments, is HK\$4,223 million and is included in "Share of profits less losses of associated companies" in the consolidated income statement.
- (xvi) During 2019, the Group recognised a one-off disposal gain arising from the de-consolidation of former subsidiary Chi-Med. The disposal gain is HK\$6,885 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in this segment information note, and is included in the "Other operating expenses" in the consolidated income statement. Included in this amount is a HK\$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in Chi-Med to its fair value at the date of de-consolidation.
- (xvii) In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. 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.

Notes to the Financial Statements

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⁾						
<i>Paid by the Company</i>	0.28	4.89	78.87	–	–	84.04
<i>Paid by CKI</i>	0.08	–	33.24	–	–	33.32
FOK Kin Ning, Canning ⁽¹⁾	0.36	4.89	112.11	–	–	117.36
Frank John SIXT ⁽¹⁾	0.22	11.56	215.09	1.04	–	227.91
Frank John SIXT ⁽¹⁾	0.22	8.65	67.58	0.75	–	77.20
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	11.21	–	–	13.05
<i>Paid by CKI</i>	0.08	1.80	12.07	–	–	13.95
KAM Hing Lam	0.30	3.42	23.28	–	–	27.00
<i>Paid by the Company</i>	0.22	2.42	10.43	–	–	13.07
<i>Paid by CKI</i>	0.08	4.20	12.07	–	–	16.35
LAI Kai Ming, Dominic ⁽¹⁾	0.30	6.62	22.50	–	–	29.42
Edith SHIH ⁽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⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
KWOK Tun-li, Stanley ^{(6) (7)}	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley ^{(6) (7)}	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ^{(6) (7)}	0.35	–	–	–	–	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	–	–	–	–	0.28
Total	5.26	45.50	527.92	2.59	–	581.27

4 Directors' emoluments (continued)

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

Name of directors	2018					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ^{(2) (3)}	—	—	—	—	—	—
Victor T K LI ^{(4) (8)}						
<i>Paid by the Company</i>	0.26	4.89	73.87	—	—	79.02
<i>Paid by CKI</i>	0.08	—	33.24	—	—	33.32
	0.34	4.89	107.11	—	—	112.34
FOK Kin Ning, Canning ⁽¹⁾	0.22	11.53	213.50	1.04	—	226.29
Frank John SIXT ⁽¹⁾	0.22	8.54	62.55	0.75	—	72.06
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	10.68	—	—	12.52
<i>Paid by CKI</i>	0.08	1.80	11.70	—	—	13.58
	0.30	3.42	22.38	—	—	26.10
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.17	—	—	12.81
<i>Paid by CKI</i>	0.08	4.20	11.70	—	—	15.98
	0.30	6.62	21.87	—	—	28.79
LAI Kai Ming, Dominic ⁽¹⁾	0.22	5.85	62.00	0.84	—	68.91
Edith SHIH ⁽¹⁾	0.22	4.33	18.51	0.32	—	23.38
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	—	—	—	—	0.22
CHOW WOO Mo Fong, Susan ⁽⁵⁾	0.22	—	—	—	—	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	—	—	—	—	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	—	—	—	—	0.22
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	—	—	—	—	0.22
<i>Paid by CKI</i>	0.08	—	—	—	—	0.08
	0.30	—	—	—	—	0.30
KWOK Tun-li, Stanley ^{(6) (7)}	0.35	—	—	—	—	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	—	—	—	—	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	—	—	—	—	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	—	—	—	—	0.22
William SHURNIAK ^{(6) (7)}	0.35	—	—	—	—	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	—	—	—	—	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	—	—	—	—	0.28
Total	5.24	45.18	507.92	2.95	—	561.29

- (1) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (2) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK\$1,781. The amount of director's fee shown above is a result of rounding.
- (3) Retired on 10 May 2018.
- (4) Appointed as Member of the Remuneration Committee on 10 May 2018.
- (5) Non-executive director.
- (6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2018 - HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Member of the Remuneration Committee.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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

Notes to the Financial Statements

18 Liquid funds and other listed investments

	2019 HK\$ million	2018 HK\$ million
Financial assets at amortised cost		
Managed funds – cash and cash equivalents, outside Hong Kong	42	66
Financial assets at FVOCI ⁽ⁱ⁾		
Listed equity securities, Hong Kong ⁽ⁱⁱ⁾	2,293	2,909
Listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	213	208
Managed funds – listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	202	154
Managed funds – listed debt securities, outside Hong Kong	4,933	4,770
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	–	1,089
	7,641	9,130
Financial assets at fair value through profit or loss – listed equity securities	39	96
	7,722	9,292

- (i) The fair values are based on quoted market prices.
- (ii) These equity securities are strategic investments and not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise these investments in this category so the Group considers this category to be the most appropriate classification.
- (iii) Included in listed / traded debt securities outside Hong Kong as at 31 December 2018 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million which are matured in 2019.
- (a) At 31 December, liquid funds and other listed investments totalling HK\$7,722 million (2018 – HK\$9,292 million) are denominated in the following currencies:

	2019			2018		
	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	–	30%	–	–	32%	–
US dollars	50%	66%	100%	26%	55%	100%
Other currencies	50%	4%	–	74%	13%	–
	100%	100%	100%	100%	100%	100%

18 Liquid funds and other listed investments (continued)

(b) At 31 December, listed / traded debt securities totalling HK\$4,933 million (2018 - HK\$5,859 million) presented above are analysed as follows:

	2019	2018
	Financial assets at FVOCI Percentage	Financial assets at FVOCI Percentage
Credit ratings		
Aaa / AAA	25%	20%
Aa1 / AA+	74%	60%
Other investment grades	—	4%
Unrated	1%	16%
	100%	100%
Sectorial		
US Treasury notes	70%	56%
Government and government guaranteed notes	20%	17%
Husky Energy notes	—	4%
Financial institutions notes	1%	—
Others	9%	23%
	100%	100%
Weighted average maturity	2.3 years	2.2 years
Weighted average effective yield	1.79%	1.58%

19 Other non-current assets

	2019	2018
	HK\$ million	HK\$ million
Investment properties (see note 20)	398	382
Customer acquisition and retention costs ^(a)	2,985	1,576
Contract assets (see note 22(b))	3,482	2,726
Unlisted investments		
Financial assets at amortised costs - debt securities ^(b)	174	170
Financial assets at FVOCI - equity securities ^(c)	1,825	1,953
Financial assets at fair value through profit or loss - equity securities	3,042	641
Financial assets at fair value through profit or loss - debt securities	304	318
Pension assets (see note 28)	101	—
Derivative financial instruments		
Fair value hedges - Interest rate swaps	46	19
Cash flow hedges		
Cross currency interest rate swaps	523	317
Net investment hedges		
Forward foreign exchange contracts	498	2,021
Cross currency swaps	609	427
Other derivative financial instruments	44	167
Others (mainly lease receivables)	245	—
	14,276	10,717

Notes to the Financial Statements

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

Notes to the Financial Statements

22 Trade receivables and other current assets (continued)

Movements on the loss allowance provision for trade receivables are as follows:

	2019 HK\$ million	2018 HK\$ million
At 1 January	1,136	2,586
Additions	1,587	1,569
Utilisations	(902)	(2,003)
Write back	(10)	(9)
Exchange translation differences	(1)	(178)
Transfer to assets classified as held for sale	–	(829)
At 31 December	1,810	1,136

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision analysed by aging band are set out below.

	2019			2018		
	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	9,335	311	3%	10,206	115	1%
Past due less than 31 days	2,274	98	4%	2,993	72	2%
Past due within 31 to 60 days	725	73	10%	1,158	87	8%
Past due within 61 to 90 days	414	58	14%	604	100	17%
Past due over 90 days	5,925	1,270	21%	5,430	762	14%
	18,673	1,810		20,391	1,136	

- (b) As at 31 December 2019, contract assets of HK\$3,903 million (2018 – HK\$4,217 million) and HK\$3,482 million (2018 – HK\$2,726 million) are included in “Trade receivables and other current assets” (see above) and “Other non-current assets” (see note 19) respectively. These amounts are net of provision for estimated impairment losses of HK\$1,052 million (2018 – HK\$493 million).

23 Assets and liabilities classified as held for sale

	2019 HK\$ million	2018 HK\$ million
Assets classified as held for sale		
Disposal group held for sale ^(d)	—	114,843
Non-current assets held for sale ^(e)	149	2,352
	149	117,195
Liabilities directly associated with assets classified as held for sale ^(d)	—	77,600

- (a) In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities for a cash consideration under the economic benefits agreements entered with CK Asset Holdings Limited, CKI and Power Assets. The cash consideration received is recorded as a financial liability under other non-current liabilities (see notes 29(b)).

On 20 December 2018, the board of directors of the Company approved a plan to streamline the Group's holdings of these interests. The plan was expected to be completed within a year from the reporting date and to result in de-recognition of the relevant assets and liabilities of these entities from the Group's statement of financial position. Consequently, these interests were reclassified for accounting purposes as disposal group and the associated assets and liabilities were presented as held for sale in the Group's financial statements for the year ended 31 December 2018.

- (b) During the current year, the Group completed supplementary agreements with the counter-parties to the economic agreements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these co-owned investments. Upon completion of all supplementary agreements on 30 December 2019, the relevant assets and liabilities of these entities, together with the relevant amount of the financial liabilities recognised in respect of the cash consideration received under the economic benefits agreements, are de-recognised from the Group's statement of financial position. The de-recognition does not result in gain or loss in the Group's income statement for the year ended 31 December 2019. For the purpose of the Group's statement of cash flows, the de-recognition gave rise to a net cash outflow of HK\$2,429 million, representing cash and cash equivalents de-recognised. Other than this cash flow, the de-recognition is a non-cash item for the purpose of the Group's statement of cash flows. During the current year, while classified as held for sales, these entities contributed HK\$4,768 million to the Group's net operating cash flows, incurred HK\$9,331 million outflow in respect of investing activities (inclusive of the aforementioned HK\$2,429 million outflow), and contributed HK\$978 million in respect of financing activities.
- (c) The Group is no longer actively pursuing the plan to streamline the holdings of its direct interest in the co-owned infrastructure investment in Australian Gas Networks. At 31 December 2019, this direct interest ceased to be classified as held for sale and has been reclassified from "Assets classified as held for sale" to "Interests in joint ventures" in the Group's statement of financial position. The reclassification has no impact on the profit for the current and comparative years and the total equity as at 31 December 2019 and 2018. As required by the applicable accounting standard, the reclassification has been applied retrospectively and the Group's financial statements for the year ended 31 December 2018 has been amended accordingly.

Notes to the Financial Statements

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

Notes to the Financial Statements

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 ^A + 2.75% due 2024	—	—	—	—	18,133	18,133
EUR750 million notes, 1.25% due 2025	—	6,503	6,503	—	6,712	6,712
EUR1,576 million notes, 3.125% due 2025	—	—	—	—	14,105	14,105
EUR1,000 million notes, 0.75% due 2026	—	8,670	8,670	—	—	—
EUR650 million notes, 2% due 2028	—	5,635	5,635	—	5,818	5,818
EUR1,000 million notes, 1.125% due 2028	—	8,670	8,670	—	—	—

24 Bank and other debts (continued)

Details of the bank and other debts by principal amounts are as follows (continued):

	2019			2018		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
EUR500 million notes, 2% due 2030	—	4,335	4,335	—	4,475	4,475
EUR750 million notes, 1.5% due 2031	—	6,502	6,502	—	—	—
GBP303 million notes, 5.625% due 2026	—	3,078	3,078	—	3,005	3,005
GBP500 million notes, 2% due 2027	—	5,080	5,080	—	—	—
GBP300 million notes, 2.625% due 2034	—	3,048	3,048	—	—	—
JPY3,000 million notes, 1.75% due 2019	—	—	—	210	—	210
JPY15,000 million notes, 2.6% due 2027	—	1,069	1,069	—	1,050	1,050
	9,100	204,642	213,742	19,710	209,582	229,292
	41,669	301,289	342,958	25,691	321,227	346,918

[^] EURIBOR represents the Euro Interbank Offered Rate

Further analysis of the principal amount of bank and other debts are set out below:

(a) By year of repayment

	2019			2018		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Bank loans						
Within a year	32,565	—	32,565	5,943	—	5,943
After 1 year, but within 2 years	—	24,864	24,864	—	35,020	35,020
After 2 years, but within 5 years	—	71,528	71,528	—	76,215	76,215
	32,565	96,392	128,957	5,943	111,235	117,178
Other loans						
Within a year	4	—	4	38	—	38
After 1 year, but within 2 years	—	4	4	—	37	37
After 2 years, but within 5 years	—	178	178	—	273	273
After 5 years	—	73	73	—	100	100
	4	255	259	38	410	448
Notes and bonds						
Within a year	9,100	—	9,100	19,710	—	19,710
After 1 year, but within 2 years	—	19,555	19,555	—	9,100	9,100
After 2 years, but within 5 years	—	91,884	91,884	—	81,777	81,777
After 5 years	—	93,203	93,203	—	118,705	118,705
	9,100	204,642	213,742	19,710	209,582	229,292
	41,669	301,289	342,958	25,691	321,227	346,918

Notes to the Financial Statements

24 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(b) By secured and unsecured borrowings

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Secured borrowings	1	1,275	1,276	1,258	87,343	88,601
Unsecured borrowings	41,668	300,014	341,682	24,433	233,884	258,317
	41,669	301,289	342,958	25,691	321,227	346,918

(c) By borrowings at fixed and floating interest rate

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	9,112	204,897	214,009	19,748	191,859	211,607
Borrowings at floating rate	32,557	96,392	128,949	5,943	129,368	135,311
	41,669	301,289	342,958	25,691	321,227	346,918

(d) By borrowings at fixed and floating interest rate (adjusted for the effect of hedging transactions)

	2019			2018		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	24,972	205,995	230,967	20,540	232,580	253,120
Borrowings at floating rate	16,697	95,294	111,991	5,151	88,647	93,798
	41,669	301,289	342,958	25,691	321,227	346,918

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures.

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2019, the notional amount of the outstanding interest rate swap agreements amounted to HK\$6,760 million (2018 - HK\$9,100 million) (See note 43(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2019, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$6,558 million and HK\$17,160 million respectively (2018 - HK\$33,453 million and HK\$17,160 million respectively) (See note 43(i)(ii)).

24 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(e) By currency

	2019			2018		
	Current portion 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 divestiture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. 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.

Notes to the Financial Statements

30 Share capital, share premium, perpetual capital securities and capital management ^(continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2019, total equity amounted to HK\$596,963 million (2018 - HK\$590,823 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$202,648 million (2018 - HK\$207,965 million). The Group's net debt to net total capital ratio decreased to 25.3% from 26.0% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios ⁽ⁱ⁾ at 31 December:

	2019	2018
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	25.3%	26.0%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	27.8%	27.8%
B1 – including interest-bearing loans from non-controlling shareholders as debt	25.4%	26.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	27.9%	27.9%

- (i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

31 Reserves

	2019				
	Retained profit	Attributable to ordinary shareholders			Total
	HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	HK\$ million
At 31 December 2018, as previously reported, and 1 January 2019	576,381	(31,979)	(2,138)	(344,346)	197,918
Effect on adoption of HKFRS 16 (see note 41)	(11,812)	—	—	—	(11,812)
At 1 January 2019, as adjusted	564,569	(31,979)	(2,138)	(344,346)	186,106
Profit for the year	39,830	—	—	—	39,830
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	—	—	—	(228)	(228)
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	—	—	—	104	104
Valuation losses previously in reserves recognised in income statement	—	—	—	29	29
Remeasurement of defined benefit obligations recognised directly in reserves	(625)	—	—	—	(625)
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Losses recognised directly in reserves	—	—	(692)	—	(692)
Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	—	(414)	—	—	(414)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	—	(582)	—	—	(582)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	—	2,787	1,108	(45)	3,850
Gains previously in other reserves related to subsidiaries, associated companies and joint ventures disposed during the year transferred directly to retained profit	297	—	—	(297)	—
Share of other comprehensive income of associated companies	230	21	87	42	380
Share of other comprehensive income (losses) of joint ventures	433	(599)	107	(5)	(64)
Tax relating to components of other comprehensive income (losses)	130	—	88	—	218
Other comprehensive income (losses), net of tax	465	1,213	698	(400)	1,976
Hedging reserve gains transferred to the carrying value of non-financial item during the year	—	—	(73)	—	(73)
Dividends paid relating to 2018	(8,870)	—	—	—	(8,870)
Dividends paid relating to 2019	(3,355)	—	—	—	(3,355)
Share option schemes and long term incentive plans of subsidiary companies	4	—	—	32	36
Transfer of gain on disposal of equity securities at FVOCI to retained profit	49	—	—	(49)	—
Unclaimed dividends write back of a subsidiary	6	—	—	—	6
Relating to purchase of non-controlling interests	—	—	—	(200)	(200)
Relating to partial disposal of subsidiary companies	—	6	—	590	596
Gains previously in other reserves related to partial disposal of subsidiary companies during the year transferred directly to retained profit	7	—	—	(7)	—
At 31 December 2019	592,705	(30,760)	(1,513)	(344,380)	216,052

Notes to the Financial Statements

31 Reserves (continued)

	2018				Total HK\$ million
	Retained profit HK\$ million	Attributable to ordinary shareholders Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2018	547,877	(20,642)	(2,094)	(343,018)	182,123
Profit for the year	39,000	—	—	—	39,000
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	—	—	—	(1,490)	(1,490)
Debt securities at FVOCI					
Valuation losses recognised directly in reserves	—	—	—	(20)	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	455	—	—	—	455
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Gains recognised directly in reserves	—	—	322	—	322
Gains on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	—	2,892	—	—	2,892
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	—	(7,733)	—	—	(7,733)
Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	—	(1,885)	75	—	(1,810)
Share of other comprehensive income (losses) of associated companies	285	(2,417)	(175)	(112)	(2,419)
Share of other comprehensive income (losses) of joint ventures	381	(4,145)	(186)	32	(3,918)
Tax relating to components of other comprehensive income (losses)	(70)	—	(66)	—	(136)
Other comprehensive income (losses), net of tax	1,051	(13,288)	(30)	(1,590)	(13,857)
Hedging reserve gains transferred to the carrying value of non-financial item during the year	—	—	(14)	—	(14)
Impact of hyperinflation	(173)	208	—	(14)	21
Dividends paid relating to 2017	(7,985)	—	—	—	(7,985)
Dividends paid relating to 2018	(3,356)	—	—	—	(3,356)
Redemption of perpetual capital securities	—	1,740	—	—	1,740
Transaction costs in relation to issuance of perpetual capital securities	(33)	—	—	—	(33)
Buy-back and cancellation of issued shares (see note 30(a)(i))	(1)	—	—	—	(1)
Share option schemes and long term incentive plans of subsidiary companies	4	—	—	23	27
Transfer of loss on disposal of equity securities at FVOCI to retained profit	(16)	—	—	16	—
Unclaimed dividends write back of a subsidiary	6	—	—	—	6
Relating to purchase of non-controlling interests	—	—	—	(28)	(28)
Relating to partial disposal of subsidiary companies	4	3	—	268	275
Gains previously in other reserves related to deemed disposed of associated companies during the year transferred directly to retained profit	3	—	—	(3)	—
At 31 December 2018	576,381	(31,979)	(2,138)	(344,346)	197,918

31 Reserves (continued)

- (a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2019, revaluation reserve deficit amounted to HK\$3,111 million (1 January 2019 – HK\$2,985 million and 1 January 2018 – HK\$1,452 million), and other capital reserves deficit amounted to HK\$341,269 million (1 January 2019 – HK\$341,361 million and 1 January 2018 – HK\$341,566 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.
- (b) Set out below are the before and after related tax effects of other comprehensive income (losses) for the years:

	2019		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(323)	–	(323)
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	104	–	104
Valuation losses previously in reserves recognised in income statement	29	–	29
Remeasurement of defined benefit obligations recognised directly in reserves	(899)	170	(729)
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(808)	103	(705)
Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	(547)	–	(547)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(813)	–	(813)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,535	–	4,535
Share of other comprehensive income of associated companies	340	–	340
Share of other comprehensive income (losses) of joint ventures	(68)	–	(68)
	1,550	273	1,823
	2018		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(1,652)	–	(1,652)
Debt securities at FVOCI			
Valuation losses recognised directly in reserves	(20)	–	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	615	(93)	522
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains recognised directly in reserves	363	(69)	294
Gains on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	3,735
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(9,305)	–	(9,305)
Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	(2,093)	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,611)	–	(2,611)
Share of other comprehensive income (losses) of joint ventures	(4,761)	–	(4,761)
	(15,729)	(162)	(15,891)

Notes to the Financial Statements

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 ^(a)	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
Divestiture 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)

Notes to the Financial Statements

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.

Notes to the Financial Statements

32 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

The following table sets out an analysis of the cash flows and non-cash flows changes in liabilities arising from financing activities:

	Bank and other debts HK\$ million	Lease liabilities HK\$ million	Interest bearing loans from non- controlling shareholders HK\$ million	Interest free loans from non- controlling shareholders HK\$ million	Liabilities relating to the economic benefits agreements HK\$ million	Total HK\$ million
At 1 January 2018	331,988	—	3,143	389	—	335,520
Financing cash flows						
New borrowings	55,313	—	—	—	—	55,313
Repayment of borrowings	(54,961)	—	—	—	—	(54,961)
Net loans to non-controlling shareholders	—	—	(181)	(4)	—	(185)
Consideration received from the economic benefits agreements (see note 29(b))	—	—	—	—	14,308	14,308
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	235	—	—	—	—	235
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(115)	—	—	—	—	(115)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,522)	—	—	—	—	(1,522)
Relating to subsidiaries acquired (see note 32(c))	93,856	—	—	—	—	93,856
Derecognition of notes and bonds *	(5,633)	—	—	—	—	(5,633)
Exchange translation differences	(9,898)	—	(139)	—	—	(10,037)
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	(57,707)	—	(2,071)	—	—	(59,778)
At 31 December 2018, as previously reported, and 1 January 2019	351,556	—	752	385	14,308	367,001
Effect on adoption of HKFRS 16 (see note 41)	(174)	92,130	—	—	—	91,956
At 1 January 2019, as adjusted	351,382	92,130	752	385	14,308	458,957
Financing cash flows						
New borrowings	207,349	—	—	—	—	207,349
Repayment of borrowings	(208,714)	—	—	—	—	(208,714)
Capital element of lease liabilities paid (see note 10(c))	—	(15,969)	—	—	—	(15,969)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	303	—	—	—	—	303
Losses arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	169	—	—	—	—	169
Amortisation of bank and other debts' fair value adjustments arising from acquisitions	(953)	—	—	—	—	(953)
Increase in lease liabilities from entering into new leases (see note 10(a))	—	17,851	—	—	—	17,851
Interest on lease liabilities (see note 5)	—	3,642	—	—	—	3,642
Interest element of lease liabilities paid (included in "net cash from operating activities")	—	(3,891)	—	—	—	(3,891)
Remeasurement / write off of lease liabilities	—	939	—	—	—	939
Relating to subsidiaries disposed (see note 32(d))	—	(930)	—	(5)	—	(935)
Derecognition	—	—	—	—	(12,142)	(12,142)
Exchange translation differences	(4,976)	(84)	(24)	—	—	(5,084)
At 31 December 2019	344,560	93,688	728	380	2,166	441,522

* via transfer from liquid funds and other listed investments

33 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

34 Pledge of assets

At 31 December 2019, assets of the Group totalling HK\$1,260 million (2018 - HK\$111,017 million) were pledged as security for bank and other debts. The decrease is mainly attributable to repayment of secured loans during the year.

35 Contingent liabilities and guarantees

At 31 December 2019, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$6,960 million (2018 - HK\$4,138 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2019 HK\$ million	2018 HK\$ million
To associated companies	3,050	2,777
To joint ventures	3,008	728

At 31 December 2019, the Group had provided performance and other guarantees of HK\$2,817 million (2018 - HK\$2,885 million).

36 Commitments

The Group's outstanding commitments contracted for at 31 December 2019, where material, not provided for in the financial statements at 31 December 2019 are as follows:

Capital commitments

- (a) Ports and Related Services - HK\$150 million (2018 - HK\$214 million)
- (b) 3 Group Europe - HK\$8,955 million (2018 - HK\$6,441 million)
- (c) Telecommunications, Hong Kong and Asia - HK\$4,251 million (2018 - HK\$2,092 million)
- (d) Other fixed assets - HK\$399 million (2018 - HK\$276 million)

As at 31 December 2018, the operating lease commitments were as follows:

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

- (a) In the first year - HK\$13,517 million
- (b) In the second to fifth years inclusive - HK\$23,516 million
- (c) After the fifth year - HK\$45,133 million

Operating lease commitments – future aggregate minimum lease payments for other assets

- (a) In the first year - HK\$1,850 million
- (b) In the second to fifth years inclusive - HK\$3,870 million
- (c) After the fifth year - HK\$698 million

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases. See note 10 for further information.

Notes to the Financial Statements

37 Related parties transactions

Saves as disclosed elsewhere in these financial statements, transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 15 and 16. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

38 Legal proceedings

As at 31 December 2019, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

39 Profit before tax

Profit before tax is shown after charging (crediting) the following items:

	2019 HK\$ million	2018 HK\$ million
Cost of goods sold		
included in "cost of inventories sold"	105,959	109,564
included in "expensed customer acquisition and retention costs"	11,579	11,909
Following items are included in "other operating expenses"		
Cost of providing services ^(a)	26,034	20,247
Office and general administrative expenses	8,523	7,375
Legal and professional fees	1,559	1,843
Divestiture loss	—	3,626
Re-measurement and other gains	—	(8,600)
Gain on disposal of subsidiary companies	(7,518)	(914)
Operating lease expenses ^(b)		
Properties	—	18,896
Hire of plant and machinery	—	2,105
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	246	201
- other auditors	23	22
Non-audit work ^(c) - PricewaterhouseCoopers	26	41
- other auditors	66	48

(a) Include telecommunication network related costs of HK\$14,873 million (2018 - HK\$11,957 million), repair and maintenance of HK\$5,199 million (2018 - HK\$2,289 million) and others of HK\$5,962 million (2018 - HK\$6,001 million).

(b) The Group has adopted HKFRS 16 "Leases" with effect from 1 January 2019. Please see note 10 for details of amounts recognised in the income statement relating to the right-of-use assets and lease liabilities recognised under HKFRS 16, of which HK\$5,559 million are included under "other operating expenses" for the current year. Prior to 1 January 2019, the Group accounted for leases under HKAS 17 and the operating lease expenses were included under "other operating expenses".

(c) Non-audit work include tax compliance and other tax services, and financial due diligence services.

40 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes elsewhere in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2019 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

Notes to the Financial Statements

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).

Notes to the Financial Statements

40 Significant accounting policies (continued)

(f) Leases (continued)

(i) Policy applied from 1 January 2019 (continued)

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(ii) Policy applied prior to 1 January 2019

Until the 2018 financial year, leases were classified as either operating leases or finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(g) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(h) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land prior to 1 January 2019 and are grouped as part of right-of-use assets with effect from 1 January 2019. Leasehold land are expensed in the income statement on a straight-line basis over the period of the lease.

(i) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have indefinite useful lives to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(j) Customer acquisition and retention costs

Customer acquisition and retention costs ("CACs") comprise the net costs to acquire and retain customers, which are mainly mobile telecommunication 3G and LTE customers. CACs are expensed and recognised in the income statement in the period in which they are incurred, except (i) the costs are incremental of obtaining a contract and they are expected to be recovered; and (ii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

40 Significant accounting policies (continued)

(k) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(l) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to fifteen years over the expected useful life of the customer relationship.

(m) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(n) Liquid funds and other listed investments and other unlisted investments and other financial assets

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire.

(i) Measurement

Debt instrument financial assets subsequent to initial recognition are measured as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

40 Significant accounting policies (continued)

(n) Liquid funds and other listed investments and other unlisted investments and other financial assets (continued)

(i) Measurement (continued)

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(ii) Impairment

Under the expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model under HKFRS 9 applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

(o) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 43(i). Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

40 Significant accounting policies (continued)

(o) Derivative financial instruments and hedging activities (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset. For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the derivative financial instruments is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(p) Trade and other receivables, and contract assets

Trade receivables are recognised when the Group's right to consideration is unconditional that only the passage of time is required before the payment is due.

Contract assets primarily relate to the Group's rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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).

Notes to the Financial Statements

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

Notes to the Financial Statements

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(iv) Consolidated statement of financial position on 31 December 2019

	As at 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
Non-current assets			
Fixed assets	119,835	(704)	119,131
Right-of-use assets	—	83,708	83,708
Leasehold land	7,209	(7,209)	—
Telecommunications licences	63,387	—	63,387
Brand names and other rights	88,275	—	88,275
Goodwill	308,986	—	308,986
Associated companies	144,842	(91)	144,751
Interests in joint ventures	144,541	(986)	143,555
Deferred tax assets	18,640	1,713	20,353
Liquid funds and other listed investments	7,722	—	7,722
Other non-current assets	14,031	245	14,276
	917,468	76,676	994,144
Current assets			
Cash and cash equivalents	137,127	—	137,127
Inventories	23,847	—	23,847
Trade receivables and other current assets	57,846	(2,137)	55,709
	218,820	(2,137)	216,683
Assets classified as held for sale	149	—	149
	218,969	(2,137)	216,832
Current liabilities			
Bank and other debts	40,054	(59)	39,995
Current tax liabilities	1,870	(1)	1,869
Lease liabilities	—	18,079	18,079
Trade payables and other current liabilities	101,237	(1,879)	99,358
	143,161	16,140	159,301
Net current assets	75,808	(18,277)	57,531
Total assets less current liabilities	993,276	58,399	1,051,675
Non-current liabilities			
Bank and other debts	304,735	(170)	304,565
Interest bearing loans from non-controlling shareholders	728	—	728
Lease liabilities	—	75,609	75,609
Deferred tax liabilities	17,872	(1,053)	16,819
Pension obligations	3,123	—	3,123
Other non-current liabilities	53,868	—	53,868
	380,326	74,386	454,712
Net assets	612,950	(15,987)	596,963
Capital and reserves			
Share capital	3,856	—	3,856
Share premium	244,377	—	244,377
Reserves	228,005	(11,953)	216,052
Total ordinary shareholders' funds	476,238	(11,953)	464,285
Perpetual capital securities	12,410	—	12,410
Non-controlling interests	124,302	(4,034)	120,268
Total equity	612,950	(15,987)	596,963

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(v) Consolidated statement of cash flows for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	As presented under accounting policies from 1 January 2019 HK\$ million
	(A)		(B)
Operating activities			
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	74,740	20,551	95,291
Interest expenses and other finance costs paid (net of capitalisation)	(10,998)	(3,623)	(14,621)
Tax paid	(5,823)	—	(5,823)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	57,919	16,928	74,847
Changes in working capital	(4,583)	(994)	(5,577)
Net cash from operating activities	53,336	15,934	69,270
Investing activities			
Purchase of fixed assets	(32,283)	93	(32,190)
Additions to telecommunications licences	(1,286)	—	(1,286)
Additions to brand names and other rights	(2,817)	—	(2,817)
Purchase of subsidiary companies, net of cash acquired	(30)	—	(30)
Additions to other unlisted investments	(17)	—	(17)
Repayments of loans from associated companies and joint ventures	641	—	641
Purchase of and advances to associated companies and joint ventures	(885)	—	(885)
Proceeds from disposal of fixed assets	150	—	150
Proceeds from disposal of subsidiary companies, net of cash disposed	(1,522)	—	(1,522)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	(2,429)	—	(2,429)
Proceeds from partial disposal / disposal of associated companies and joint ventures	2,388	—	2,388
Proceeds from disposal of other unlisted investments	130	—	130
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(37,960)	93	(37,867)
Disposal of liquid funds and other listed investments	503	—	503
Additions to liquid funds and other listed investments	(55)	—	(55)
Cash flows used in investing activities	(37,512)	93	(37,419)
Net cash inflow before financing activities	15,824	16,027	31,851
Financing activities			
New borrowings	211,526	—	211,526
Repayment of borrowings	(211,397)	(58)	(211,455)
Payment of lease liabilities	—	(15,969)	(15,969)
Net loans to non-controlling shareholders	(2)	—	(2)
Issue of equity securities by subsidiary companies to non-controlling shareholders / capital redemption by non-controlling shareholders	(10)	—	(10)
Payment to acquire additional interests in subsidiary companies	(478)	—	(478)
Proceeds from partial disposal of subsidiary companies	2,201	—	2,201
Dividends paid to ordinary shareholders	(12,225)	—	(12,225)
Dividends paid to non-controlling interests	(6,910)	—	(6,910)
Distribution paid on perpetual capital securities	(398)	—	(398)
Cash flows used in financing activities	(17,693)	(16,027)	(33,720)
Decrease in cash and cash equivalents	(1,869)	—	(1,869)
Cash and cash equivalents at 1 January	138,996	—	138,996
Cash and cash equivalents at 31 December	137,127	—	137,127
Analysis of cash, liquid funds and other listed investments			
Cash and cash equivalents, as above	137,127	—	137,127
Less: cash and cash equivalents included in assets classified as held for sale	—	—	—
Cash and cash equivalents	137,127	—	137,127
Liquid funds and other listed investments	7,722	—	7,722
Total cash, liquid funds and other listed investments	144,849	—	144,849
Total principal amount of bank and other debts and unamortised fair value adjustment arising from acquisitions	347,726	(229)	347,497
Interest bearing loans from non-controlling shareholders	728	—	728
Net debt	203,605	(229)	203,376
Interest bearing loans from non-controlling shareholders	(728)	—	(728)
Net debt (excluding interest bearing loans from non-controlling shareholders)	202,877	(229)	202,648

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 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				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 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

Notes to the Financial Statements

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,729 million in “within 1 year” maturity band, HK\$27,399 million in “after 1 year, but within 5 years” maturity band, and HK\$13,001 million in “after 5 years” maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2018				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(45)	17	—	(28)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(166)	(438)	(25)	(629)
Cross currency interest rate swaps				
Net inflow (outflow)	622	(1,386)	—	(764)
Forward foreign exchange contracts				
Inflow	275	—	—	275
Outflow	(277)	—	—	(277)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	1,283	—	—	1,283
Outflow	(1,290)	—	—	(1,290)
Cross currency swaps				
Inflow	—	—	8,289	8,289
Outflow	(71)	(286)	(8,120)	(8,477)
Other derivative financial instruments				
Net outflow	(82)	(350)	—	(432)

43 Financial risk management (continued)

- (h) In accordance with the disclosure requirement of HKFRS 7, the group's financial instruments resulted in the following income, expenses and gains and losses recognised in the income statement:

	2019 HK\$ million	2018 HK\$ million
Dividends from equity securities at FVOCI – related to investments held at the end of the reporting period	523	103
Interest from debt securities at FVOCI	99	157
Interest from assets held at amortised cost	2,762	2,475
Fair value losses on equity securities at FVPL	(7)	(2)
Fair value losses on debt securities at FVPL	(6)	(17)
Net impairment expense recognised on trade receivables	(1,577)	(1,560)
Gains (losses) arising on derivatives in a designated fair value hedge	169	(115)
Gains (losses) arising on adjustment for hedged items in a designated fair value hedge	(169)	115

(i) Hedge accounting

- (i) Fair value hedges

2019								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non- current assets HK\$ million	Other current liabilities HK\$ million	Other non- current liabilities HK\$ million
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.91%	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) Fair value hedges (continued)

244 CK Hutchison Holdings Limited

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

2019								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2022	1.31%	2.39%	GBP 300	3,048	–	–	–	(95)
2022	1.86%	2.07%	NZD 150	771	–	–	–	(4)
2025	1.71%	3.56%	AUD 509	2,739	–	–	–	(229)
				6,558	–	–	–	(328)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2020	1.41%	0.05%	US\$ 2,200	17,160	–	–	(318)	–
– receive fixed and pay fixed maturing in								
2021 – 2023	2.54%	0.00%	US\$ 2,500	19,500	–	523	–	–
				36,660	–	523	(318)	–
2019								
Hedged items					Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in hedging reserve for continuing hedges HK\$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK\$ million	
Interest rate risk					147	339	–	
Cross currency interest rate risk					(1,133)	(100)	–	

Notes to the Financial Statements

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

2018								
	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency	Notional Amount	Carrying amount of derivatives included in			
					Other current assets	Other non-current assets	Other current liabilities	Other non-current liabilities
Hedging instruments	Percentage	Percentage	million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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)

2018							
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
Forward foreign exchange contracts maturing in 2019	8.89	EUR 30	268	—	—	(2)	—

2018		
Hedged items	Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in hedging reserve for continuing hedges HK\$ million
Interest rate risk	2	220
Cross currency interest rate risk	(1,485)	567
Foreign exchange risk	(1)	1

Notes to the Financial Statements

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

2019							
				Carrying amount of derivatives included in			
	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Other current assets HK\$ million	Other non- current assets HK\$ million	Other current liabilities HK\$ million	Other non- current liabilities HK\$ million
Hedging instruments							
Forward foreign exchange contracts							
maturing in							
2020	5.96	CAD 177	1,049	—	—	(3)	—
2020	5.34	AUD 159	857	—	—	(22)	—
2020	5.09	NZD 280	1,439	—	—	(46)	—
2020-2022	10.97	GBP 2,337	23,748	1,344	498	(274)	—
2020-2022	9.53	EUR 135	1,170	31	—	—	(24)
			28,263	1,375	498	(345)	(24)
Cross currency swaps							
maturing in							
2020-2024	9.23	EUR 1,030	8,930	64	448	—	—
2020-2025	6.12	CAD 947	5,628	13	159	—	—
2027	5.86	AUD 1,415	7,612	—	2	—	(26)
			22,170	77	609	—	(26)
2019							
							Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied
				Change in value used for calculating hedge ineffectiveness	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges		
Hedged items			HK\$ million		HK\$ million		HK\$ million
Foreign investments				547	(5,695)		(716)

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

2018							
	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
Hedging instruments							
Forward foreign exchange contracts maturing in							
2019	5.80	CAD 184	1,070	14	—	—	—
2019	5.55	AUD 159	887	5	—	—	—
2019	5.39	NZD 280	1,478	41	—	—	—
2019-2022	11.17	GBP 2,348	23,290	507	1,977	(6)	—
2020-2022	9.53	EUR 135	1,208	—	44	—	—
			27,933	567	2,021	(6)	—
Cross currency swaps maturing in							
2020-2024	9.23	EUR 1,030	9,219	—	112	—	—
2020-2025	6.12	CAD 947	5,505	—	315	—	—
2027	5.86	AUD 1,415	7,880	—	—	—	(45)
			22,604	—	427	—	(45)
2018							
			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		
Hedged items							
Foreign investments			(3,735)	(5,602)	(2,841)		

Notes to the Financial Statements

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:

			2019		2018	
	Note	Classification under HKFRS 9 *	Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	18	Amortised cost	42	42	66	66
Listed equity securities, Hong Kong	18	FVOCI	2,293	2,293	2,909	2,909
Listed equity securities, outside Hong Kong	18	FVOCI	213	213	208	208
Listed equity securities (included in Managed funds)	18	FVOCI	202	202	154	154
Listed debt securities (included in Managed funds)	18	FVOCI	4,933	4,933	4,770	4,770
Listed / traded debt securities, outside Hong Kong	18	FVOCI	—	—	1,089	1,089
Financial assets at fair value through profit or loss	18	FVPL	39	39	96	96
Unlisted investments						
Unlisted debt securities	19	Amortised cost	174	174	170	170
Unlisted equity securities	19	FVOCI	1,825	1,825	1,953	1,953
Unlisted equity securities	19	FVPL	3,042	3,042	641	641
Unlisted debt securities	19	FVPL	304	304	318	318
Derivative financial instruments						
Fair value hedges — Interest rate swaps	19 & 22	Fair value — hedges	48	48	19	19
Cash flow hedges						
Cross currency interest rate swaps	19	Fair value — hedges	523	523	317	317
Net investment hedges						
Forward foreign exchange contracts	19 & 22	Fair value — hedges	1,873	1,873	2,588	2,588
Cross currency swaps	19 & 22	Fair value — hedges	686	686	427	427
Other derivative financial instruments	19	FVPL	44	44	167	167
Cash and cash equivalents	21	Amortised cost	137,127	137,127	135,411	135,411
Trade receivables	22	Amortised cost	16,863	16,863	19,255	19,255
Other receivables	22	Amortised cost	15,136	15,136	18,682	18,682
			185,367	185,367	189,240	189,240

43 Financial risk management (continued)

(j) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	Note	Classification under HKFRS 9 *	2019		2018	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	24	Amortised cost	344,560	350,125	351,556	343,527
Trade payables	25	Amortised cost	27,539	27,539	29,233	29,233
Derivative financial instruments						
Fair value hedges – Interest rate swaps	29	Fair value – hedges	–	–	116	116
Cash flow hedges						
Interest rate swaps	25 & 29	Fair value – hedges	328	328	381	381
Cross currency interest rate swaps	25 & 29	Fair value – hedges	318	318	928	928
Forward foreign exchange contracts	25	Fair value – hedges	–	–	2	2
Other contracts	25	Fair value – hedges	51	51	–	–
Net investment hedges						
Forward foreign exchange contracts	25 & 29	Fair value – hedges	369	369	6	6
Cross currency swaps	29	Fair value – hedges	26	26	45	45
Other derivative financial instruments	25 & 29	FVPL	535	535	481	481
Interest free loans from non-controlling shareholders	25	Amortised cost	380	380	385	385
Other payables and accruals	25	Amortised cost	61,536	61,536	76,244	76,244
Interest bearing loans from non-controlling shareholders	27	Amortised cost	728	728	752	752
Obligations for telecommunications licences and other rights	29	Amortised cost	10,001	10,001	9,613	9,613
Liabilities relating to the economic benefits agreements	29	Amortised cost	2,166	2,166	14,308	14,308
			448,537	454,102	484,050	476,021

* see note 40(n).

- (i) The fair value of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

Notes to the Financial Statements

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).

(k) Fair value measurements (continued)

Fair value hierarchy (continued)

2019 Annual Report 253

Notes to the Financial Statements

43 Financial risk management *(continued)*

(k) Fair value measurements *(continued)*

(i) Financial assets and financial liabilities measured at fair value *(continued)*

Fair value hierarchy (continued)

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2019 and 2018, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2019 HK\$ million	2018 HK\$ million
At 1 January	2,723	2,649
Total gains (losses) recognised in		
Income statement	49	29
Other comprehensive income	(16)	(510)
Additions	17	598
Relating to subsidiaries acquired	—	20
Disposals	(130)	(22)
Exchange translation differences	4	(41)
At 31 December	2,647	2,723
Total gains recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	49	29

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

43 Financial risk management (continued)

(k) Fair value measurements (continued)

- (ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 43(j) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2019				
Bank and other debts	214,284	135,841	—	350,125
At 31 December 2018				
Bank and other debts	217,197	126,330	—	343,527

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

Notes to the Financial Statements

43 Financial risk management (continued)

(1) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

- (1) are offset in the Group's consolidated statement of financial position; or
- (2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities) HK\$ million	Gross amounts offset in the consolidated statement of financial position HK\$ million	Net amounts presented in the consolidated statement of financial position HK\$ million	Related amounts not offset in the consolidated statement of financial position		Net amounts HK\$ million
				Financial assets (liabilities) HK\$ million	Cash collateral pledged (received) 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

Notes to the Financial Statements

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
☆ ㊄	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
☆ ㊄	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
☆ ㊄	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
☆ ㊄	寧波北侖國際集裝箱碼頭有限公司	China	RMB	700,000,000	39	Container terminal operating
	Oman International Container Terminal L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S.A.	Panama	USD	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2019

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
Ports and related services (continued)					
☆ +	PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
☆	River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
☆ ☼ +	上海明東集裝箱碼頭有限公司	China	RMB 4,000,000,000	40	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
	Star Classic Investments Limited	British Virgin Islands / Hong Kong	USD 2	80	Operation, management and development of ports and container terminals, and investment holding
	Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
	Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
	Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 680,000,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # +	Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☼ +	Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ☼ +	Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
Retail					
	A.S. Watson Holdings Limited	Cayman Islands / Hong Kong	HKD 1,000,000	75	Holding company
	A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
	A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
☆ +	Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☼	廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
	PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
*	PT Duta Intidaya Tbk	Indonesia	IDR 242,054,702,500	55	Retailing
☆	Rossmann Supermarkety Drogerijne Polska sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
	Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
☛	武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing
Infrastructure and energy					
☆	Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
☆ +	AVR-Afvalverwerking B.V.	Netherlands	EUR 1	38	Producing energy from waste
* +	CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding company
☆ +	CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution
☆ +	CKP (Canada) Holdings Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
+	Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # +	Husky Energy Inc.	Canada	CAD 7,293,334,286	40	Integrated energy businesses
☆ +	Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
☆ +	Northumbrian Water Group Limited	United Kingdom	GBP 161	43	Water & sewerage businesses

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Infrastructure and energy (continued)				
❖ * # +	Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	27	Investment holding in energy and utility-related businesses
☆ +	Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
☆ +	UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
☆ +	Eversholt UK Rails Limited	United Kingdom	GBP 102	54	Holding company in leasing of rolling stock
☆ +	Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 29,027	33	Gas distribution
	Telecommunications				
	CK Hutchison Group Telecom Holdings Limited	Cayman Islands / Hong Kong	EUR 64	100	Holding company
	Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
	Hi3G Denmark Aps	Denmark	DKK 64,375,000	60	Mobile telecommunications services
	Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
	Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
*	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,774,052	66	Holding company of mobile telecommunications services
	Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	66	Mobile telecommunications services
	PT. Hutchison 3 Indonesia	Indonesia	IDR 55,310,965,000,000	67	Mobile telecommunications services
	Three Ireland (Hutchison) Limited	Ireland	EUR 780,000,002	100	Mobile telecommunications services
	Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
	Wind Tre S.p.A.	Italy	EUR 474,303,795	100	Mobile telecommunications services
	Finance & investments and others				
	Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
	CK Hutchison Global Investments Limited	British Virgin Islands / Hong Kong	USD 2	100	Holding company
*	Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
☆ +	Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services
* # +	CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
* #	Hutchison China MediTech Limited	Cayman Islands / China	USD 66,690,645	49.9	Holding company of healthcare business
	Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
	Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
	Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
	Marionnaud Parfumeries S.A.S.	France	EUR 351,575,833	100	Investment holding in perfume retailing businesses
#	Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,452	24	Radio broadcasting
* #	TOM Group Limited	Cayman Islands / Hong Kong	HKD 395,851,056	36	Technology and media

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2019

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on The Stock Exchange of Hong Kong Limited except Hutchison Port Holdings Trust which is listed on the Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, PT Duta Intidaya Tbk which is listed on the Indonesia Stock Exchange, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MedTech Limited which is listed on AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

Associated companies

✧ Joint ventures

⌘ Equity joint venture registered under PRC law

✦ Wholly owned foreign enterprise (WFOE) registered under PRC law

↪ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

❖ Power Assets Holdings Limited indirectly holds 33.37% equity interest in HK Electric Investments and HK Electric Investments Limited, which are listed on The Stock Exchange of Hong Kong Limited.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate revenue (excluding share of associated companies and joint ventures) attributable to shareholders and net assets (excluding share of net assets of associated companies and joint ventures) of these companies not audited by PricewaterhouseCoopers amounted to approximately 8% and 21% of the Group's respective items.

Ten Year Summary

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CONSOLIDATED INCOME STATEMENT										
HK\$ million										
Revenue ⁽¹⁾	25,291	34,538	21,379	21,480	26,384	176,094	259,842	248,515	277,129	299,021
Profit attributable to ordinary shareholders of the Company ⁽¹⁾	26,750	45,957	32,036	35,260	53,869	118,570	33,008	35,100	39,000	39,830
Dividends	6,833	7,319	7,319	8,060	24,676	9,842	10,340	10,994	12,226	12,225
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
HK\$ million										
Non-current assets										
Fixed assets	10,399	11,233	10,145	9,977	17,454	179,855	145,598	158,789	110,605	119,131
Right-of-use assets	—	—	—	—	—	—	—	—	—	83,708
Leasehold land	—	—	—	—	—	7,215	8,155	8,305	7,702	—
Telecommunications licences	—	—	—	—	—	32,608	23,936	27,271	64,221	63,387
Brand names and other rights	—	—	—	—	—	82,233	73,625	75,985	88,761	88,275
Goodwill	—	—	—	—	—	261,449	254,748	255,334	323,160	308,986
Associated companies	154,568	178,606	187,348	196,812	216,841	148,372	150,406	145,343	136,287	144,751
Interests in joint ventures	40,671	56,929	63,303	65,659	68,754	92,425	106,253	162,134	121,397	143,555
Deferred tax assets	—	—	—	—	—	20,986	15,856	20,195	20,260	20,353
Liquid funds and other listed investments	8,577	7,301	10,828	8,843	10,210	10,255	5,954	7,813	9,292	7,722
Other non-current assets ⁽²⁾	22,232	26,386	30,756	30,341	34,557	4,572	5,440	5,540	10,717	14,276
	236,447	280,455	302,380	311,632	347,816	839,970	789,971	866,709	892,402	994,144
Current assets	93,877	92,006	104,345	117,205	110,125	192,974	223,494	233,546	339,842	216,832
Total assets	330,324	372,461	406,725	428,837	457,941	1,032,944	1,013,465	1,100,255	1,232,244	1,210,976
Current liabilities	34,705	35,031	20,189	15,466	31,350	130,303	157,312	114,888	221,929	159,301
Non-current liabilities										
Bank and other debts	22,027	23,020	43,001	39,452	19,522	270,536	231,260	310,276	325,570	304,565
Interest bearing loans from non-controlling shareholders	—	—	—	—	—	4,827	4,283	3,143	752	728
Lease liabilities	—	—	—	—	—	—	—	—	—	75,609
Deferred tax liabilities	761	850	820	986	1,022	26,062	23,692	25,583	19,261	16,819
Pension obligations	—	—	—	—	—	4,066	5,369	3,770	2,443	3,123
Other non-current liabilities	—	—	63	112	—	48,039	47,359	51,048	71,466	53,868
	22,788	23,870	43,884	40,550	20,544	353,530	311,963	393,820	419,492	454,712
Net assets	272,831	313,560	342,652	372,821	406,047	549,111	544,190	591,547	590,823	596,963
Capital and reserves										
Share capital	1,158	1,158	1,158	1,158	10,489 ⁽³⁾	3,860	3,858	3,858	3,856	3,856
Share premium	9,331	9,331	9,331	9,331	—	244,691	244,505	244,505	244,377	244,377
Reserves	258,521	295,211	323,354	350,192	383,656	144,884	145,806	181,693	197,918	216,052
Total ordinary shareholders' funds	269,010	305,700	333,843	360,681	394,145	393,435	394,169	430,056	446,151	464,285
Perpetual capital securities	—	4,648	5,652	9,048	9,045	35,153	30,510	29,481	12,326	12,410
Non-controlling interests	3,821	3,212	3,157	3,092	2,857	120,523	119,511	132,010	132,346	120,268
Total equity	272,831	313,560	342,652	372,821	406,047	549,111	544,190	591,547	590,823	596,963

Ten Year Summary

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PERFORMANCE DATA										
Earnings per share for profit attributable to ordinary shareholders of the Company - (HK\$)	11.55	19.84	13.83	15.22	23.26	36.91	8.55	9.10	10.11	10.33
Dividends per share - (HK\$) ⁽⁴⁾	2.95	3.16	3.16	3.48	3.65	2.55	2.68	2.85	3.17	3.17
Special dividends per share - (HK\$)	—	—	—	—	7.00	—	—	—	—	—
Dividend cover ⁽⁴⁾	3.9	6.3	4.4	4.4	6.4	14.5	3.2	3.2	3.2	3.3
Return on average ordinary shareholders' funds (%)	10.4%	16.0%	10.0%	10.2%	14.3%	30.1%	8.4%	8.5%	8.9%	8.7%
Current ratio	2.7	2.6	5.2	7.6	3.5	1.5	1.4	2.0	1.5	1.4
Net debt – (HK\$ million) ⁽⁵⁾	1,172	18,502	15,868	Note 6	Note 6	172,580	141,806	164,872	207,965	202,648
Net debt / Net total capital (%) ⁽⁵⁾	0.4%	5.6%	4.4%	N/A	N/A	23.7%	20.5%	21.7%	26.0%	25.3%
Net assets attributable to ordinary shareholders of the Company per share - book value (HK\$)	116.1	132.0	144.1	155.7	170.2	101.9	102.2	111.5	115.7	120.4
Number of shares (million)	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	3,859.7	3,857.7	3,857.7	3,856.2	3,856.2

Certain line item descriptions have been updated and certain comparative amounts have been reclassified to conform to the current year presentation.

- (1) Amounts shown above are the aggregate total arising from continuing and discontinuing operations in 2015.
- (2) 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.
- (3) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Cheung Kong's share capital.
- (4) Exclude special dividend of HK\$7 per share in 2014.
- (5) See note 30(c)(i) to the financial statements.
- (6) Net cash in 2014 and 2013 amounted to HK\$6,433 million and HK\$1,510 million respectively.

Information for Shareholders

Listing

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited

Stock Codes

The Stock Exchange of Hong Kong Limited: 1
Bloomberg: 1 HK
Reuters: 1.HK

Public Float Capitalisation

Approximately HK\$198,437 million (approximately 69% of the issued share capital of the Company) as at 31 December 2019

Financial Calendar

Payment of 2019 Interim Dividend:	12 September 2019
2019 Final Results Announcement:	19 March 2020
Record Date for 2019 Final Dividend:	20 May 2020
Payment of 2019 Final Dividend:	29 May 2020

Registered Office

PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

Principal Place of Business

48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
Telephone: +852 2128 1188
Facsimile: +852 2128 1705

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall Cricket Square
Grand Cayman, KY1-1102, Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Telephone: +852 2862 8628
Facsimile: +852 2865 0990

Investor Information

Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company

Investor Relations Contact

Please direct enquiries to:
Group Investor Relations
47th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong
Telephone: +852 2128 1188
Facsimile: +852 2128 1705
Email: ir@ckh.com.hk

Website Address

www.ckh.com.hk



長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

Telephone: +852 2128 1188

Facsimile: +852 2128 1705

www.ckh.com.hk