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長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

	2018 HK$ million	2017 HK$ million	Change	Local currencies change
Total Revenue (1)	**453,230**	414,837	+9%	+7%
Total EBITDA (1)	**113,580**	104,354	+9%	+7%
Total EBIT (1)	**72,885**	67,592	+8%	+6%
Profit attributable to ordinary shareholders	**39,000**	35,100	+11%	+9%
Earnings per share (2)	**HK$10.11**	HK$9.10	+11%	
Final dividend per share	**HK$2.30**	HK$2.07	+11%	
Full year dividend per share	**HK$3.17**	HK$2.85	+11%	

(1) 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.

(2) Earnings per share for the years ended 31 December 2018 and 2017 is calculated based on CKHH's weighted average number of shares outstanding during the years of 3,857,216,697 and 3,857,678,500 respectively.

CHAIRMAN'S STATEMENT

In 2018, global economic conditions remained volatile and deteriorated significantly in the fourth quarter of the year. As the year ended, uncertainty as to monetary policy direction, the outcome of trade disputes and the Brexit negotiations outcome dampened investment and trade flows. Financing conditions tightened, major currencies weakened against US Dollar, and commodity prices declined materially. The Group nevertheless maintained strong earnings growth and a solid financial profile, in part as a result of a number of major transactions successfully executed in 2017 and 2018.

The Group reported year on year EBITDA and EBIT growth of 9% and 8%. All core divisions reported improved underlying performance for the year. In addition, the full year contribution from businesses acquired by the Infrastructure division during 2017 together with the accretive contribution from the acquisition of remaining 50% interest in Wind Tre in September 2018 added to earnings and cash flow growth.

Profit attributable to ordinary shareholders for the year ended 31 December 2018 increased 11% to HK$39,000 million from HK$35,100 million for 2017. The Group's financial profile remained robust and its investment grade rating was raised one notch to single A by S&P, reflecting the Group's prudent financial management strategies and consistent earnings growth.

Earnings per share were HK$10.11 for the full year, an increase of 11%.

Dividend

The Board of Directors recommends a final dividend of HK$2.30 per share (2017 final dividend – HK$2.07 per share), payable on 31 May 2019, to shareholders whose names appear on the Register of Members of the Company at the close of business on 22 May 2019, 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 (2017 full year dividend – HK$2.85 per share).

Ports and Related Services

The ports and related services division handled throughput of 84.6 million twenty-foot equivalent units ("TEU") through 288 operating berths in 2018, flat against 2017. Volume improvements primarily in ports in Asia offset declines in Hong Kong and Mainland China as well as in Panama. Total revenue, EBITDA and EBIT of HK$35,175 million, HK$13,392 million and HK$8,726 million increased 3%, 7% and 6% against last year respectively, driven by the growth in certain Asian ports, improved performance in Rotterdam, as well as the gain arising from the disposal of the Group's entire interest in Shantou International Container Terminals during the year, partly offset by the lower contribution from the Mainland and Panama.

The impact of uncertainty surrounding trade disputes was marginal in 2018. However, the outlook for 2019 is unclear, particularly as regards to the Mainland ports. Overall the division's geographical diversity, particularly in Asia, leaves it in a good position to respond to any meaningful supply chain shifts that may eventuate by providing services in neighbouring country ports.

Retail

The retail division had 14,976 stores across 24 markets at the end of 2018, a 6% increase compared to last year. Total revenue, EBITDA and EBIT of HK$168,991 million, HK$16,164 million and HK$13,078 million increased by 8%, 9% and 8% respectively with all subdivisions reporting solid growth and favourable foreign currency translation impacts.

Overall, the Health and Beauty segment reported total sales growth of 10% from a 6% increase in store numbers and a 2.1% growth in comparable store sales. EBITDA and EBIT growth were 9% and 7% respectively in 2018. Health and Beauty operations in Asia in particular contributed very strong growth with a 20% increase in EBITDA arising from a 10% increase in store number and a comparable store sales uplift of 7.1%. Health and Beauty China continues to be the major earnings contributor and reported a 7% growth in EBITDA and a continuing healthy EBITDA margin of 19%. Health and Beauty operations in Europe also delivered another solid performance with EBITDA growth of 6%.

The Health and Beauty division has continued to expand its online and offline customer community, which includes 132 million loyalty members. In addition to enhancing store formats and adding digital and delivery capabilities to be directly competitive with online players, the ASW Group are increasingly able to personalise customer experiences and develop exclusive products and shopping experiences as a direct response to the desires of their customers.

Infrastructure

CK Infrastructure Holdings Limited ("CKI"), the Group's 75.67%[1] subsidiary listed in Hong Kong, recorded net profit attributable to shareholders of HK$10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure investments for a cash consideration of HK$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets Holdings Limited.

Husky Energy

Husky Energy ("Husky"), the Group's associated company listed in Canada, announced net earnings of C$1,457 million in 2018, 85% above 2017 net earnings of C$786 million. Although year on year production volumes were reduced and oil prices declined sharply in the last quarter of 2018, Husky was able to benefit from its integrated business model and capture strong margins in the Infrastructure and Marketing segment using its committed export capacity on the Keystone pipeline, as well as contributions from higher realised margins for Upgrading operations and growth in the Asia Pacific region.

Average production in 2018 was 299,200 barrels of oil equivalent per day ("boe/day"), a 7% decrease when compared to last year, mainly due to lower production in Western Canada subsequent to the disposition of certain low margin legacy assets in 2017, expiry of Husky's participation in the Wenchang contract in late 2017, FPSO vessel suspension and maintenance in Atlantic, as well as reduction of heavy crude oil production from natural declines and in response to the widening of the light/heavy oil differentials during the year. The reduction was partly offset by higher production in Asia.

With the mandatory oil production curtailments imposed by Government of Alberta in December 2018, 2019 production level is expected to be in the range of 290,000 – 305,000 boe/day. Husky is committed to maintaining safe and reliable operations and capital investment disciplines, as well as increasing focus in its core heavy oil projects and Downstream assets in the integrated business model. Concurrently, Husky's balance sheet has continued to improve with net debt to funds from operations improving from below 0.9x in 2017 to approximately 0.7x in 2018. Husky's 2018 full year dividend amounted to C$0.45 per common share, representing a 500% increase from C$0.075 in 2017.

[1] Based on the Group's profit sharing ratio in CKI.

3 Group Europe

As at 31 December 2018, **3** Group Europe's active customer base stands at 42.9 million, a 4% drop against last year mainly from a lower Wind Tre base due to intense market competition, partly offset by higher customer acquisition in Sweden, Denmark, Austria and Ireland.

3 Group Europe's revenue, EBITDA and EBIT of HK$78,411 million, HK$28,761 million and HK$17,663 million were 11%, 18% and 7% higher against last year respectively, reflecting primarily the accretive contribution from the additional 50% share in Wind Tre acquired in September 2018. **3** Group Europe continued to report healthy growth in EBITDA margin from 41% last year to 43% in 2018 and maintained a prudent stance towards spending on spectrum licences and network expansion. All **3** Group Europe operations continued to deliver positive EBITDA less capital expenditure and spectrum licences in 2018.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced profit attributable to shareholders of HK$404 million and earnings per share of 8.38 HK cents. As of 31 December 2018, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2018, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 49.8 million, which represents 34% decrease compared to last year, primarily due to the reduction in Indonesia's customer base from the government-imposed subscriber registration which resulted in a significant number of disconnections of multi-SIM users.

HAT reported revenue, EBITDA and EBIT of HK$8,220 million, HK$1,028 million and HK$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performances in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

In November 2018, the Group completed the acquisition of Etisalat Lanka and now holds 85% interest in the enlarged Sri Lanka telecommunication business.

Finance & Investments and Others

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

In August 2018, the Group's 50% owned associated company, 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. The proposed merger is subject to various approval procedures and is anticipated to complete within 2019.

As at 31 December 2018, the Group's consolidated cash and liquid investments totalled HK$144,703 million and consolidated gross debt amounted to HK$352,668 million, resulting in consolidated net debt of HK$207,965 million. Refinancing needs remain very low in 2019 with only 7% of the consolidated gross debt maturing in the year. Net debt to net total capital ratio was 26.0% at the end of 2018, an increase from 21.7% as at 31 December 2017, mainly due to the redemption of perpetual securities in the first half of 2018 and the slightly higher non-recourse debt arising from the net effect of the one-time transactions for Wind Tre acquisition and co-owned infrastructure assets disposal mentioned above. All three credit rating agencies have assessed the overall impact of the two transactions and considered the Group's long-term financial profile remains in line with its current investment grade rating, which was raised one notch to single A by S&P during the year.

Outlook

Uncertainties in trade disputes and Brexit outcome, fluctuations in commodity and currency prices and expectation of slower growth in major economies are posing headwinds and heightening risks to global economic prospects. Although there are moderate signs of stability during the first quarter of 2019 ranging from lower unemployment rates to more benign monetary policy to potential easing of major trade disputes, considerable uncertainties in economic and trade conditions will likely persist through the year.

Resilience, diversity and strong financial fundamentals continue to be the key strengths of the Group for achieving robust earnings and cash flow growth without compromising financial stability and strength. Prudent capital management of all investment activities, strict financial management, as well as a healthy liquidity and debt profile which supports its current investment grade ratings, all continue as the core disciplines and strategic directions of the Group and I am cautiously optimistic about the Group's future prospects.

Finally, 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, 21 March 2019

Financial Performance Summary

	2018 HK$ million	%	2017 HK$ million	%	Change %
Revenue [1]					
Ports and Related Services [1]	**35,175**	**8%**	34,146	8%	3%
Retail	**168,991**	**37%**	156,163	38%	8%
Infrastructure [1]	**64,724**	**14%**	57,369	14%	13%
Husky Energy	**54,251**	**12%**	44,948	11%	21%
3 Group Europe	**78,411**	**17%**	70,734	17%	11%
Hutchison Telecommunications Hong Kong Holdings	**7,912**	**2%**	9,685	2%	-18%
Hutchison Asia Telecommunications	**8,220**	**2%**	7,695	2%	7%
Finance & Investments and Others	**35,546**	**8%**	34,097	8%	4%
Total Revenue	**453,230**	**100%**	414,837	100%	9%
EBITDA [1]					
Ports and Related Services [1]	**13,392**	**12%**	12,563	12%	7%
Retail	**16,164**	**14%**	14,798	14%	9%
Infrastructure [1]	**35,422**	**31%**	33,033	32%	7%
Husky Energy	**12,106**	**11%**	8,992	9%	35%
3 Group Europe	**28,761**	**25%**	24,337	23%	18%
Hutchison Telecommunications Hong Kong Holdings	**1,371**	**1%**	4,337	4%	-68%
Hutchison Asia Telecommunications	**1,028**	**1%**	558	1%	84%
Finance & Investments and Others	**5,336**	**5%**	5,736	5%	-7%
Total EBITDA	**113,580**	**100%**	104,354	100%	9%
EBIT [1]					
Ports and Related Services [1]	**8,726**	**12%**	8,219	12%	6%
Retail	**13,078**	**18%**	12,089	18%	8%
Infrastructure [1]	**24,038**	**33%**	23,449	35%	3%
Husky Energy	**5,742**	**8%**	2,703	4%	112%
3 Group Europe	**17,663**	**24%**	16,567	25%	7%
Hutchison Telecommunications Hong Kong Holdings	**553**	**1%**	707	1%	-22%
Hutchison Asia Telecommunications	**321**	**–**	226	–	42%
Finance & Investments and Others	**2,764**	**4%**	3,632	5%	-24%
Total EBIT	**72,885**	**100%**	67,592	100%	8%
Interest expenses and other finance costs [1]	**(18,025)**		(18,024)		–
Profit before tax	**54,860**		49,568		11%
Tax [1]					
Current tax	**(7,795)**		(7,898)		1%
Deferred tax	**(283)**		1,843		-115%
	(8,078)		(6,055)		-33%
Profit after tax	**46,782**		43,513		8%
Non-controlling interests and perpetual capital securities holders' interests	**(7,782)**		(8,413)		8%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**39,000**		35,100		11%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust, as well as reflecting the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure investments with CK Infrastructure Holdings Limited ("CKI") after the divestment of 90% of the direct economic benefits in October 2018.

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 14 to 115, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Goodwill and brand names with an indefinite useful life *Refer to notes 12, 13 and 42 to the consolidated financial statements*	
The Group has a significant amount of goodwill and brand names arising from various acquisitions. As at 31 December 2018, goodwill amounted to approximately HK$323 billion and brand names with an indefinite useful life amounted to approximately HK$69 billion. Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values. Based on the results of the impairment assessments conducted, the Group determined that there is no impairment of goodwill and brand names with an indefinite useful life. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets. The significant assumptions are disclosed in notes 12, 13 and 42 to the consolidated financial statements.	The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included: • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists; • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets. We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters (continued)

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Investments in associated companies and joint ventures *Refer to notes 14, 15 and 42 to the consolidated financial statements* The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2018, investments in associated companies and joint ventures amounted to approximately HK$254 billion. Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Hutchison Port Holdings Trust ("HPH Trust"), a listed associated company of the Group, has recorded an impairment loss as at 31 December 2018 as the carrying values of its assets exceeded the recoverable amounts calculated under the value in use model. The Group therefore recognised its share of impairment loss of HPH Trust of HK$4.8 billion as at 31 December 2018. Refer to note 3(b)(xvii) to the consolidated financial statements for details. Based on the results of the impairment assessments conducted, the Group determined that, except for HPH Trust, there is no impairment of the Group's investments in other associated companies and joint ventures. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.	The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included: • Testing the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets and industries; • Assessing the appropriateness of the valuation methodologies used; • Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data; • Performing sensitivity analyses on the key assumptions as stated above; and • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets. In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Income Statement
for the year ended 31 December 2018

2018 # US$ million		Note	2018 HK$ million	2017* HK$ million
35,529	Revenue	2, 3	**277,129**	248,515
(14,047)	Cost of inventories sold		**(109,564)**	(101,328)
(4,677)	Staff costs		**(36,478)**	(33,572)
(2,067)	Expensed customer acquisition and retention costs		**(16,124)**	(16,545)
(2,530)	Depreciation and amortisation	3	**(19,739)**	(17,105)
(6,325)	Other operating expenses		**(49,337)**	(44,570)
	Share of profits less losses of:			
370	Associated companies		**2,888**	6,797
1,310	Joint ventures		**10,220**	12,500
7,563			**58,995**	54,692
(1,256)	Interest expenses and other finance costs	5	**(9,797)**	(8,274)
6,307	**Profit before tax**		**49,198**	46,418
(501)	Current tax	6	**(3,912)**	(5,415)
166	Deferred tax	6	**1,294**	2,599
5,972	**Profit after tax**		**46,580**	43,602
(972)	**Profit attributable to non-controlling interests and holders of perpetual capital securities**		**(7,580)**	(8,502)
5,000	**Profit attributable to ordinary shareholders**		**39,000**	35,100
US$ 1.30	**Earnings per share for profit attributable to ordinary shareholders**	7	**HK$ 10.11**	HK$ 9.10

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 8.

See note 38.
* See note 41.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

2018 # **US$ million**		Note	**2018** **HK$ million**	2017* HK$ million
5,972	**Profit after tax**		**46,580**	43,602
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
79	Remeasurement of defined benefit obligations recognised directly in reserves		**615**	1,730
	Equity securities at FVOCI *			
(212)	Valuation losses recognised directly in reserves		**(1,652)**	-
29	Share of other comprehensive income of associated companies		**224**	68
70	Share of other comprehensive income of joint ventures		**546**	199
(12)	Tax relating to items that will not be reclassified to profit or loss	30 (b)	**(93)**	(213)
(46)			**(360)**	1,784
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Debt securities at FVOCI *			
(3)	Valuation losses recognised directly in reserves		**(20)**	-
	Available-for-sale investments			
-	Valuation gains recognised directly in reserves		**-**	149
-	Valuation gains previously in reserves recognised in income statement		**-**	(36)
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
46	Gains (losses) recognised directly in reserves		**363**	(114)
-	Losses previously in reserves recognised in initial cost of non-financial items		**-**	1
479	Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves		**3,735**	(4,683)
(1,193)	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		**(9,305)**	4,625
(268)	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		**(2,093)**	40
(364)	Share of other comprehensive income (losses) of associated companies		**(2,835)**	3,099
(680)	Share of other comprehensive income (losses) of joint ventures		**(5,307)**	10,116
(9)	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	30 (b)	**(69)**	(50)
(1,992)			**(15,531)**	13,147
(2,038)	Other comprehensive income (losses), net of tax		**(15,891)**	14,931
3,934	**Total comprehensive income**		**30,689**	58,533
(711)	**Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities**		**(5,546)**	(11,718)
3,223	**Total comprehensive income attributable to ordinary shareholders**		**25,143**	46,815

See note 38.
* See note 41.

Consolidated Statement of Financial Position

at 31 December 2018

2018 # **US$ million**		Note	**2018** **HK$ million**	2017* HK$ million
	Non-current assets			
14,180	Fixed assets	9	**110,605**	158,789
988	Leasehold land	10	**7,702**	8,305
8,233	Telecommunications licences	11	**64,221**	27,271
11,380	Brand names and other rights	12	**88,761**	75,985
41,431	Goodwill	13	**323,160**	255,334
17,473	Associated companies	14	**136,287**	145,343
15,135	Interests in joint ventures	15	**118,053**	162,134
2,597	Deferred tax assets	16	**20,260**	20,195
1,191	Liquid funds and other listed investments	17	**9,292**	7,813
1,374	Other non-current assets	18	**10,717**	5,540
113,982			**889,058**	866,709
	Current assets			
17,360	Cash and cash equivalents	20	**135,411**	160,470
3,001	Inventories		**23,410**	21,708
8,183	Trade receivables and other current assets	21	**63,826**	51,368
28,544			**222,647**	233,546
15,454	Assets classified as held for sale	22	**120,539**	-
43,998			**343,186**	233,546
	Current liabilities			
3,332	Bank and other debts	23	**25,986**	21,712
265	Current tax liabilities		**2,071**	2,948
14,907	Trade payables and other current liabilities	24	**116,272**	90,228
18,504			**144,329**	114,888
9,949	Liabilities directly associated with assets classified as held for sale	22	**77,600**	-
28,453			**221,929**	114,888
15,545	Net current assets		**121,257**	118,658
129,527	Total assets less current liabilities		**1,010,315**	985,367
	Non-current liabilities			
41,740	Bank and other debts	23	**325,570**	310,276
97	Interest bearing loans from non-controlling shareholders	26	**752**	3,143
2,469	Deferred tax liabilities	16	**19,261**	25,583
313	Pension obligations	27	**2,443**	3,770
9,162	Other non-current liabilities	28	**71,466**	51,048
53,781			**419,492**	393,820
75,746	**Net assets**		**590,823**	591,547

See note 38.
* See note 41.

Consolidated Statement of Financial Position
at 31 December 2018

2018 # US$ million		Note	2018 HK$ million	2017* HK$ million
	Capital and reserves			
494	Share capital	29 (a)	**3,856**	3,858
31,330	Share premium	29 (a)	**244,377**	244,505
25,374	Reserves	30	**197,918**	181,693
57,198	Total ordinary shareholders' funds		**446,151**	430,056
1,580	Perpetual capital securities	29 (b)	**12,326**	29,481
16,968	Non-controlling interests		**132,346**	132,010
75,746	**Total equity**		**590,823**	591,547

See note 38.
* See note 41.

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Total equity # US$ million		Share capital and share premium (a) HK$ million	Reserves (b) HK$ million	Total ordinary shareholders' funds HK$ million	Perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
		Attributable to					
		Ordinary shareholders					
75,839	At 31 December 2017, as previously reported, and 1 January 2018	**248,363**	**181,693**	**430,056**	**29,481**	**132,010**	**591,547**
102	Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	**-**	**430**	**430**	**-**	**364**	**794**
75,941	At 1 January 2018, as adjusted	**248,363**	**182,123**	**430,486**	**29,481**	**132,374**	**592,341**
5,972	Profit for the year	**-**	**39,000**	**39,000**	**551**	**7,029**	**46,580**
	Other comprehensive income (losses)						
	Equity securities at FVOCI *						
(212)	Valuation losses recognised directly in reserves	**-**	**(1,490)**	**(1,490)**	**-**	**(162)**	**(1,652)**
	Debt securities at FVOCI *						
(3)	Valuation losses recognised directly in reserves	**-**	**(20)**	**(20)**	**-**	**-**	**(20)**
79	Remeasurement of defined benefit obligations recognised directly in reserves	**-**	**455**	**455**	**-**	**160**	**615**
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
46	Gains recognised directly in reserves	**-**	**322**	**322**	**-**	**41**	**363**
479	Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	**-**	**2,892**	**2,892**	**-**	**843**	**3,735**
(1,193)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**(7,733)**	**(7,733)**	**-**	**(1,572)**	**(9,305)**
(268)	Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	**-**	**(1,810)**	**(1,810)**	**-**	**(283)**	**(2,093)**
(335)	Share of other comprehensive income (losses) of associated companies	**-**	**(2,419)**	**(2,419)**	**-**	**(192)**	**(2,611)**
(610)	Share of other comprehensive income (losses) of joint ventures	**-**	**(3,918)**	**(3,918)**	**-**	**(843)**	**(4,761)**
(21)	Tax relating to components of other comprehensive income (losses)	**-**	**(136)**	**(136)**	**-**	**(26)**	**(162)**
(2,038)	Other comprehensive income (losses), net of tax	**-**	**(13,857)**	**(13,857)**	**-**	**(2,034)**	**(15,891)**
3,934	Total comprehensive income	**-**	**25,143**	**25,143**	**551**	**4,995**	**30,689**
(2)	Hedging reserve gains transferred to the carrying value of non-financial item during the year	**-**	**(14)**	**(14)**	**-**	**(2)**	**(16)**
3	Impact of hyperinflation	**-**	**21**	**21**	**-**	**5**	**26**
(1,024)	Dividends paid relating to 2017	**-**	**(7,985)**	**(7,985)**	**-**	**-**	**(7,985)**
(430)	Dividends paid relating to 2018	**-**	**(3,356)**	**(3,356)**	**-**	**-**	**(3,356)**
(682)	Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**(5,317)**	**(5,317)**
(129)	Distribution paid on perpetual capital securities	**-**	**-**	**-**	**(1,006)**	**-**	**(1,006)**
4	Equity contribution from non-controlling interests	**-**	**-**	**-**	**-**	**35**	**35**
(2,492)	Redemption of perpetual capital securities (see note 29(b))	**-**	**1,740**	**1,740**	**(21,175)**	**-**	**(19,435)**
574	Issuance of perpetual capital securities (see note 29(b))	**-**	**-**	**-**	**4,475**	**-**	**4,475**
(4)	Transaction costs in relation to issuance of perpetual capital securities	**-**	**(33)**	**(33)**	**-**	**-**	**(33)**
(17)	Buy-back and cancellation of issued shares (see note 29(a)(i))	**(130)**	**(1)**	**(131)**	**-**	**-**	**(131)**
6	Share option schemes and long term incentive plans of subsidiary companies	**-**	**27**	**27**	**-**	**17**	**44**
1	Unclaimed dividends write back of a subsidiary	**-**	**6**	**6**	**-**	**-**	**6**
6	Relating to acquisition of subsidiary companies	**-**	**-**	**-**	**-**	**44**	**44**
(7)	Relating to purchase of non-controlling interests	**-**	**(28)**	**(28)**	**-**	**(28)**	**(56)**
64	Relating to partial disposal of subsidiary companies	**-**	**275**	**275**	**-**	**223**	**498**
(4,129)		**(130)**	**(9,348)**	**(9,478)**	**(17,706)**	**(5,023)**	**(32,207)**
75,746	At 31 December 2018	**248,233**	**197,918**	**446,151**	**12,326**	**132,346**	**590,823**

\# See note 38.

* See note 41.

(a) See note 29(a) for further details on share capital and share premium.

(b) See note 30 for further details on reserves.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

Total equity # US$ million		Attributable to: Ordinary shareholders: Share capital and share premium *(a) HK$ million	Ordinary shareholders: Reserves *(b) HK$ million	Ordinary shareholders: Total ordinary shareholders' funds * HK$ million	Perpetual capital securities * HK$ million	Non-controlling interests * HK$ million	Total equity * HK$ million
69,768	At 1 January 2017	248,363	145,806	394,169	30,510	119,511	544,190
5,590	Profit for the year	-	35,100	35,100	1,163	7,339	43,602
	Other comprehensive income (losses)						
	Available-for-sale investments						
19	Valuation gains recognised directly in reserves	-	145	145	-	4	149
(5)	Valuation gains previously in reserves recognised in income statement	-	(36)	(36)	-	-	(36)
222	Remeasurement of defined benefit obligations recognised directly in reserves	-	1,268	1,268	-	462	1,730
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)						
(15)	Losses recognised directly in reserves	-	(134)	(134)	-	20	(114)
-	Losses previously in reserves recognised in initial cost of non-financial items	-	1	1	-	-	1
(600)	Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	-	(3,847)	(3,847)	-	(836)	(4,683)
593	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	-	2,551	2,551	-	2,074	4,625
5	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	-	22	22	-	18	40
406	Share of other comprehensive income of associated companies	-	2,950	2,950	-	217	3,167
1,322	Share of other comprehensive income of joint ventures	-	8,989	8,989	-	1,326	10,315
(33)	Tax relating to components of other comprehensive income (losses)	-	(194)	(194)	-	(69)	(263)
1,914	Other comprehensive income, net of tax	-	11,715	11,715	-	3,216	14,931
7,504	Total comprehensive income	-	46,815	46,815	1,163	10,555	58,533
(962)	Dividends paid relating to 2016	-	(7,503)	(7,503)	-	-	(7,503)
(386)	Dividends paid relating to 2017	-	(3,009)	(3,009)	-	-	(3,009)
(614)	Dividends paid to non-controlling interests	-	-	-	-	(4,790)	(4,790)
(153)	Distribution paid on perpetual capital securities	-	-	-	(1,192)	-	(1,192)
859	Equity contribution from non-controlling interests	-	-	-	-	6,700	6,700
(1,128)	Redemption of perpetual capital securities (see note 29(b))	-	-	-	(8,800)	-	(8,800)
1,000	Issuance of perpetual capital securities (see note 29(b))	-	-	-	7,800	-	7,800
(8)	Transaction costs in relation to issuance of perpetual capital securities	-	(62)	(62)	-	-	(62)
(9)	Transaction costs in relation to issuance of shares of a subsidiary	-	(41)	(41)	-	(27)	(68)
(2)	Transaction costs in relation to equity contribution from non-controlling interests	-	(14)	(14)	-	(4)	(18)
2	Share option schemes and long term incentive plans of subsidiary companies	-	9	9	-	6	15
1	Unclaimed dividends write back of a subsidiary	-	6	6	-	-	6
13	Relating to acquisition of subsidiary companies	-	-	-	-	106	106
(46)	Relating to purchase of non-controlling interests	-	(342)	(342)	-	(19)	(361)
-	Relating to partial disposal of subsidiary companies	-	28	28	-	(28)	-
(1,433)		-	(10,928)	(10,928)	(2,192)	1,944	(11,176)
75,839	At 31 December 2017	248,363	181,693	430,056	29,481	132,010	591,547

\# See note 38.
* See note 41.
(a) See note 29(a) for further details on share capital and share premium.
(b) See note 30 for further details on reserves.

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

2018 # US$ million		Note	2018 HK$ million	2017* HK$ million
	Operating activities			
9,306	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	31 (a)	**72,590**	68,137
(1,367)	Interest expenses and other finance costs paid (net of capitalisation)		**(10,661)**	(9,375)
(588)	Tax paid		**(4,584)**	(4,870)
7,351	**Funds from operations**		**57,345**	53,892
(206)	Changes in working capital	31 (b)	**(1,611)**	(296)
7,145	**Net cash from operating activities**		**55,734**	53,596
	Investing activities			
(3,531)	Purchase of fixed assets		**(27,540)**	(23,521)
-	Additions to leasehold land		**-**	(149)
(1,093)	Additions to telecommunications licences		**(8,527)**	(216)
(190)	Additions to brand names and other rights		**(1,479)**	(29)
(1,836)	Purchase of subsidiary companies	31 (c)	**(14,323)**	(3,724)
(53)	Additions to other unlisted investments		**(414)**	(130)
285	Repayments from associated companies and joint ventures		**2,222**	804
(314)	Purchase of and advances to associated companies and joint ventures		**(2,446)**	(37,798)
12	Proceeds on disposal of fixed assets		**92**	2,231
144	Proceeds on disposal of subsidiary companies	31 (d)	**1,121**	14,201
19	Proceeds on partial disposal / disposal of associated companies and joint ventures		**149**	1,348
1	Proceeds on disposal of other unlisted investments		**8**	19
(6,556)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		**(51,137)**	(46,964)
50	Disposal of liquid funds and other listed investments		**387**	278
(1,068)	Additions to liquid funds and other listed investments		**(8,329)**	(1,997)
(7,574)	**Cash flows used in investing activities**		**(59,079)**	(48,683)
(429)	**Net cash inflow (outflow) before financing activities**		**(3,345)**	4,913
	Financing activities			
7,092	New borrowings	31 (e)	**55,313**	100,488
(7,046)	Repayment of borrowings	31 (e)	**(54,961)**	(87,674)
(24)	Net loans to non-controlling shareholders	31 (e)	**(185)**	(2,139)
1,834	Consideration received from the economic benefits agreements (see note 28(b))	31 (e)	**14,308**	-
3	Issue of equity securities by subsidiary companies to non-controlling shareholders		**25**	1,584
-	Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs		**-**	5,063
-	Transaction costs in relation to issuance of shares by a subsidiary		**-**	(68)
(7)	Payments to acquire additional interests in subsidiary companies		**(56)**	(356)
570	Proceeds on issue of perpetual capital securities, net of transaction costs		**4,442**	7,738
(2,492)	Redemption of perpetual capital securities		**(19,435)**	(8,800)
(17)	Payments for buy-back and cancellation of issued shares		**(131)**	-
(1,454)	Dividends paid to ordinary shareholders		**(11,341)**	(10,512)
(654)	Dividends paid to non-controlling interests		**(5,102)**	(4,845)
(129)	Distribution paid on perpetual capital securities		**(1,006)**	(1,192)
(2,324)	**Cash flows used in financing activities**		**(18,129)**	(713)
(2,753)	Increase (decrease) in cash and cash equivalents		**(21,474)**	4,200
20,573	Cash and cash equivalents at 1 January		**160,470**	156,270
17,820	**Cash and cash equivalents at 31 December**		**138,996**	160,470

See note 38.
* See note 41.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

2018 # **US$ million**		Note	**2018** **HK$ million**	2017* HK$ million
	Analysis of cash, liquid funds and other listed investments			
17,820	Cash and cash equivalents, as above		**138,996**	160,470
(460)	Less: cash and cash equivalents included in assets classified as held for sale	22	**(3,585)**	-
17,360	Cash and cash equivalents	20	**135,411**	160,470
1,191	Liquid funds and other listed investments	17	**9,292**	7,813
18,551	**Total cash, liquid funds and other listed investments**		**144,703**	168,283
45,213	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	23	**352,668**	333,155
97	Interest bearing loans from non-controlling shareholders	26	**752**	3,143
26,759	**Net debt**		**208,717**	168,015
(97)	Interest bearing loans from non-controlling shareholders		**(752)**	(3,143)
26,662	**Net debt (excluding interest bearing loans from non-controlling shareholders)**		**207,965**	164,872

See note 38.
* See note 41.

Notes to the Financial Statements

1 Basis of preparation and presentation

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

The Group has initially applied Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers" ("HKFRS 15") with effect from 1 January 2018 and has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised in note 41. Except for these changes, the accounting policies applied and methods of computation used in the preparation of these financial statements are consistent with those used in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 40.

These financial statements have been prepared on a historical cost basis, except for the following:

- defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) which are measured at fair values, and
- non-current assets and disposal groups classified as held for sale which are measured at the lower of carrying amount and fair value less cost to sell.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately from other assets and liabilities in the consolidated statement of financial position. Details of the major classes of assets and liabilities classified as held for sale are separately disclosed in note 22. Other assets and liabilities are presented in these financial statements on a net of reclassification to held for sale basis.

With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. This change in presentation has no impact on the total equity. The comparative information has been reclassified accordingly.

2 Revenue

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

	2018	2017
	HK$ million	HK$ million
Sale of goods	**165,781**	152,235
Revenue from services	**105,288**	92,035
Interest	**5,948**	4,135
Dividend income	**112**	110
	277,129	248,515

2 Revenue (continued)

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

(i) By segments

	Revenue from contracts with customers			**Revenue**	
	recognised at a point in time HK$ million	**recognised over time HK$ million**	**Subtotal HK$ million**	**from other sources HK$ million**	**2018 Total HK$ million**
Ports and Related Services	**-**	**26,425**	**26,425**	**162**	**26,587**
Retail	**133,371**	**204**	**133,575**	**-**	**133,575**
Infrastructure	**3,834**	**10,600**	**14,434**	**6,192**	**20,626**
Husky Energy	**-**	**-**	**-**	**-**	**-**
3 Group Europe	**12,534**	**50,321**	**62,855**	**-**	**62,855**
Hutchison Telecommunications Hong Kong Holdings	**4,250**	**3,662**	**7,912**	**-**	**7,912**
Hutchison Asia Telecommunications	**-**	**8,220**	**8,220**	**-**	**8,220**
Finance & Investments and Others	**13,404**	**764**	**14,168**	**3,186**	**17,354**
	167,393	**100,196**	**267,589**	**9,540**	**277,129**

	Revenue from contracts with customers			Revenue	
	recognised at a point in time HK$ million	recognised over time HK$ million	Subtotal HK$ million	from other sources HK$ million	2017 Total HK$ million
Ports and Related Services	-	25,640	25,640	122	25,762
Retail	123,834	-	123,834	-	123,834
Infrastructure	3,436	10,035	13,471	5,128	18,599
Husky Energy	-	-	-	-	-
3 Group Europe	10,362	36,186	46,548	-	46,548
Hutchison Telecommunications Hong Kong Holdings	2,899	6,786	9,685	-	9,685
Hutchison Asia Telecommunications	-	7,695	7,695	-	7,695
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

(ii) By geographical locations

	Revenue from contracts with customers			**Revenue**	
	recognised at a point in time HK$ million	**recognised over time HK$ million**	**Subtotal HK$ million**	**from other sources HK$ million**	**2018 Total HK$ million**
Hong Kong	**35,404**	**3,537**	**38,941**	**34**	**38,975**
Mainland China	**31,669**	**570**	**32,239**	**5**	**32,244**
Europe	**63,108**	**71,154**	**134,262**	**5,068**	**139,330**
Canada	**-**	**392**	**392**	**231**	**623**
Asia, Australia and Others	**23,808**	**23,779**	**47,587**	**1,016**	**48,603**
Finance & Investments and Others	**13,404**	**764**	**14,168**	**3,186**	**17,354**
	167,393	**100,196**	**267,589**	**9,540**	**277,129**

	Revenue from contracts with customers			Revenue	
	recognised at a point in time HK$ million	recognised over time HK$ million	Subtotal HK$ million	from other sources HK$ million	2017 Total HK$ million
Hong Kong	33,675	6,596	40,271	31	40,302
Mainland China	28,785	659	29,444	2	29,446
Europe	57,536	55,489	113,025	4,278	117,303
Canada	-	357	357	112	469
Asia, Australia and Others	20,535	23,241	43,776	827	44,603
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

2 Revenue (continued)

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

Under HKFRS 15, a contract asset or a contract liability is generated when either party to the contract performs, depending on the relationship between the entity's performance and the customer's payment. When an entity satisfies a performance obligation by transferring a promised goods or service, the entity has earned a right to consideration from the customer and, therefore, has a contract asset. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability. Generally, contract assets may represent conditional or unconditional rights to consideration. The right would be conditional, for example, when an entity is required first to satisfy another performance obligation in the contract before it is entitled to payment from the customer. If an entity has an unconditional right to receive consideration from the customer, the contract asset is classified as and accounted for as a receivable and presented separately from other contract assets. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due.

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

	31 December 2018 HK$ million	1 January 2018 HK$ million
Trade receivables (see note 21)	**19,255**	11,546
Contract assets (see notes 18 and 21)	**6,943**	3,842
Contract liabilities (see notes 24 and 28)	**(5,883)**	(6,325)

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. The acquisition of subsidiary companies during the year resulted in increase in trade receivables of HK$8,596 million. In 2018, HK$1,569 million was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The acquisition of a subsidiary during the year resulted in increase in contract assets of HK$1,863 million. In 2018, HK$853 million was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$3,224 million was recognised as revenue in 2018 that was included in the contract liability balance at the beginning of the year. The reclassification of the Group's interests in certain infrastructure investments as held for sale has resulted in decrease in contract liabilities of HK$4,535 million.

(d) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. In light of these basis of preparation, the following does not reflect the expectation of the Group's performance. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

	2018 HK$ million
Within one year	**17,591**
More than one year	**7,732**
	25,323

3 Operating segment information

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

Ports and Related Services:

This division operates container terminals in five of the 10 busiest container ports in the world. This division had 288 operational berths as at 31 December 2018. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers. ASW operated 12 retail brands with 14,976 stores in 24 markets worldwide as at 31 December 2018.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the Group's interests in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. During the year, the Group has divested a substantial portion of the economic benefits arising from these six infrastructure investments. Results of these six infrastructure investments for the period following the divesture are included in the segment results on a net of divesture basis.

Husky Energy:

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

Telecommunications:

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

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA"), Hutchison Whampoa (China), Hutchison E-Commerce, Hutchison Water (which was disposed during 2017), the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associated companies TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

(b) Segment results, assets and liabilities

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items. Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The Group uses two measures of segment results, EBITDA (see note 3(b)(xiii) and EBIT (see note 3(b)(xiv)).

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK$54 million (2017 - HK$70 million), Hutchison Telecommunications Hong Kong Holdings of HK$11 million (2017 - HK$222 million) and Hutchison Asia Telecommunications of HK$2 million (2017 - HK$9 million).

HKFRS 9 and HKFRS 15 are applied with effect from 1 January 2018 without restating the comparative information. See notes 1 and 41. The comparative information set out in this note continues to be reported under the accounting policies prevailing prior to 1 January 2018.

3 Operating segment information (continued)

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

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Ports and Related Services	**26,587**	**8,588**	**35,175**	**8%**	25,762	8,384	34,146	8%
Retail	**133,575**	**35,416**	**168,991**	**37%**	123,834	32,329	156,163	38%
Infrastructure	**19,522**	**45,202**	**64,724**	**14%**	18,599	38,770	57,369	14%
Husky Energy	**-**	**54,251**	**54,251**	**12%**	-	44,948	44,948	11%
3 Group Europe	**62,855**	**15,556**	**78,411**	**17%**	46,548	24,186	70,734	17%
Hutchison Telecommunications Hong Kong Holdings	**7,912**	**-**	**7,912**	**2%**	9,685	-	9,685	2%
Hutchison Asia Telecommunications	**8,220**	**-**	**8,220**	**2%**	7,695	-	7,695	2%
Finance & Investments and Others	**17,354**	**18,192**	**35,546**	**8%**	16,392	17,705	34,097	8%
	276,025	**177,205**	**453,230**	**100%**	248,515	166,322	414,837	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	**-**	**1,098**	**1,098**		-	1,069	1,069	
Divesture of infrastructure investments	**1,104**	**860**	**1,964**		-	-	-	
	277,129	**179,163**	**456,292**		248,515	167,391	415,906	

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) [(xiii)]							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Ports and Related Services	**9,683**	**3,709**	**13,392**	**12%**	8,921	3,642	12,563	12%
Retail	**12,874**	**3,290**	**16,164**	**14%**	11,911	2,887	14,798	14%
Infrastructure	**11,234**	**24,188**	**35,422**	**31%**	10,451	22,582	33,033	32%
Husky Energy	**-**	**12,106**	**12,106**	**11%**	-	8,992	8,992	9%
3 Group Europe	**22,787**	**5,974**	**28,761**	**25%**	14,546	9,791	24,337	23%
Hutchison Telecommunications Hong Kong Holdings [(xviii)]	**1,298**	**73**	**1,371**	**1%**	4,272	65	4,337	4%
Hutchison Asia Telecommunications	**1,028**	**-**	**1,028**	**1%**	558	-	558	1%
Finance & Investments and Others	**6,138**	**(802)**	**5,336**	**5%**	1,852	3,884	5,736	5%
EBITDA	**65,042**	**48,538**	**113,580**	**100%**	52,511	51,843	104,354	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	**-**	**752**	**752**		-	741	741	
EBITDA (see note 31(a))	**65,042**	**49,290**	**114,332**		52,511	52,584	105,095	
Depreciation and amortisation	**(19,351)**	**(21,615)**	**(40,966)**		(17,105)	(19,921)	(37,026)	
Interest expenses and other finance costs	**(9,562)**	**(8,463)**	**(18,025)**		(8,274)	(9,750)	(18,024)	
Current tax	**(3,982)**	**(3,813)**	**(7,795)**		(5,415)	(2,483)	(7,898)	
Deferred tax	**1,369**	**(1,652)**	**(283)**		2,599	(756)	1,843	
Non-controlling interests	**(7,563)**	**(700)**	**(8,263)**		(8,502)	(388)	(8,890)	
	25,953	**13,047**	**39,000**		15,814	19,286	35,100	

3 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

	EBIT (LBIT) (xiv)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Ports and Related Services	**6,470**	**2,256**	**8,726**	**12%**	6,008	2,211	8,219	12%
Retail	**10,506**	**2,572**	**13,078**	**18%**	9,821	2,268	12,089	18%
Infrastructure	**7,825**	**16,213**	**24,038**	**33%**	7,535	15,914	23,449	35%
Husky Energy	**-**	**5,742**	**5,742**	**8%**	-	2,703	2,703	4%
3 Group Europe								
EBITDA before the following non-cash items:	**22,787**	**5,974**	**28,761**		14,546	9,791	24,337	
Depreciation	**(5,064)**	**(950)**	**(6,014)**		(3,968)	(1,103)	(5,071)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	**(3,626)**	**(1,458)**	**(5,084)**		(1,164)	(1,535)	(2,699)	
EBIT - **3** Group Europe	**14,097**	**3,566**	**17,663**	**24%**	9,414	7,153	16,567	25%
Hutchison Telecommunications Hong Kong Holdings (xviii)	**530**	**23**	**553**	**1%**	688	19	707	1%
Hutchison Asia Telecommunications	**321**	**-**	**321**	**-**	226	-	226	-
Finance & Investments and Others	**5,942**	**(3,178)**	**2,764**	**4%**	1,714	1,918	3,632	5%
EBIT	**45,691**	**27,194**	**72,885**	**100%**	35,406	32,186	67,592	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	**-**	**481**	**481**		-	477	477	
Interest expenses and other finance costs	**(9,562)**	**(8,463)**	**(18,025)**		(8,274)	(9,750)	(18,024)	
Current tax	**(3,982)**	**(3,813)**	**(7,795)**		(5,415)	(2,483)	(7,898)	
Deferred tax	**1,369**	**(1,652)**	**(283)**		2,599	(756)	1,843	
Non-controlling interests	**(7,563)**	**(700)**	**(8,263)**		(8,502)	(388)	(8,890)	
	25,953	**13,047**	**39,000**		15,814	19,286	35,100	

3 Operating segment information (continued)

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

(iv) An analysis of depreciation and amortisation expenses by segments

	Depreciation and amortisation					
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million
Ports and Related Services	**3,213**	**1,453**	**4,666**	2,913	1,431	4,344
Retail	**2,368**	**718**	**3,086**	2,090	619	2,709
Infrastructure	**3,409**	**7,975**	**11,384**	2,916	6,668	9,584
Husky Energy	**-**	**6,364**	**6,364**	-	6,289	6,289
3 Group Europe	**8,690**	**2,408**	**11,098**	5,132	2,638	7,770
Hutchison Telecommunications Hong Kong Holdings (xviii)	**768**	**50**	**818**	3,584	46	3,630
Hutchison Asia Telecommunications	**707**	**-**	**707**	332	-	332
Finance & Investments and Others	**196**	**2,376**	**2,572**	138	1,966	2,104
	19,351	**21,344**	**40,695**	17,105	19,657	36,762
Portion attributable to:						
Non-controlling interests of HPH Trust	**-**	**271**	**271**	-	264	264
Divesture of infrastructure investments	**388**	**99**	**487**	-	-	-
	19,739	**21,714**	**41,453**	17,105	19,921	37,026

(v) An analysis of capital expenditure by segments

	Capital expenditure							
	Fixed assets and leasehold land HK$ million	**Telecom-munications licences HK$ million**	**Brand names and other rights HK$ million**	**2018 Total HK$ million**	Fixed assets and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2017 Total HK$ million
Ports and Related Services	**3,909**	**-**	**1**	**3,910**	3,700	-	3	3,703
Retail	**3,454**	**-**	**-**	**3,454**	3,148	-	-	3,148
Infrastructure	**5,924**	**-**	**136**	**6,060**	5,543	-	6	5,549
Husky Energy	**-**	**-**	**-**	**-**	-	-	-	-
3 Group Europe	**10,990**	**6,384**	**1,341**	**18,715**	7,880	197	3	8,080
Hutchison Telecommunications Hong Kong Holdings	**513**	**-**	**-**	**513**	1,018	-	9	1,027
Hutchison Asia Telecommunications	**2,513**	**2,143**	**-**	**4,656**	2,103	19	-	2,122
Finance & Investments and Others	**237**	**-**	**1**	**238**	278	-	8	286
	27,540	**8,527**	**1,479**	**37,546**	23,670	216	29	23,915

3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	Total assets								
	Company and Subsidiaries			**Investments**		Company and Subsidiaries		Investments	
	Segment assets (xix)	**Deferred tax assets**	**Assets classified as held for sale (xx)**	**in associated companies and interests in joint ventures**	**2018 Total assets**	Segment assets (xix)	Deferred tax assets	in associated companies and interests in joint ventures	2017 Total assets
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	**74,366**	**243**	**-**	**20,728**	**95,337**	75,531	184	26,242	101,957
Retail	**199,151**	**1,059**	**-**	**13,771**	**213,981**	196,903	1,140	13,707	211,750
Infrastructure	**54,963**	**12**	**118,187**	**142,569**	**315,731**	172,958	489	157,420	330,867
Husky Energy	**-**	**-**	**-**	**64,297**	**64,297**	-	-	62,976	62,976
3 Group Europe	**309,333**	**18,659**	**2,352**	**10**	**330,354**	114,415	18,015	32,723	165,153
Hutchison Telecommunications Hong Kong Holdings	**19,469**	**258**	**-**	**396**	**20,123**	23,500	338	434	24,272
Hutchison Asia Telecommunications	**11,333**	**-**	**-**	**-**	**11,333**	7,973	-	-	7,973
Finance & Investments and Others	**168,490**	**29**	**-**	**12,569**	**181,088**	181,303	29	13,975	195,307
	837,105	**20,260**	**120,539**	**254,340**	**1,232,244**	772,583	20,195	307,477	1,100,255

(vii) An analysis of total liabilities by segments

	Total liabilities								
	Segment liabilities (xix)	**Current & deferred tax liabilities**	**Liabilities directly associated with assets classified as held for sale (xx)**	**Current & non-current borrowings and other non-current liabilities**	**2018 Total liabilities**	Segment liabilities (xix)	Current & deferred tax liabilities	Current & non-current borrowings and other non-current liabilities	2017 Total liabilities
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	**13,433**	**4,472**	**-**	**16,127**	**34,032**	13,746	4,624	16,652	35,022
Retail	**26,366**	**9,962**	**-**	**13,407**	**49,735**	25,813	10,523	13,768	50,104
Infrastructure	**4,910**	**590**	**77,600**	**30,535**	**113,635**	15,305	7,165	102,354	124,824
Husky Energy	**-**	**-**	**-**	**-**	**-**	-	-	-	-
3 Group Europe	**55,915**	**94**	**-**	**113,808**	**169,817**	23,866	460	14,759	39,085
Hutchison Telecommunications Hong Kong Holdings	**1,804**	**16**	**-**	**343**	**2,163**	2,229	3	4,286	6,518
Hutchison Asia Telecommunications	**5,976**	**1**	**-**	**18,897**	**24,874**	5,219	3	17,010	22,232
Finance & Investments and Others	**10,311**	**6,197**	**-**	**230,657**	**247,165**	7,820	5,753	217,350	230,923
	118,715	**21,332**	**77,600**	**423,774**	**641,421**	93,998	28,531	386,179	508,708

3 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

	Revenue							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Hong Kong	**38,975**	**4,624**	**43,599**	**10%**	40,302	4,963	45,265	11%
Mainland China	**32,244**	**7,517**	**39,761**	**9%**	29,446	7,234	36,680	9%
Europe	**138,255**	**76,821**	**215,076**	**47%**	117,303	77,602	194,905	47%
Canada (xxi)	**596**	**53,651**	**54,247**	**12%**	469	43,852	44,321	11%
Asia, Australia and Others	**48,601**	**16,400**	**65,001**	**14%**	44,603	14,966	59,569	14%
Finance & Investments and Others	**17,354**	**18,192**	**35,546**	**8%**	16,392	17,705	34,097	8%
	276,025	**177,205**	**453,230** (1)	**100%**	248,515	166,322	414,837 (1)	100%

(1) see note 3(b)(i) for reconciliation of segment revenue to revenue presented in the income statement.

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) (xiii)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Hong Kong	**1,698**	**1,983**	**3,681**	**3%**	3,864	2,506	6,370	6%
Mainland China	**6,184**	**4,924**	**11,108**	**10%**	4,873	4,806	9,679	9%
Europe	**40,354**	**22,468**	**62,822**	**55%**	31,424	24,867	56,291	54%
Canada (xxi)	**410**	**10,364**	**10,774**	**10%**	299	7,598	7,897	8%
Asia, Australia and Others	**10,258**	**9,601**	**19,859**	**17%**	10,199	8,182	18,381	18%
Finance & Investments and Others	**6,138**	**(802)**	**5,336**	**5%**	1,852	3,884	5,736	5%
	65,042	**48,538**	**113,580** (2)	**100%**	52,511	51,843	104,354 (2)	100%

(2) see note 3(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the income statement.

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) (xiv)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2018 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2017 Total HK$ million	%
Hong Kong	**561**	**929**	**1,490**	**2%**	110	1,472	1,582	2%
Mainland China	**5,208**	**3,397**	**8,605**	**12%**	3,836	3,221	7,057	10%
Europe	**26,720**	**15,458**	**42,178**	**58%**	21,978	18,335	40,313	60%
Canada (xxi)	**390**	**4,508**	**4,898**	**6%**	276	1,932	2,208	4%
Asia, Australia and Others	**6,870**	**6,080**	**12,950**	**18%**	7,492	5,308	12,800	19%
Finance & Investments and Others	**5,942**	**(3,178)**	**2,764**	**4%**	1,714	1,918	3,632	5%
	45,691	**27,194**	**72,885** (3)	**100%**	35,406	32,186	67,592 (3)	100%

(3) see note 3(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the income statement.

3 Operating segment information (continued)

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

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure							
	Fixed assets and leasehold land HK$ million	**Telecom-munications licences HK$ million**	**Brand names and other rights HK$ million**	**2018 Total HK$ million**	Fixed assets and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2017 Total HK$ million
Hong Kong	**1,316**	**-**	**-**	**1,316**	1,569	-	9	1,578
Mainland China	**1,147**	**-**	**-**	**1,147**	1,239	-	-	1,239
Europe	**18,626**	**6,384**	**1,341**	**26,351**	14,545	197	3	14,745
Canada	**14**	**-**	**37**	**51**	182	-	-	182
Asia, Australia and Others	**6,200**	**2,143**	**100**	**8,443**	5,857	19	9	5,885
Finance & Investments and Others	**237**	**-**	**1**	**238**	278	-	8	286
	27,540	**8,527**	**1,479**	**37,546**	23,670	216	29	23,915

(xii) An analysis of total assets by geographical locations

	Total assets								
	Company and Subsidiaries			**Investments**		Company and Subsidiaries		Investments	
	Segment assets (xix) HK$ million	**Deferred tax assets HK$ million**	**Assets classified as held for sale (xx) HK$ million**	**in associated companies and interests in joint ventures HK$ million**	**2018 Total assets HK$ million**	Segment assets (xix) HK$ million	Deferred tax assets HK$ million	in associated companies and interests in joint ventures HK$ million	2017 Total assets HK$ million
Hong Kong	**55,494**	**306**	**-**	**14,233**	**70,033**	55,423	366	22,521	78,310
Mainland China	**47,989**	**681**	**-**	**23,735**	**72,405**	48,697	726	27,190	76,613
Europe	**452,780**	**18,914**	**114,559**	**87,437**	**673,690**	370,864	18,830	120,642	510,336
Canada (xxi)	**3,638**	**6**	**2,558**	**63,027**	**69,229**	6,249	3	63,977	70,229
Asia, Australia and Others	**108,714**	**324**	**3,422**	**53,339**	**165,799**	110,047	241	59,172	169,460
Finance & Investments and Others	**168,490**	**29**	**-**	**12,569**	**181,088**	181,303	29	13,975	195,307
	837,105	**20,260**	**120,539**	**254,340**	**1,232,244**	772,583	20,195	307,477	1,100,255

(xiii) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net divesture basis after the divesture. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.

3 Operating segment information (continued)

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

(xiv) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net divesture basis after the divesture. EBIT (LBIT) is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under HKFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.

(xv) As announced on 31 August 2018, the Group divested a substantial portion of the economic benefits arising from its interests in six infrastructure investments co-owned with CKI comprising Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. The Group recognised one-off loss of HK$2,962 million attributable to ordinary shareholders. The amount of the loss is HK$3,626 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.

(xvi) As announced on 3 July 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The Group recognised one-off re-measurement and other gains of HK$8,600 million. The amount of the gains is HK$8,600 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.

(xvii) The Group's 30.07% owned listed associated company, HPH Trust reported a one-off impairment of goodwill and investment in a joint venture of HK$12,289 million for the year ended 31 December 2018. The Group's share of this loss (after consolidation adjustments) amounted to HK$4,781 million. The amount of the loss is HK$4,781 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Share of profits less losses of associated companies" in the income statement.

(xviii) During the comparative 2017 year, HTHKH disposed of its fixed-line telecommunications business and reported a one-off gain of HK$5,614 million. HTHKH also reported a one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau. The Group's share of this disposal gain is HK$2,034 million at the EBITDA (included in Other operating expenses) level and EBIT level, and the Group's share of these accelerated depreciation charges is HK$2,182 million at the EBIT level (included in Depreciation and amortisation). These one-offs resulted in a net loss of HK$148 million at the EBIT level and the respective amounts are included in the Other operating expenses and Depreciation and amortisation in the income statement and reported under Hutchison Telecommunications Hong Kong Holdings in the segment results.

(xix) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale. Segment liabilities comprise trade and other payables and pension obligations and exclude liabilities directly associated with assets classified as held for sale. As additional information, the Group's non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK$73,511 million (2017 - HK$81,118 million), HK$85,882 million (2017 - HK$84,307 million), HK$463,580 million (2017 - HK$443,138 million), HK$66,500 million (2017 - HK$68,789 million), HK$159,698 million (2017 - HK$156,169 million) respectively.

(xx) See note 22.

(xxi) Include contribution from the United States of America for Husky Energy.

4 Directors' emoluments

	2018 HK$ million	2017 HK$ million
Directors' emoluments	**561**	512

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses and are included in staff costs and other operating expenses in the income statement.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2017 - nil).

In 2018, the five individuals whose emoluments were the highest for the year were five directors of the Company. In 2017 the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$4.73 million; provident fund contribution - HK$0.3 million and discretionary bonus - HK$28.34 million.

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

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

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

4 Directors' emoluments (continued)

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

	2017					
Name of directors	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind HK$ million	Discretionary bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total emoluments HK$ million
LI Ka-shing (1) (8)	0.01	-	-	-	-	0.01
Victor T K LI						
Paid by the Company	0.22	4.89	63.87	-	-	68.98
Paid by CKI	0.08	-	32.27	-	-	32.35
	0.30	4.89	96.14	-	-	101.33
FOK Kin Ning, Canning (2)	0.22	11.59	197.68	1.04	-	210.53
Frank John SIXT (2)	0.22	8.64	52.58	0.75	-	62.19
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	10.07	-	-	11.91
Paid by CKI	0.08	1.80	11.35	-	-	13.23
	0.30	3.42	21.42	-	-	25.14
KAM Hing Lam						
Paid by the Company	0.22	2.42	9.88	-	-	12.52
Paid by CKI	0.08	4.20	11.35	-	-	15.63
	0.30	6.62	21.23	-	-	28.15
LAI Kai Ming, Dominic (2)	0.22	5.84	52.01	1.10	-	59.17
Edith SHIH (2) (9)	0.22	4.30	17.13	0.36	-	22.01
CHOW Kun Chee, Roland (5)	0.22	-	-	-	-	0.22
CHOW WOO Mo Fong, Susan (5) (9)	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles (5)	0.22	-	-	-	-	0.22
LEUNG Siu Hon (5)	0.22	-	-	-	-	0.22
George Colin MAGNUS (5)						
Paid by the Company	0.22	-	-	-	-	0.22
Paid by CKI	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley (6) (7)	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent (6) (7) (8)	0.41	-	-	-	-	0.41
Michael David KADOORIE (6)	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose (6)	0.22	-	-	-	-	0.22
William SHURNIAK (6) (7)	0.35	-	-	-	-	0.35
WONG Chung Hin (6) (7) (8)	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna (6) (8)	0.28	-	-	-	-	0.28
Total	5.21	45.30	458.19	3.25	-	511.95

(1) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK$1,781 (2017 - HK$5,000). The amount of director's fee shown above is a result of rounding.
(2) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
(3) Retired on 10 May 2018.
(4) Appointed as Member of the Remuneration Committee on 10 May 2018.
(5) Non-executive director.
(6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK$2.24 million (2017 - HK$2.24 million).
(7) Member of the Audit Committee.
(8) Member of the Remuneration Committee.
(9) Appointed on 1 January 2017.

5 Interest expenses and other finance costs

	2018 HK$ million	2017 HK$ million
Bank loans and overdrafts	**1,971**	1,556
Other loans	**172**	264
Notes and bonds	**8,403**	7,605
Interest bearing loans from non-controlling shareholders	**262**	260
Other finance costs	**230**	60
	11,038	9,745
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**235**	210
Other non-cash interest adjustments [(a)]	**(1,099)**	(1,311)
	10,174	8,644
Less: interest capitalised [(b)]	**(377)**	(370)
	9,797	8,274

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK$1,522 million (2017 - HK$1,725 million) net with notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future of HK$423 million (2017 - HK$414 million).

(b) Borrowing costs have been capitalised at various applicable rates ranging from 2.7% to 6.2% (2017 - 4.6% to 6.2%) per annum.

6 Tax

	2018 HK$ million	2017 HK$ million
Current tax charge		
Hong Kong	**76**	598
Outside Hong Kong	**3,836**	4,817
	3,912	5,415
Deferred tax charge (credit)		
Hong Kong	**53**	(255)
Outside Hong Kong	**(1,347)**	(2,344)
	(1,294)	(2,599)
	2,618	2,816

Hong Kong profits tax has been provided for at the rate of 16.5% (2017 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

6 Tax (continued)

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

	2018 **HK$ million**	2017 HK$ million
Tax calculated at the domestic rates applicable in the country concerned	**6,305**	7,101
Tax effect of:		
Tax losses not recognised	**1,724**	1,474
Income not subject to tax	**(2,172)**	(1,847)
Expenses not deductible for tax purposes	**1,349**	1,535
Recognition of previously unrecognised tax losses	**(141)**	(2,010)
Utilisation of previously unrecognised tax losses	**(1,256)**	(926)
Under (over) provision in prior years	**(98)**	33
Other temporary differences	**(2,818)**	(2,456)
Effect of change in tax rate	**(275)**	(88)
Total tax for the year	**2,618**	2,816

7 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK$39,000 million (2017 - HK$35,100 million) and on weighted average number of shares, 3,857,216,697 shares outstanding during 2018 (2017 - 3,857,678,500 shares in issue).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2018 and 2017. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2018 and 2017 did not have a dilutive effect on earnings per share.

8 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2018 **HK$ million**	2017 HK$ million
Distribution paid on perpetual capital securities	**1,006**	1,192

(b) Dividends

	2018 **HK$ million**	2017 HK$ million
Interim dividend, paid of HK$0.87 per share (2017 - HK$0.78 per share)	**3,356**	3,009
Final dividend, proposed of HK$2.30 per share (2017 - HK$2.07 per share)	**8,870**	7,985
	12,226	10,994

In 2018, the calculation of the interim dividend and final dividend is based on 3,857,678,500 shares (2017 - 3,857,678,500 shares) and 3,856,240,500 shares (2017 - 3,857,678,500 shares) in issue respectively.

9 Fixed assets

	Land and buildings HK$ million	Telecom-munications network assets HK$ million	Other assets [(a)] HK$ million	Total HK$ million
Cost				
At 1 January 2017	24,367	32,061	106,907	163,335
Additions	1,632	3,336	18,553	23,521
Relating to subsidiaries acquired (see note 31(c))	4	334	107	445
Disposals	(71)	(2,797)	(959)	(3,827)
Relating to subsidiaries disposed (see note 31(d))	(35)	(7,618)	(625)	(8,278)
Transfer between categories	(44)	5,244	(4,935)	265
Exchange translation differences	1,396	2,393	9,102	12,891
At 31 December 2017 and 1 January 2018	**27,249**	**32,953**	**128,150**	**188,352**
Additions	**1,983**	**3,691**	**21,866**	**27,540**
Relating to subsidiaries acquired (see note 31(c))	**16**	**14,905**	**3,248**	**18,169**
Disposals	**(10)**	**(551)**	**(1,462)**	**(2,023)**
Relating to subsidiaries disposed (see note 31(d))	**(281)**	**-**	**(125)**	**(406)**
Transfer between categories	**120**	**3,201**	**(3,086)**	**235**
Exchange translation differences	**(1,009)**	**(2,830)**	**(4,963)**	**(8,802)**
Transfer to assets classified as held for sale (see note 22)	**(1,787)**	**(148)**	**(79,906)**	**(81,841)**
At 31 December 2018	**26,281**	**51,221**	**63,722**	**141,224**
Accumulated depreciation and impairment				
At 1 January 2017	1,447	5,312	10,978	17,737
Charge for the year	1,015	5,848	7,816	14,679
Disposals	(23)	(2,753)	(696)	(3,472)
Relating to subsidiaries disposed (see note 31(d))	(5)	(1,406)	(134)	(1,545)
Transfer between categories	(177)	165	277	265
Exchange translation differences	146	727	1,026	1,899
At 31 December 2017 and 1 January 2018	**2,403**	**7,893**	**19,267**	**29,563**
Charge for the year	**1,069**	**3,796**	**9,649**	**14,514**
Disposals	**(7)**	**(384)**	**(1,511)**	**(1,902)**
Relating to subsidiaries disposed (see note 31(d))	**(24)**	**-**	**(43)**	**(67)**
Transfer between categories	**18**	**181**	**36**	**235**
Exchange translation differences	**8**	**(517)**	**(831)**	**(1,340)**
Transfer to assets classified as held for sale (see note 22)	**(128)**	**-**	**(10,256)**	**(10,384)**
At 31 December 2018	**3,339**	**10,969**	**16,311**	**30,619**
Net book value				
At 31 December 2018	**22,942**	**40,252**	**47,411**	**110,605**
At 31 December 2017	24,846	25,060	108,883	158,789
At 1 January 2017	22,920	26,749	95,929	145,598

(a) Cost and net book value of other assets include HK$24,249 million (2017 - HK$22,937 million) and HK$18,765 million (2017 - HK$19,287 million) respectively relate to the business of Ports and Related Services, HK$20,852 million (2017 - HK$10,439 million) and HK$17,671 million (2017 - HK$8,268 million) respectively relate to the business of Telecommunications and HK$2,025 million (2017 - HK$80,475 million) and HK$1,433 million (2017 - HK$72,599 million) respectively relate to the business of Infrastructure. The decrease in cost and net book value of other assets relating to the business of Infrastructure is mainly attributable to assets transferred to disposal group held for sale during the year.

(b) As at 31 December 2018, the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is not material. The comparative balances as at 31 December 2017 analysed by the bands of "within 1 year", "after 1 year, but within 5 years", and "after 5 years" are HK$3,317 million, HK$5,199 million and HK$1,468 million, respectively and are mainly related to businesses of the six co-owned infrastructure investments classified as disposal group held for sale as at the reporting date.

10 Leasehold land

	2018	2017
	HK$ million	HK$ million
Net book value		
At 1 January	**8,305**	8,155
Additions	**-**	149
Relating to subsidiaries acquired (see note 31(c))	**-**	105
Amortisation for the year	**(424)**	(428)
Relating to subsidiaries disposed (see note 31(d))	**(68)**	-
Exchange translation differences	**(111)**	324
At 31 December	**7,702**	8,305

11 Telecommunications licences

	2018	2017
	HK$ million	HK$ million
Net book value		
At 1 January	**27,271**	23,936
Additions	**8,527**	216
Relating to subsidiaries acquired (see note 31(c))	**32,802**	1,962
Amortisation for the year	**(1,222)**	(998)
Exchange translation differences	**(1,813)**	2,155
Transfer to assets classified as held for sale (see note 22)	**(1,344)**	-
At 31 December	**64,221**	27,271
Cost	**67,571**	29,507
Accumulated amortisation and impairment	**(3,350)**	(2,236)
	64,221	27,271

The carrying amount of telecommunications licences primarily arises from the acquisition of Hutchison Whampoa Limited's ("HWL") businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year.

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life and their carrying amount at 31 December 2018 are £1,723 million and €3,947 million (2017 - £1,555 million and nil) respectively.

12 Brand names and other rights

	Brand names HK$ million	Other rights HK$ million	Total HK$ million
Net book value			
At 1 January 2017	60,120	13,505	73,625
Additions	-	29	29
Relating to subsidiaries acquired (see note 31(c))	-	134	134
Amortisation for the year	(12)	(988)	(1,000)
Relating to subsidiaries disposed (see note 31(d))	-	(503)	(503)
Exchange translation differences	2,677	1,023	3,700
At 31 December 2017 and 1 January 2018	**62,785**	**13,200**	**75,985**
Additions	**-**	**1,479**	**1,479**
Relating to subsidiaries acquired (see note 31(c))	**7,652**	**15,327**	**22,979**
Amortisation for the year	**(12)**	**(2,379)**	**(2,391)**
Exchange translation differences	**(1,118)**	**(730)**	**(1,848)**
Transfer to assets classified as held for sale (see note 22)	**(270)**	**(7,173)**	**(7,443)**
At 31 December 2018	**69,037**	**19,724**	**88,761**
Cost	**69,080**	**24,096**	**93,176**
Accumulated amortisation	**(43)**	**(4,372)**	**(4,415)**
	69,037	**19,724**	**88,761**

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year. At 31 December 2018,

- brand names relate to Retail of approximately HK$50 billion (2017 - HK$51 billion) and Telecommunications of approximately HK$19 billion (2017 - HK$12 billion) are considered to have an indefinite useful life; and

- other rights, which include rights of use of telecommunications network infrastructure sites of HK$547 million (2017 - HK$711 million), operating and service content rights of HK$7,954 million (2017 - HK$9,903 million), resource consents and customer lists of HK$11,223 million (2017 - HK$2,586 million) are amortised over their finite useful lives.

13 Goodwill

	2018 HK$ million	2017 HK$ million
Cost		
At 1 January	**255,334**	254,748
Relating to subsidiaries acquired (see note 31(c))	**97,602**	1,271
Relating to subsidiaries disposed (see note 31(d))	**-**	(5,929)
Exchange translation differences	**(4,090)**	5,244
Transfer to assets classified as held for sale (see note 22)	**(25,686)**	-
At 31 December	**323,160**	255,334

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year. As at 31 December 2018, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK$114 billion (2017 - HK$114 billion), telecommunications of approximately HK$127 billion (2017 - HK$32 billion) and CKI of approximately HK$39 billion (2017 - HK$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 11, 12 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 3.3% to 9.3% (2017 - 3.1% to 8.0%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1.0% to 3.1% (2017 - 1.0% to 3.5%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2018 and 2017 indicated no impairment charge was necessary.

14 Associated companies

	2018 HK$ million	2017 HK$ million
Unlisted shares	**8,812**	8,917
Listed shares, Hong Kong	**64,408**	64,408
Listed shares, outside Hong Kong	**78,444**	78,202
Share of undistributed post acquisition reserves	**(19,151)**	(10,341)
	132,513	141,186
Amounts due from (net with amounts due to) associated companies [(a)]	**3,774**	4,157
	136,287	145,343

The market value of the above listed investments at 31 December 2018 was HK$91,849 million (2017 - HK$116,870 million), inclusive of HK$33,001 million (2017 - HK$43,574 million) and HK$44,054 million (2017 - HK$53,505 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 34.

14 Associated companies (continued)

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

	2018 HK$ million	2017 HK$ million
Amounts due from associated companies [(i)]		
Interest free	**639**	340
Interest bearing at fixed rates [(ii)]	**2,946**	3,444
Interest bearing at floating rates [(iii)]	**906**	907
	4,491	4,691
Amount due to an associated companies [(iv)]		
Interest free	**717**	534
Amounts due from (net with amounts due to) associated companies	**3,774**	4,157

(i) At 31 December 2018 and 2017, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK$884 million which are repayable within one to three years (2017 - HK$592 million which are repayable within one to four years).

(ii) At 31 December 2018, HK$2,946 million (2017 - HK$3,444 million) bear interests at fixed rates ranging from approximately 10.9% to 11.2% (2017 - 10.9% to 11.2%) per annum.

(iii) At 31 December 2018, HK$906 million (2017 - HK$907 million) bear interests at floating rates ranging from approximately 1.8% to 3.3% (2017 - 2.0% to 2.3%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.

(iv) At 31 December 2018 and 2017, the amounts due to an associated companies are unsecured and has no fixed terms of repayment.

(b) Material associated companies

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

	2018		2017	
	Husky Energy HK$ million	**Power Assets HK$ million**	Husky Energy HK$ million	Power Assets HK$ million
Dividends received from associated companies	**667**	**7,139**	-	12,685
Gross amount of the following items of the associated companies [(i)]:				
Total revenue	**135,440**	**1,555**	111,858	1,420
EBITDA	**30,118**	**19,418**	22,378	19,243
EBIT	**14,285**	**14,108**	6,726	14,121
Other comprehensive income (losses)	**(3,617)**	**(1,113)**	4,780	1,482
Total comprehensive income	**4,963**	**6,523**	10,547	9,801
Current assets	**34,517**	**5,475**	34,145	25,574
Non-current assets	**229,816**	**123,664**	228,164	118,935
Current liabilities	**29,015**	**4,072**	21,323	6,832
Non-current liabilities	**71,294**	**3,808**	79,853	4,589
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	**159,254**	**121,259**	156,695	133,088
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	**40.2%**	**38.0%**	40.2%	38.0%
Group's share of net assets	**64,004**	**46,091**	62,976	50,591
Amount due from associated company	**293**	**-**	-	-
Carrying amount	**64,297**	**46,091**	62,976	50,591

14 Associated companies (continued)

(b) Material associated companies (continued)

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

	2018				2017			
	Husky Energy HK$ million	**Power Assets HK$ million**	**Other associated companies HK$ million**	**Total HK$ million**	Husky Energy HK$ million	Power Assets HK$ million	Other associated companies HK$ million	Total HK$ million
Group's share of the following items of the associated companies [(i)]:								
Profits less losses after tax	**3,448**	**2,902**	**(3,462)**	**2,888**	2,345	3,214	1,238	6,797
Other comprehensive income (losses)	**(1,454)**	**(424)**	**(733)**	**(2,611)**	1,922	586	659	3,167
Total comprehensive income (loss)	**1,994**	**2,478**	**(4,195)**	**277**	4,267	3,800	1,897	9,964

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

Particulars regarding the principal associated companies are set forth on pages 113 to 115.

15 Interests in joint ventures

	2018 HK$ million	2017 HK$ million
Unlisted shares	**83,066**	113,091
Share of undistributed post acquisition reserves	**36**	9,491
	83,102	122,582
Amounts due from (net with amounts due to) joint ventures [(a)]	**34,951**	39,552
	118,053	162,134

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 34.

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

	2018 HK$ million	2017 HK$ million
Amounts due from joint ventures [(i)]		
Interest free	**2,070**	2,137
Interest bearing at fixed rates [(ii)]	**17,222**	20,101
Interest bearing at floating rates [(iii)]	**16,036**	17,699
	35,328	39,937
Amounts due to joint ventures [(iv)]		
Interest free	**347**	385
Interest bearing at floating rates [(v)]	**30**	-
Amounts due from (net with amounts due to) joint ventures	**34,951**	39,552

15 Interests in joint ventures (continued)

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

(i) At 31 December 2018 and 2017, the amounts due from joint ventures are unsecured except for HK$133 million for 2017 and have no fixed terms of repayment except for HK$979 million which are repayable within one to two years (2017 - HK$1,807 million which are repayable within one to two years and HK$164 million which is repayable in 2027).

(ii) At 31 December 2018, HK$17,222 million (2017 - HK$20,101 million) bear interests at fixed rates ranging from approximately 4.9% to 11.0% (2017 - 4.9% to 16.0%) per annum.

(iii) At 31 December 2018, HK$16,036 million (2017 - HK$17,699 million) bear interests at floating rates ranging from approximately 3.7% to 7.4% (2017 - 1.7% to 6.5%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime Rate and London Interbank Offered Rate, as applicable.

(iv) At 31 December 2018 and 2017, the amounts due to joint ventures are unsecured and have no fixed terms of repayment except for HK$30 million which are repayable within one year (2017 - nil).

(v) At 31 December 2018, HK$30 million (2017 - nil) bear interests at floating rates ranging from approximately 1.5% to 2.5% (2017 - nil) per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

(b) Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2018	2017
	HK$ million	HK$ million
Profits less losses after tax [(i)]	**10,220**	12,500
Other comprehensive income (losses)	**(4,761)**	10,315
Total comprehensive income	**5,459**	22,815
Capital commitments	**2,692**	2,247

(i) During the second half of 2012, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK$61 million (2017 - HK$11 million). This item is presented within the consolidated income statement line item titled other operating expenses.

Particulars regarding the principal joint ventures are set forth on pages 113 to 115.

16 Deferred tax

	2018 HK$ million	2017 HK$ million
Deferred tax assets	**20,260**	20,195
Deferred tax liabilities	**19,261**	25,583
Net deferred tax assets (liabilities)	**999**	(5,388)

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

	2018 HK$ million	2017 HK$ million
At 1 January	**(5,388)**	(7,836)
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	**(304)**	-
Relating to subsidiaries acquired (see note 31(c))	**2**	249
Relating to subsidiaries disposed (see note 31(d))	**7**	657
Transfer to current tax	**29**	(235)
Net charge to other comprehensive income	**(162)**	(263)
Net credit (charge) to the income statement		
Unused tax losses	**669**	1,218
Accelerated depreciation allowances	**(240)**	(181)
Fair value adjustments arising from acquisitions	**(39)**	732
Withholding tax on undistributed profits	**(61)**	89
Other temporary differences	**965**	741
Exchange translation differences	**(318)**	(559)
Transfer to assets classified as held for sale (see note 22)	**(416)**	-
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	**6,255**	-
At 31 December	**999**	(5,388)

Analysis of net deferred tax assets (liabilities):

	2018 HK$ million	2017 HK$ million
Unused tax losses	**18,459**	16,687
Accelerated depreciation allowances	**(4,127)**	(9,588)
Fair value adjustments arising from acquisitions	**(10,501)**	(8,905)
Revaluation of investment properties and other investments	**126**	119
Withholding tax on undistributed profits	**(497)**	(461)
Other temporary differences	**(2,461)**	(3,240)
	999	(5,388)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2018, the Group has recognised accumulated deferred tax assets amounting to HK$20,260 million (2017 - HK$20,195 million) of which HK$18,659 million (2017 - HK$18,015 million) relates to **3** Group Europe.

Note 42(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

16 Deferred tax (continued)

The Group has not recognised deferred tax assets of HK$28,880 million at 31 December 2018 (2017 - HK$13,354 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$99,135 million (2017 - HK$55,385 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$76,257 million (2017 - HK$31,053 million) can be carried forward indefinitely and the balances expire in the following years:

	2018 **HK$ million**	2017 HK$ million
In the first year	**3,896**	6,677
In the second year	**5,606**	4,414
In the third year	**2,096**	6,015
In the fourth year	**2,667**	2,097
After the fourth year	**8,613**	5,129
	22,878	24,332

17 Liquid funds and other listed investments

	2018 **HK$ million**	2017 HK$ million
Financial assets at amortised cost		
Managed funds - cash and cash equivalents, outside Hong Kong	**66**	-
Financial assets at FVOCI * (i)		
Listed equity securities, Hong Kong (ii)	**2,909**	-
Listed equity securities, outside Hong Kong (ii)	**208**	-
Managed funds - listed equity securities, outside Hong Kong (ii)	**154**	-
Managed funds - listed debt securities, outside Hong Kong	**4,770**	-
Listed / traded debt securities, outside Hong Kong (iii)	**1,089**	-
	9,130	-
Available-for-sale investments (i)		
Managed funds - cash and cash equivalents, outside Hong Kong	**-**	50
Listed equity securities, Hong Kong	**-**	1,546
Listed equity securities, outside Hong Kong	**-**	25
Managed funds - listed equity securities, outside Hong Kong	**-**	169
Managed funds - listed debt securities, outside Hong Kong	**-**	4,697
Listed / traded debt securities, outside Hong Kong (iii)	**-**	1,168
	-	7,655
Financial assets at fair value through profit or loss - listed equity securities	**96**	158
	9,292	7,813

* See note 41.

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

(ii) These equity securities are strategic investments and not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise these investments in this category so the Group considers this category to be the most appropriate classification.

(iii) Included in listed / traded debt securities outside Hong Kong as at 31 December 2018 and 2017 are notes issued by listed associated company, Husky Energy at a principal amount of US$25 million which will mature in 2019.

17 Liquid funds and other listed investments (continued)

(a) At 31 December, liquid funds and other listed investments totalling HK$9,292 million (2017 - HK$7,813 million) are denominated in the following currencies:

	2018			2017	
	Financial assets at amortised cost Percentage	**Financial assets at FVOCI Percentage**	**Financial assets at fair value through profit or loss Percentage**	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	**-**	**32%**	**-**	20%	-
US dollars	**26%**	**55%**	**100%**	65%	71%
Other currencies	**74%**	**13%**	**-**	15%	29%
	100%	**100%**	**100%**	100%	100%

(b) At 31 December, listed / traded debt securities totalling HK$5,859 million (2017 - HK$5,865 million) presented above are analysed as follows:

	2018	2017
	Financial assets at FVOCI Percentage	Available-for-sale investments Percentage
Credit ratings		
Aaa / AAA	**20%**	19%
Aa1 / AA+	**60%**	60%
Other investment grades	**4%**	4%
Unrated	**16%**	17%
	100%	100%
Sectorial		
US Treasury notes	**56%**	56%
Government and government guaranteed notes	**17%**	17%
Husky Energy notes	**4%**	4%
Financial institutions notes	**-**	1%
Others	**23%**	22%
	100%	100%
Weighted average maturity	**2.2 years**	2.4 years
Weighted average effective yield	**1.58%**	1.42%

18 Other non-current assets

	2018 HK$ million	2017 HK$ million
Investment properties (see note 19)	**382**	360
Customer acquisition and retention costs [(a)]	**1,576**	-
Contract assets (see note 21(b))	**2,726**	-
Unlisted investments		
Financial assets at amortised costs - debt securities [(b)]	**170**	-
Financial assets at FVOCI * - equity securities [(c)]	**1,953**	-
Financial assets at fair value through profit or loss - equity securities	**641**	-
Financial assets at fair value through profit or loss - debt securities	**318**	-
Loans and receivables - debt securities	**-**	179
Available-for-sale investments - equity securities	**-**	2,649
Derivative financial instruments		
Fair value hedges - Interest rate swaps	**19**	45
Cash flow hedges		
Interest rate swaps	**-**	31
Cross currency Interest rate swaps	**317**	-
Forward foreign exchange contracts	**-**	293
Net investment hedges		
Forward foreign exchange contracts	**2,021**	1,791
Cross currency swaps	**427**	-
Other derivative financial instruments	**167**	192
	10,717	5,540

* See note 41.

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the year was HK$1,188 million and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

(b) The carrying value of the debt securities approximate their fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.

(c) Equity securities where there is a history of dividends are carried at fair values based on the discounted present value of expected future dividends. The value of the remaining equity securities are not significant to the Group.

19 Investment properties

Investment properties are included in "Other non-current assets" (see note 18) in the statement of financial position.

	2018	2017
	HK$ million	HK$ million
Valuation		
At 1 January	**360**	344
Increase in fair value of investment properties	**22**	16
At 31 December	**382**	360

Investment properties have been fair valued as at 31 December 2018 and 31 December 2017 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2018 and 2017, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 31 December 2018 and 2017, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

20 Cash and cash equivalents

	2018 HK$ million	2017 HK$ million
Cash at bank and in hand	**32,253**	27,356
Short term bank deposits	**103,158**	133,114
	135,411	160,470

The carrying amounts of cash and cash equivalents approximate their fair values.

21 Trade receivables and other current assets

	2018 HK$ million	2017 HK$ million
Trade receivables [(a)]	**20,391**	14,132
Less: loss allowance provision	**(1,136)**	(2,586)
	19,255	11,546
Other current assets		
Derivative financial instruments		
Fair value hedges - Interest rate swaps	**-**	9
Cash flow hedges - Forward foreign exchange contracts	**-**	1
Net investment hedges - Forward foreign exchange contracts	**567**	-
Contract assets [(b)]	**4,217**	-
Prepayments	**21,105**	10,351
Other receivables	**18,682**	29,461
	63,826	51,368

(a) Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's revenue for the year ended 31 December 2018 (2017 - less than 4%).

At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2018 HK$ million	2017 HK$ million
Less than 31 days	**11,830**	8,271
Within 31 to 60 days	**2,308**	1,779
Within 61 to 90 days	**994**	797
Over 90 days	**5,259**	3,285
	20,391	14,132

21 Trade receivables and other current assets (continued)

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

	2018 HK$ million	2017 HK$ million
At 1 January	**2,586**	2,615
Additions	**1,569**	1,283
Utilisations	**(2,003)**	(1,133)
Write back	**(9)**	(303)
Relating to subsidiaries disposed	**-**	(62)
Exchange translation differences	**(178)**	186
Transfer to assets classified as held for sale	**(829)**	-
At 31 December	**1,136**	2,586

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use 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 determined under the new accounting policies from 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount HK$ million	**Loss allowance provision HK$ million**	**Expected loss rate Percentage**
Not past due	**10,206**	**115**	**1%**
Past due less than 31 days	**2,993**	**72**	**2%**
Past due within 31 to 60 days	**1,158**	**87**	**8%**
Past due within 61 to 90 days	**604**	**100**	**17%**
Past due over 90 days	**5,430**	**762**	**14%**
	20,391	**1,136**	

The Group has initially applied HKFRS 9 using the cumulative effect method and adjusted the opening balance at 1 January 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The gross carrying amount of the impaired and not impaired trade receivables and the loss allowance provision determined under the accounting policies prevailing prior to 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount of trade receivables			Loss allowance provision	Expected loss rate
	Not impaired HK$ million	Impaired HK$ million	Total HK$ million	HK$ million	Percentage
Not past due	3,002	3,825	6,827	113	2%
Past due less than 31 days	1,704	742	2,446	62	3%
Past due within 31 to 60 days	343	575	918	191	21%
Past due within 61 to 90 days	137	420	557	202	36%
Past due over 90 days	318	3,066	3,384	2,018	60%
	5,504	8,628	14,132	2,586	

(b) As at 31 December 2018, contract assets of HK$4,217 million and HK$2,726 million are included in “Trade receivables and other current assets” (see above) and “Other non-current assets” (see note 18) respectively. These amounts are net of provision for estimated impairment losses of HK$493 million.

22 Assets and liabilities classified as held for sale

	2018 HK$ million
Assets classified as held for sale	
Disposal group held for sale [a]	**118,187**
Non-current assets held for sale [b]	**2,352**
	120,539
Liabilities directly associated with assets classified as held for sale [a]	**77,600**

(a) The Group has interests in six infrastructure investments co-owned with CKI comprising of interests in subsidiary Northumbrian Water, subsidiary Park'N Fly, subsidiary UK Rails, joint venture Australian Gas Networks, joint venture Dutch Enviro Energy and joint venture Wales & West Utilities. On 20 December 2018, the board of directors of the Company approved a plan to streamline the Group's holdings in these infrastructure investments which will lead to the Group ceasing control on some of these infrastructure investments. The plan, subject to obtaining relevant regulatory approvals, is expected to be completed within a year from the reporting date.

These interests in the six co-owned infrastructure investments are reclassified for accounting purposes as disposal group held for sale as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. The major classes and the carrying amounts of assets and liabilities of this disposal group classified as held for sale at the reporting date are as follows:

	2018 HK$ million
Assets	
Fixed assets	**71,309**
Brand names and other rights	**7,443**
Goodwill	**25,686**
Interests in joint ventures	**7,223**
Deferred tax assets	**416**
Other non-current assets	**304**
Cash and cash equivalents	**3,585**
Inventories	**56**
Trade receivables and other current assets	**2,165**
Assets classified as held for sale	**118,187**
Liabilities	
Bank and other debts	**57,707**
Current tax liabilities	**134**
Trade payables and other current liabilities	**4,453**
Interest bearing loans from non-controlling shareholders	**2,071**
Deferred tax liabilities	**6,255**
Pension obligations	**1,113**
Other non-current liabilities	**5,867**
Liabilities directly associated with assets classified as held for sale	**77,600**
Net assets directly associated with disposal group	**40,587**
Non-controlling interests	**3,021**
Net assets and non-controlling interests directly associated with disposal group	**37,566**
Amounts included in accumulated other comprehensive income:	
Exchange reserve deficit	**(4,146)**
Pension reserve deficit	**(691)**
Hedging reserve deficit	**(1,112)**
Reserves of disposal group classified as held for sale	**(5,949)**

22 Assets and liabilities classified as held for sale (continued)

(b) During the year, the Group has acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites, spectrums and frequencies to an external third party. The transfer is expected to be completed within a year from the reporting date. These assets are classified for accounting purposes as assets held for sale as at the reporting date and the major classes of assets and their carrying amounts at that date are as follows:

	2018 HK$ million
Fixed assets	**477**
Telecommunications licences	**1,875**
	2,352

Non-current asset held for sale is presented within total assets of "**3** Group Europe" segment in note 3(b)(vi) and "Europe" in note 3(b)(xii).

23 Bank and other debts

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Principal amounts						
Bank loans	**5,943**	**111,235**	**117,178**	19,080	92,091	111,171
Other loans	**38**	**410**	**448**	249	1,279	1,528
Notes and bonds	**19,710**	**209,582**	**229,292**	2,377	207,740	210,117
	25,691	**321,227**	**346,918**	21,706	301,110	322,816
Unamortised fair value adjustments arising from acquisitions	**553**	**5,197**	**5,750**	2	10,337	10,339
Subtotal before the following items	**26,244**	**326,424**	**352,668**	21,708	311,447	333,155
Unamortised loan facilities fees and premiums or discounts related to debts	**(1)**	**(656)**	**(657)**	(5)	(822)	(827)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	**(257)**	**(198)**	**(455)**	9	(349)	(340)
	25,986	**325,570**	**351,556**	21,712	310,276	331,988

23 Bank and other debts (continued)

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

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans	**5,943**	**111,235**	**117,178**	19,080	92,091	111,171
Other loans	**38**	**410**	**448**	249	1,279	1,528
Notes and bonds						
HK$500 million notes, 4.88% due 2018	**-**	**-**	**-**	500	-	500
HK$500 million notes, 4.3% due 2020	**-**	**500**	**500**	-	500	500
HK$500 million notes, 4.35% due 2020	**-**	**500**	**500**	-	500	500
HK$300 million notes, 3.9% due 2020	**-**	**300**	**300**	-	300	300
HK$400 million notes, 3.45% due 2021	**-**	**400**	**400**	-	400	400
HK$300 million notes, 3.35% due 2021	**-**	**300**	**300**	-	300	300
HK$260 million notes, 4% due 2027	**-**	**260**	**260**	-	260	260
US$1,000 million notes, 5.75% due 2019	**7,800**	**-**	**7,800**	-	7,800	7,800
US$1,500 million notes, 7.625% due 2019	**11,700**	**-**	**11,700**	-	11,700	11,700
US$1,000 million notes, 2.25% due 2020	**-**	**7,800**	**7,800**	-	7,800	7,800
US$750 million notes, 1.875% due 2021	**-**	**5,850**	**5,850**	-	5,850	5,850
US$1,500 million notes, 4.625% due 2022	**-**	**11,700**	**11,700**	-	11,700	11,700
US$1,000 million notes, 2.875% due 2022	**-**	**7,800**	**7,800**	-	7,800	7,800
US$500 million notes, 3.25% due 2022	**-**	**3,900**	**3,900**	-	3,900	3,900
US$750 million notes, 2.75% due 2023	**-**	**5,850**	**5,850**	-	5,850	5,850
US$1,500 million notes, 3.625% due 2024	**-**	**11,700**	**11,700**	-	11,700	11,700
US$500 million notes, 2.75% due 2026	**-**	**3,900**	**3,900**	-	3,900	3,900
US$1,843 million notes, 5% due 2026	**-**	**14,375**	**14,375**	-	-	-
US$309 million notes - Series C, 7.5% due 2027	**-**	**2,410**	**2,410**	-	2,410	2,410
US$500 million notes, 3.25% due 2027	**-**	**3,900**	**3,900**	-	3,900	3,900
US$800 million notes, 3.5% due 2027	**-**	**6,240**	**6,240**	-	6,240	6,240
US$1,039 million notes, 7.45% due 2033	**-**	**8,107**	**8,107**	-	8,107	8,107
US$25 million notes-Series D, 6.988% due 2037	**-**	**196**	**196**	-	196	196
SGD320 million notes, 3.408% due 2018	**-**	**-**	**-**	1,859	-	1,859
EUR1,500 million notes, 1.375% due 2021	**-**	**13,425**	**13,425**	-	13,890	13,890
EUR750 million notes, 3.625% due 2022	**-**	**6,712**	**6,712**	-	6,945	6,945
EUR1,350 million notes, 1.25% due 2023	**-**	**12,083**	**12,083**	-	12,501	12,501
EUR1,537 million notes, 2.625% due 2023	**-**	**13,756**	**13,756**	-	-	-
EUR600 million bonds, 1% due 2024	**-**	**5,370**	**5,370**	-	5,556	5,556
EUR1,000 million notes, 0.875% due 2024	**-**	**8,950**	**8,950**	-	9,260	9,260
EUR2,026 million notes, EURIBOR^ + 2.75% due 2024	**-**	**18,133**	**18,133**	-	-	-
EUR700 million notes, 1.25% due 2025	**-**	**6,712**	**6,712**	-	-	-
EUR1,576 million notes, 3.125% due 2025	**-**	**14,105**	**14,105**	-	-	-
EUR650 million notes, 2% due 2028	**-**	**5,818**	**5,818**	-	6,019	6,019
EUR500 million notes, 2% due 2030	**-**	**4,475**	**4,475**	-	-	-
GBP300 million bonds, 5.831% due 2020	**-**	**-**	**-**	-	3,144	3,144
GBP100 million notes, 5.82% due 2021	**-**	**-**	**-**	-	1,048	1,048
GBP350 million bonds, 6.875% due 2023	**-**	**-**	**-**	-	3,668	3,668
GBP400 million bonds, 6.359% due 2025	**-**	**-**	**-**	-	4,192	4,192
GBP33 million notes, 2.56% due 2026	**-**	**-**	**-**	-	346	346
GBP300 million bonds, 1.625% due 2026	**-**	**-**	**-**	-	3,144	3,144
GBP303 million notes, 5.625% due 2026	**-**	**3,005**	**3,005**	-	3,175	3,175
GBP300 million bonds, 2.375% due 2027	**-**	**-**	**-**	-	3,144	3,144
GBP45 million notes, 2.56% due 2028	**-**	**-**	**-**	-	471	471
GBP90 million notes, 3.54% due 2030	**-**	**-**	**-**	-	943	943
GBP22 million notes, 2.83% due 2031	**-**	**-**	**-**	-	230	230
GBP350 million bonds, 5.625% due 2033	**-**	**-**	**-**	-	3,668	3,668
GBP246 million bonds, 5.87526% due 2034	**-**	**-**	**-**	17	2,558	2,575
GBP400 million bonds, 6.697% due 2035	**-**	**-**	**-**	-	4,192	4,192
GBP50 million notes, 5.01% due 2036	**-**	**-**	**-**	-	524	524
GBP100 million notes, LIBOR* + 2.33% due 2036	**-**	**-**	**-**	-	1,048	1,048
GBP215 million bonds, RPI# + 2.033% due 2036	**-**	**-**	**-**	-	2,252	2,252
GBP58 million bonds, 6.627% due 2037	**-**	**-**	**-**	1	612	613
GBP100 million notes, 3.19% due 2037	**-**	**-**	**-**	-	1,048	1,048
GBP84 million bonds, RPI# + 1.6274% due 2041	**-**	**-**	**-**	-	886	886
GBP360 million bonds, 5.125% due 2042	**-**	**-**	**-**	-	3,773	3,773
GBP400 million bonds, 3.529% due 2042	**-**	**-**	**-**	-	4,192	4,192
GBP140 million bonds, RPI# + 1.7118% due 2049	**-**	**-**	**-**	-	1,467	1,467
GBP140 million bonds, RPI# + 1.7484% due 2053	**-**	**-**	**-**	-	1,467	1,467
JPY3,000 million notes, 1.75% due 2019	**210**	**-**	**210**	-	211	211
JPY15,000 million notes, 2.6% due 2027	**-**	**1,050**	**1,050**	-	1,053	1,053
	19,710	**209,582**	**229,292**	2,377	207,740	210,117
	25,691	**321,227**	**346,918**	21,706	301,110	322,816

^ EURIBOR represents the Euro Interbank Offered Rate

* LIBOR represents the London Interbank Offered Rate

RPI represents UK Retail Price Index

23 Bank and other debts (continued)

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

(a) By year of repayment

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans						
Within a year	**5,943**	**-**	**5,943**	19,080	-	19,080
After 1 year, but within 2 years	**-**	**35,020**	**35,020**	-	7,937	7,937
After 2 years, but within 5 years	**-**	**76,215**	**76,215**	-	79,418	79,418
After 5 years	**-**	**-**	**-**	-	4,736	4,736
	5,943	**111,235**	**117,178**	19,080	92,091	111,171
Other loans						
Within a year	**38**	**-**	**38**	249	-	249
After 1 year, but within 2 years	**-**	**37**	**37**	-	256	256
After 2 years, but within 5 years	**-**	**273**	**273**	-	412	412
After 5 years	**-**	**100**	**100**	-	611	611
	38	**410**	**448**	249	1,279	1,528
Notes and bonds						
Within a year	**19,710**	**-**	**19,710**	2,377	-	2,377
After 1 year, but within 2 years	**-**	**9,100**	**9,100**	-	19,736	19,736
After 2 years, but within 5 years	**-**	**81,777**	**81,777**	-	64,655	64,655
After 5 years	**-**	**118,705**	**118,705**	-	123,349	123,349
	19,710	**209,582**	**229,292**	2,377	207,740	210,117
	25,691	**321,227**	**346,918**	21,706	301,110	322,816

(b) By secured and unsecured borrowings

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Secured borrowings	**1,258**	**87,343**	**88,601**	258	25,728	25,986
Unsecured borrowings	**24,433**	**233,884**	**258,317**	21,448	275,382	296,830
	25,691	**321,227**	**346,918**	21,706	301,110	322,816

Out of the principal amount of secured bank and other debts of the Group, HK$87,219 million is arising from the acquisition of a subsidiary during the year.

(c) By borrowings at fixed and floating interest rate

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	**19,748**	**191,859**	**211,607**	2,818	203,665	206,483
Borrowings at floating rate	**5,943**	**129,368**	**135,311**	18,888	97,445	116,333
	25,691	**321,227**	**346,918**	21,706	301,110	322,816

23 Bank and other debts (continued)

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

(d) By currency

	2018			2017		
	Current portion Percentage	**Non-current portion Percentage**	**Total Percentage**	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	**6%**	**38%**	**44%**	2%	40%	42%
Euro	**-**	**42%**	**42%**	-	21%	21%
HK dollars	**-**	**3%**	**3%**	2%	3%	5%
British Pounds	**-**	**3%**	**3%**	-	22%	22%
Other currencies	**1%**	**7%**	**8%**	2%	8%	10%
	7%	**93%**	**100%**	6%	94%	100%

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

	2018			2017		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	**20,540**	**232,580**	**253,120**	3,348	221,485	224,833
Borrowings at floating rate	**5,151**	**88,647**	**93,798**	18,358	79,625	97,983
	25,691	**321,227**	**346,918**	21,706	301,110	322,816

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

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements amounted to HK$9,100 million (2017 - HK$9,600 million) (See note 43(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK$33,453 million and HK$17,160 million respectively (2017 - HK$10,790 million and HK$17,160 million respectively) (See note 43(i)(ii)).

(f) By currency (adjusted for the effect of hedging transactions)

	2018			2017		
	Current portion Percentage	**Non-current portion Percentage**	**Total Percentage**	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	**6%**	**27%**	**33%**	2%	33%	35%
Euro	**-**	**53%**	**53%**	-	28%	28%
HK dollars	**-**	**3%**	**3%**	2%	3%	5%
British Pounds	**-**	**3%**	**3%**	-	22%	22%
Other currencies	**1%**	**7%**	**8%**	2%	8%	10%
	7%	**93%**	**100%**	6%	94%	100%

As at 31 December 2018, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$38,610 million (2017 - HK$23,010 million) (see note 43(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

24 Trade payables and other current liabilities

	2018 HK$ million	2017 HK$ million
Trade payables [(a)]	**29,233**	19,252
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	**8**	11
Forward foreign exchange contracts	**2**	2
Other contracts	**-**	10
Net investment hedges - Forward foreign exchange contracts	**6**	396
Other derivative financial instruments	**-**	10
Interest free loans from non-controlling shareholders	**385**	389
Contract liabilities	**5,880**	-
Provisions (see note 25)	**4,514**	1,014
Other payables and accruals	**76,244**	69,144
	116,272	90,228

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2018 HK$ million	2017 HK$ million
Less than 31 days	**19,764**	12,994
Within 31 to 60 days	**4,095**	3,623
Within 61 to 90 days	**2,392**	1,500
Over 90 days	**2,982**	1,135
	29,233	19,252

(b) The Group's five largest suppliers accounted for less than 16% of the Group's cost of purchases for the year ended 31 December 2018 (2017 - less than 18%).

25 Provisions

	Provision for commitments, onerous contracts and other guarantees HK$ million	Closure obligation HK$ million	Assets retirement obligation HK$ million	Others HK$ million	Total HK$ million
At 1 January 2017	32,492	311	611	433	33,847
Additions	-	12	20	636	668
Interest accretion	-	-	29	-	29
Utilisations	(5,486)	(98)	-	(1)	(5,585)
Write back	-	(75)	-	(256)	(331)
Relating to subsidiaries acquired	-	-	34	-	34
Relating to subsidiaries disposed	-	-	(34)	-	(34)
Exchange translation differences	314	33	32	19	398
At 31 December 2017 and 1 January 2018	**27,320**	**183**	**692**	**831**	**29,026**
Additions	**-**	**15**	**237**	**161**	**413**
Interest accretion	**-**	**6**	**17**	**-**	**23**
Utilisations	**(8,371)**	**(86)**	**(58)**	**(31)**	**(8,546)**
Write back	**-**	**(29)**	**-**	**(86)**	**(115)**
Relating to subsidiaries acquired	**12,774**	**-**	**926**	**601**	**14,301**
Exchange translation differences	**(535)**	**(10)**	**(40)**	**(14)**	**(599)**
At 31 December 2018	**31,188**	**79**	**1,774**	**1,462**	**34,503**

Provisions are analysed as:

	2018 HK$ million	2017 HK$ million
Current portion (see note 24)	**4,514**	1,014
Non-current portion (see note 28)	**29,989**	28,012
	34,503	29,026

The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located. The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value.

26 Interest bearing loans from non-controlling shareholders

	2018 HK$ million	2017 HK$ million
Interest bearing loans from non-controlling shareholders	**752**	3,143

At 31 December 2018, these loans bear interest at rates at 2.3% (2017 - 2.3% to 11%) per annum. The carrying amounts of the borrowings approximate their fair values.

27 Pension plans

	2018 HK$ million	2017 HK$ million
Defined benefit assets	**-**	-
Defined benefit liabilities	**2,443**	3,770
Net defined benefit liabilities	**2,443**	3,770

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2018	2017
Discount rates	**0.4% - 3.0%**	0.15% - 2.55%
Future salary increases	**1.0% - 4.0%**	1.0% - 4.0%
Interest credited on two principal plans in Hong Kong	**5.0% - 6.0%**	5.0% - 6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2018 HK$ million	2017 HK$ million
Present value of defined benefit obligations	**18,337**	31,528
Fair value of plan assets	**15,897**	27,761
	2,440	3,767
Restrictions on assets recognised	**3**	3
Net defined benefit liabilities	**2,443**	3,770

27 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2018	**31,528**	**(27,761)**	**3**	**3,770**
Net charge (credit) to the income statement				
Current service cost	**710**	**51**	**-**	**761**
Past service cost and gains and losses on settlements	**67**	**-**	**-**	**67**
Interest cost (income)	**704**	**(616)**	**-**	**88**
	1,481	**(565)**	**-**	**916**
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	**(113)**	**-**	**-**	**(113)**
Actuarial gain arising from change in financial assumptions	**(1,514)**	**-**	**-**	**(1,514)**
Actuarial loss arising from experience adjustment	**24**	**-**	**-**	**24**
Return on plan assets excluding interest income	**-**	**1,002**	**-**	**1,002**
Exchange translation differences	**(1,350)**	**1,208**	**-**	**(142)**
	(2,953)	**2,210**	**-**	**(743)**
Contributions paid by the employer	**-**	**(993)**	**-**	**(993)**
Contributions paid by the employee	**111**	**(111)**	**-**	**-**
Benefits paid	**(1,371)**	**1,371**	**-**	**-**
Relating to subsidiaries acquired (see note 31(c))	**594**	**-**	**-**	**594**
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	**(11,070)**	**9,957**	**-**	**(1,113)**
Transfer from (to) other liabilities	**17**	**(5)**	**-**	**12**
At 31 December 2018	**18,337**	**(15,897)**	**3**	**2,443**

27 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2017	29,392	(24,026)	3	5,369
Net charge (credit) to the income statement				
Current service cost	724	40	-	764
Past service cost and gains and losses on settlements	(115)	-	-	(115)
Interest cost (income)	745	(614)	-	131
	1,354	(574)	-	780
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(434)	-	-	(434)
Actuarial loss arising from change in financial assumptions	233	-	-	233
Actuarial gain arising from experience adjustment	(139)	-	-	(139)
Return on plan assets excluding interest income	-	(1,548)	-	(1,548)
Exchange translation differences	2,622	(2,171)	-	451
	2,282	(3,719)	-	(1,437)
Contributions paid by the employer	-	(886)	-	(886)
Contributions paid by the employee	112	(112)	-	-
Benefits paid	(1,552)	1,552	-	-
Relating to subsidiaries acquired (see note 31(c))	11	-	-	11
Transfer from (to) other liabilities	(71)	4	-	(67)
At 31 December 2017	31,528	(27,761)	3	3,770

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2018, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$19 million (2017 - HK$20 million) were used to reduce the current year's level of contributions and HK$2 million forfeited contribution was available at 31 December 2018 (2017 - HK$ 2 million) to reduce future years' contributions.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2018 reported a funding level of 79% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP16 million (included GBP5.5 million additional voluntary contribution) in 2018 (2017 - GBP11 million (included GBP5.5 million additional voluntary contribution)). A schedule of contributions was agreed with GBP18.5 million to pay in 2019 and 2020, and GBP2.7 million in 2021 to eliminate the shortfall by February 2021. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.08% to 4.44% per annum and pension increases of 1.28% to 3.68% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2018 Percentage	2017 Percentage
Equity instruments		
Consumer markets and manufacturing	**7%**	8%
Energy and utilities	**3%**	3%
Financial institutions and insurance	**5%**	7%
Telecommunications and information technology	**5%**	4%
Units trust and equity instrument funds	**6%**	4%
Others	**7%**	10%
	33%	36%
Debt instruments		
Government and government guaranteed notes	**17%**	14%
Financial institutions notes	**1%**	1%
Others	**7%**	7%
	25%	22%
Qualifying insurance policies	**22%**	20%
Properties	**6%**	8%
Other assets	**14%**	14%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2018 Percentage	2017 Percentage
Aaa/AAA	**4%**	5%
Aa1/AA+	**3%**	4%
Aa2/AA	**73%**	61%
Aa3/AA-	**1%**	-
A1/A+	**1%**	1%
A2/A	**6%**	8%
Other investment grades	**11%**	13%
No investment grades	**1%**	8%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK$15,897 million (2017 - HK$27,761 million) includes investments in the Company's shares with a fair value of HK$28 million (2017 - HK$36 million).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2018 is 18 years (2017 - 18 years).

The Group expects to make contributions of HK$1,071 million (2017 - HK$980 million) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation (continued)

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.6% or increase by 3.8% respectively (2017- decrease by 3.7% or increase by 3.9% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.3% respectively (2017 - increase by 0.3% or decrease by 0.3% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$1,363 million (2017 - HK$1,197 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$16 million (2017 - HK$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2018 (2017 - nil) to reduce future years' contributions.

28 Other non-current liabilities

	2018 HK$ million	2017 HK$ million
Contract liabilities	**3**	-
Derivative financial instruments		
Fair value hedges - Interest rate swaps	**116**	37
Cash flow hedges		
Interest rate swaps	**373**	532
Cross currency interest rate swaps	**928**	1,888
Forward foreign exchange contracts	**-**	1
Other contracts	**-**	374
Net investment hedges		
Forward foreign exchange contracts	**-**	895
Cross currency swaps	**45**	-
Other derivative financial instruments	**481**	4,059
Obligations for telecommunications licences and other rights	**9,613**	5,670
Other non-current liabilities [(a)]	**15,610**	9,580
Liabilities relating to the economic benefits agreements [(b)]	**14,308**	-
Provisions (see note 25)	**29,989**	28,012
	71,466	51,048

(a) Includes equipment purchase payables of HK$10,906 million (2017 - HK$4,845 million).

(b) During the year, the Group has divested a substantial portion of the economic benefits arising from six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities under economic benefit agreements. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group.

29 Share capital, share premium, perpetual capital securities and capital management

(a) Share capital and share premium

	Number of shares	Share capital HK$ million	Share premium HK$ million	Total HK$ million
At 1 January and 31 December 2017 and 1 January 2018	**3,857,678,500**	**3,858**	**244,505**	**248,363**
Buy-back and cancellation of issued shares (i)	**(1,438,000)**	**(2)**	**(128)**	**(130)**
At 31 December 2018	**3,856,240,500**	**3,856**	**244,377**	**248,233**

(i) The Company acquired a total of 1,438,000 of its own shares through purchases on the Stock Exchange on 4, 5 and 6 September 2018. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK$131 million and has been deducted from share capital and share premium of HK$130 million and retained profit of HK$1 million.

(b) Perpetual capital securities

	2018 HK$ million	2017 HK$ million
US$425.3 million issued in 2013*	**-**	3,373
EUR1,750 million issued in 2013	**-**	18,266
US$1,000 million issued in 2017	**7,842**	7,842
EUR500 million issued in 2018	**4,484**	-
	12,326	29,481

In January 2013, May 2013, May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US$500 million (approximately HK$3,875 million), EUR1,750 million (approximately HK$17,879 million), US$1,000 million (approximately HK$7,800 million) and EUR500 million (approximately HK$4,475 million) respectively for cash.

During the year, the Group had redeemed the remaining outstanding US$500 million (approximately HK$3,875 million) nominal amount of perpetual capital securities that were originally issued in January 2013 and EUR1,750 million (approximately HK$17,879 million) nominal amount of perpetual capital securities that were originally issued in May 2013. During the year ended 31 December 2017, the Group had redeemed US$1,000 million (approximately HK$7,800 million) and HK$1,000 million nominal amount of perpetual capital securities that were originally issued in May 2012 and July 2012 respectively.

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

* US$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.

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

(c) Capital management

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

At 31 December 2018, total equity amounted to HK$590,823 million (2017 - HK$591,547 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$207,965 million (2017 - HK$164,872 million). The Group's net debt to net total capital ratio increased to 26.0% from 21.7% at the end of last year.

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

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

	2018	2017
A1 - excluding interest-bearing loans from non-controlling shareholders from debt	**26.0%**	21.7%
A2 - as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**27.8%**	22.1%
B1 - including interest-bearing loans from non-controlling shareholders as debt	**26.1%**	22.1%
B2 - as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**27.9%**	22.5%

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

30 Reserves

	2018				
	Attributable to ordinary shareholders				
	Retained profit	Exchange reserve	Hedging reserve	Others [(a)]	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2017, as previously reported, and 1 January 2018	**546,498**	**(20,642)**	**(2,094)**	**(342,069)**	**181,693**
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	**1,379**	**-**	**-**	**(949)**	**430**
At 1 January 2018, as adjusted	**547,877**	**(20,642)**	**(2,094)**	**(343,018)**	**182,123**
Profit for the year	**39,000**	**-**	**-**	**-**	**39,000**
Other comprehensive income (losses) [(b)]					
Equity securities at FVOCI *					
Valuation losses recognised directly in reserves	**-**	**-**	**-**	**(1,490)**	**(1,490)**
Debt securities at FVOCI *					
Valuation losses recognised directly in reserves	**-**	**-**	**-**	**(20)**	**(20)**
Remeasurement of defined benefit obligations recognised directly in reserves	**455**	**-**	**-**	**-**	**455**
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Gains recognised directly in reserves	**-**	**-**	**322**	**-**	**322**
Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	**-**	**2,892**	**-**	**-**	**2,892**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**(7,733)**	**-**	**-**	**(7,733)**
Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	**-**	**(1,885)**	**75**	**-**	**(1,810)**
Share of other comprehensive income (losses) of associated companies	**285**	**(2,417)**	**(175)**	**(112)**	**(2,419)**
Share of other comprehensive income (losses) of joint ventures	**381**	**(4,145)**	**(186)**	**32**	**(3,918)**
Tax relating to components of other comprehensive income (losses)	**(70)**	**-**	**(66)**	**-**	**(136)**
Other comprehensive income (losses), net of tax	**1,051**	**(13,288)**	**(30)**	**(1,590)**	**(13,857)**
Hedging reserve gains transferred to the carrying value of non-financial item during the year	**-**	**-**	**(14)**	**-**	**(14)**
Impact of hyperinflation	**(173)**	**208**	**-**	**(14)**	**21**
Dividends paid relating to 2017	**(7,985)**	**-**	**-**	**-**	**(7,985)**
Dividends paid relating to 2018	**(3,356)**	**-**	**-**	**-**	**(3,356)**
Redemption of perpetual capital securities	**-**	**1,740**	**-**	**-**	**1,740**
Transaction costs in relation to issuance of perpetual capital securities	**(33)**	**-**	**-**	**-**	**(33)**
Buy-back and cancellation of issued shares (see note 29(a)(i))	**(1)**	**-**	**-**	**-**	**(1)**
Share option schemes and long term incentive plans of subsidiary companies	**4**	**-**	**-**	**23**	**27**
Transfer of loss on disposal of equity securities at FVOCI * to retained profits	**(16)**	**-**	**-**	**16**	**-**
Unclaimed dividends write back of a subsidiary	**6**	**-**	**-**	**-**	**6**
Relating to purchase of non-controlling interests	**-**	**-**	**-**	**(28)**	**(28)**
Relating to partial disposal of subsidiary companies	**4**	**3**	**-**	**268**	**275**
Gains previously in other reserves related to deemed disposed of associated companies during the year transferred directly to retained profit	**3**	**-**	**-**	**(3)**	**-**
At 31 December 2018	**576,381**	**(31,979)**	**(2,138)**	**(344,346)**	**197,918**

* See note 41.

30 Reserves (continued)

	2017				
	Attributable to ordinary shareholders				
	Retained profit	Exchange reserve	Hedging reserve	Others [a]	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 January 2017	520,616	(30,832)	(1,982)	(341,996)	145,806
Profit for the year	35,100	-	-	-	35,100
Other comprehensive income (losses) [b]					
Available-for-sale investments					
Valuation gains recognised directly in reserves	-	-	-	145	145
Valuation gains previously in reserves recognised in income statement	-	-	-	(36)	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,268	-	-	-	1,268
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Losses recognised directly in reserves	-	-	(134)	-	(134)
Losses previously in reserves recognised in initial cost of non-financial items	-	-	1	-	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	-	(3,847)	-	-	(3,847)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	-	2,551	-	-	2,551
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	-	20	2	-	22
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	9	-	-	(9)	-
Share of other comprehensive income (losses) of associated companies	101	2,897	(126)	78	2,950
Share of other comprehensive income of joint ventures	178	8,569	188	54	8,989
Tax relating to components of other comprehensive income (losses)	(151)	-	(43)	-	(194)
Other comprehensive income (losses), net of tax	1,405	10,190	(112)	232	11,715
Dividends paid relating to 2016	(7,503)	-	-	-	(7,503)
Dividends paid relating to 2017	(3,009)	-	-	-	(3,009)
Transaction costs in relation to issuance of perpetual capital securities	(62)	-	-	-	(62)
Transaction costs in relation to issuance of shares of a subsidiary	(41)	-	-	-	(41)
Transaction costs in relation to equity contribution from non-controlling interests	(14)	-	-	-	(14)
Share option schemes and long term incentive plans of subsidiary companies	-	-	-	9	9
Unclaimed dividends write back of a subsidiary	6	-	-	-	6
Relating to purchase of non-controlling interests	-	-	-	(342)	(342)
Relating to partial disposal of subsidiary companies	-	-	-	28	28
At 31 December 2017	546,498	(20,642)	(2,094)	(342,069)	181,693

(a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2018, revaluation reserve deficit amounted to HK$2,985 million (1 January 2018 - HK$503 million and 1 January 2017 - HK$792 million), and other capital reserves deficit amounted to HK$341,361 million (1 January 2018 - HK$341,566 million and 1 January 2017 - HK$341,204 million). Included in the other capital reserves account is a deficit of HK$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.

30 Reserves (continued)

(b) Set out below are the before and after related tax effects of other comprehensive income (losses) for the year:

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

	2017		
	Before-tax amount HK$ million	Tax effect HK$ million	Net-of-tax amount HK$ million
Available-for-sale investments			
Valuation gains recognised directly in reserves	149	-	149
Valuation gains previously in reserves recognised in income statement	(36)	-	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,730	(213)	1,517
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(114)	(50)	(164)
Losses previously in reserves recognised in initial cost of non-financial items	1	-	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	(4,683)	-	(4,683)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	4,625	-	4,625
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	40	-	40
Share of other comprehensive income of associated companies	3,167	-	3,167
Share of other comprehensive income of joint ventures	10,315	-	10,315
	15,194	(263)	14,931

* See note 41.

31 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2018 HK$ million	2017 HK$ million
Profit after tax	**46,580**	43,602
Less: share of profits less losses of		
Associated companies	**(2,888)**	(6,797)
Joint ventures	**(10,220)**	(12,500)
	33,472	24,305
Adjustments for:		
Current tax charge	**3,912**	5,415
Deferred tax credit	**(1,294)**	(2,599)
Interest expenses and other finance costs	**9,797**	8,274
Depreciation and amortisation	**19,739**	17,105
Others	**61**	11
EBITDA of Company and subsidiaries (i)	**65,687**	52,511
Loss (profit) on disposal of fixed assets	**22**	(1,943)
Dividends received from associated companies and joint ventures	**14,519**	19,029
Profit on disposal of subsidiaries, associated companies and joint ventures	**(2,641)**	(2,829)
Other non-cash items	**(4,997)**	1,369
	72,590	68,137

(i) Reconciliation of EBITDA:

	2018 HK$ million	2017 HK$ million
EBITDA of Company and subsidiaries	**65,687**	52,511
Divesture of infrastructure investments	**(645)**	-
	65,042	52,511
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	**2,888**	6,797
Joint ventures	**10,220**	12,500
Adjustments for:		
Depreciation and amortisation	**21,615**	19,921
Interest expenses and other finance costs	**8,463**	9,750
Current tax charge	**3,813**	2,483
Deferred tax charge	**1,652**	756
Non-controlling interests	**700**	388
Others	**(61)**	(11)
	49,290	52,584
EBITDA (see notes 3(b)(ii) and 3(b)(xiii))	**114,332**	105,095

(b) Changes in working capital

	2018 HK$ million	2017 HK$ million
Increase in inventories	**(2,433)**	(1,825)
Increase in debtors and prepayments	**(2,166)**	(5,320)
Increase in creditors	**5,224**	2,771
Other non-cash items	**(2,236)**	4,078
	(1,611)	(296)

31 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

During the year, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	Wind Tre HK$ million	**Others HK$ million**	**2018 HK$ million**	2017 HK$ million
Purchase consideration transferred:				
Cash and cash equivalents paid	**21,744**	**38**	**21,782**	3,925
Deferred consideration	**-**	**11**	**11**	-
Non-cash consideration	**-**	**498**	**498**	-
Fair value of investments held by the Company prior to acquisition	**39,342**	**278**	**39,620**	-
	61,086	**825**	**61,911**	3,925
Fair value				
Fixed assets	**17,804**	**365**	**18,169**	445
Leasehold land	**-**	**-**	**-**	105
Telecommunications licences	**32,484**	**318**	**32,802**	1,962
Brand names and other rights	**22,979**	**-**	**22,979**	134
Deferred tax assets	**-**	**2**	**2**	249
Other non-current assets	**20**	**-**	**20**	-
Cash and cash equivalents	**7,396**	**63**	**7,459**	201
Trade and other receivables	**14,831**	**310**	**15,141**	195
Contract assets	**1,863**	**-**	**1,863**	-
Inventories	**661**	**50**	**711**	4
Assets held for sale	**2,007**	**-**	**2,007**	-
Creditors and current tax liabilities	**(30,109)**	**(556)**	**(30,665)**	(504)
Contract liabilities	**(1,738)**	**(38)**	**(1,776)**	-
Bank and other debts	**(93,829)**	**(27)**	**(93,856)**	(20)
Pension obligations	**(589)**	**(5)**	**(594)**	(11)
Other non-current liabilities	**(9,854)**	**(55)**	**(9,909)**	-
Net identifiable assets (liabilities) acquired	**(36,074)**	**427**	**(35,647)**	2,760
Non-controlling interests	**-**	**(44)**	**(44)**	(106)
	(36,074)	**383**	**(35,691)**	2,654
Goodwill	**97,160**	**442**	**97,602**	1,271
Total consideration	**61,086**	**825**	**61,911**	3,925
Net cash outflow (inflow) arising from acquisition:				
Cash and cash equivalents paid	**21,744**	**38**	**21,782**	3,925
Cash and cash equivalents acquired	**(7,396)**	**(63)**	**(7,459)**	(201)
Total net cash outflow (inflow)	**14,348**	**(25)**	**14,323**	3,724

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

Acquisition related costs of approximately HK$145 million (2017 - HK$58 million) had been charged to income statement during the year and included in the line item titled other operating expenses.

The subsidiaries acquired during the current year contributed HK$14,566 million to the Group's revenue and HK$3,773 million to the Group's profit before tax since the respective date of acquisition.

For the year ended 31 December 2017, the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the comparative year since the respective date of acquisition were not material.

31 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2018 HK$ million	2017 HK$ million
Consideration received or receivable		
Cash and cash equivalents	**1,628**	14,556
Non-cash consideration	**-**	1,920
Total disposal consideration	**1,628**	16,476
Carrying amount of net assets disposed	**(644)**	(13,764)
Cumulative exchange gains (losses) in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	**(70)**	4
Gain on disposal*	**914**	2,716
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	**1,628**	14,556
Less: Cash and cash equivalents disposed	**(507)**	(355)
Total net cash consideration	**1,121**	14,201
Analysis of assets and liabilities over which control was lost		
Fixed assets	**339**	6,733
Leasehold land	**68**	-
Goodwill	**-**	5,929
Brand names and other rights	**-**	503
Associated companies	**-**	673
Interests in joint ventures	**-**	(1)
Liquid funds and other listed investments	**-**	4
Trade and other receivables	**28**	1,850
Inventories	**11**	5
Creditors and current tax liabilities	**(19)**	(1,630)
Bank and other debts	**-**	(9)
Deferred tax liabilities	**(7)**	(657)
Non-controlling interests	**(283)**	9
Net assets (excluding cash and cash equivalents) disposed	**137**	13,409
Cash and cash equivalents disposed	**507**	355
Net assets disposed	**644**	13,764

* The gains on disposal for the year ended 31 December 2018 and 2017 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2018 and 2017.

31 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

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

	Bank and other debts HK$ million	Interest bearing loans from non-controlling shareholders HK$ million	Interest free loans from non-controlling shareholders HK$ million	Liabilities relating to the economic benefits agreements HK$ million	Total HK$ million
At 1 January 2017	303,140	4,283	927	-	308,350
Financing cash flows					
New borrowings	100,488	-	-	-	100,488
Repayment of borrowings	(87,674)	-	-	-	(87,674)
Net loans to non-controlling shareholders	-	(1,523)	(616)	-	(2,139)
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	210	-	-	-	210
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(103)	-	-	-	(103)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,725)	-	-	-	(1,725)
Relating to subsidiaries acquired (see note 31(c))	20	-	-	-	20
Relating to subsidiaries disposed (see note 31(d))	(9)	-	-	-	(9)
Exchange translation differences	17,641	383	78	-	18,102
At 31 December 2017 and 1 January 2018	**331,988**	**3,143**	**389**	**-**	**335,520**
Financing cash flows					
New borrowings	**55,313**	**-**	**-**	**-**	**55,313**
Repayment of borrowings	**(54,961)**	**-**	**-**	**-**	**(54,961)**
Net loans to non-controlling shareholders	**-**	**(181)**	**(4)**	**-**	**(185)**
Consideration received from the economic benefits agreements (see note 28(b))	**-**	**-**	**-**	**14,308**	**14,308**
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	**235**	**-**	**-**	**-**	**235**
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	**(115)**	**-**	**-**	**-**	**(115)**
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	**(1,522)**	**-**	**-**	**-**	**(1,522)**
Relating to subsidiaries acquired (see note 31(c))	**93,856**	**-**	**-**	**-**	**93,856**
Derecognition of notes and bonds *	**(5,633)**	**-**	**-**	**-**	**(5,633)**
Exchange translation differences	**(9,898)**	**(139)**	**-**	**-**	**(10,037)**
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	**(57,707)**	**(2,071)**	**-**	**-**	**(59,778)**
At 31 December 2018	**351,556**	**752**	**385**	**14,308**	**367,001**

* via transfer from liquid funds and other listed investments

32 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

33 Pledge of assets

At 31 December 2018, assets of the Group totalling HK$111,017 million (2017 - HK$27,990 million) were pledged as security for bank and other debts. The increase is mainly attributable to an acquisition of a subsidiary during the year.

34 Contingent liabilities

At 31 December 2018, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK$4,138 million (2017 - HK$3,911 million).

The amount utilised by its associated companies and joint ventures are as follows:

	2018 **HK$ million**	2017 HK$ million
To associated companies	**2,777**	2,687
To joint ventures	**728**	623

At 31 December 2018, the Group had provided performance and other guarantees of HK$2,885 million (2017 - HK$3,307 million).

35 Commitments

The Group's outstanding commitments contracted for at 31 December 2018, where material, not provided for in the financial statements at 31 December 2018 are as follows:

Capital commitments
(a) Ports and Related Services - HK$214 million (2017 - HK$73 million)
(b) **3** Group Europe - HK$6,441 million (2017 - HK$3,271 million)
(c) Telecommunications, Hong Kong and Asia - HK$2,092 million (2017 - HK$1,836 million)
(d) Other fixed assets - HK$276 million (2017 - HK$187 million)

Operating lease commitments - future aggregate minimum lease payments for land and buildings leases
(a) In the first year - HK$13,517 million (2017 - HK$11,494 million)
(b) In the second to fifth years inclusive - HK$23,516 million (2017 - HK$21,947 million)
(c) After the fifth year - HK$45,133 million (2017 - HK$41,343 million)

Operating lease commitments - future aggregate minimum lease payments for other assets
(a) In the first year - HK$1,850 million (2017 - HK$1,041 million)
(b) In the second to fifth years inclusive - HK$3,870 million (2017 - HK$2,528 million)
(c) After the fifth year - HK$698 million (2017 - HK$400 million)

36 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 14 and 15. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US$25 million which will mature in 2019.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

37 Legal proceedings

As at 31 December 2018, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

38 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation into US dollars (US$) of these financial statements as of, and for the year ended, 31 December 2018, is for convenience only and has been made at the rate of HK$7.8 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

39 Profit before tax

Profit before tax is shown after charging the following items:

		2018	2017
		HK$ million	HK$ million
Operating leases			
Properties		**18,896**	17,081
Hire of plant and machinery		**2,105**	2,023
Auditors' remuneration			
Audit and audit related work	- PricewaterhouseCoopers	**201**	163
	- other auditors	**22**	17
Non-audit work	- PricewaterhouseCoopers	**41**	35
	- other auditors	**48**	63

40 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes elsewhere in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2018 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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.

40 Significant accounting policies (continued)

(d) Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 1/3 - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 20%
Rolling stock and other railway assets	2.5 - 5%
Water and sewerage infrastructure assets	0.5 - 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount.

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

(h) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have indefinite useful lives to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(i) Customer acquisition and retention costs

(i) Policy applied from 1 January 2018

Customer acquisition and retention costs ("CACs") comprise the net costs to acquire and retain customers, which are mainly mobile telecommunication 3G and LTE customers. CACs are expensed and recognised in the income statement in the period in which they are incurred, except (i) the costs are incremental of obtaining a contract and they are expected to be recovered; and (ii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

40 Significant accounting policies (continued)

(i) Customer acquisition and retention costs (continued)

(ii) Policy applied prior to 1 January 2018

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(j) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to seven years over the expected useful life of the customer relationship.

(l) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(m) Liquid funds and other listed investments and other unlisted investments and other financial assets

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

(i) Policy applied from 1 January 2018 - see note 41(a)(i) and (ii)

(ii) Policy applied prior to 1 January 2018

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

40 Significant accounting policies (continued)

(m) Liquid funds and other listed investments and other unlisted investments and other financial assets (continued)

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" ("AFS") are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

(n) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Group designates certain derivative financial instruments as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Certain derivative financial instruments are designated as hedges of the foreign exchange risk of a net investment in a foreign operation. The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset. For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

Hedge of net investments in foreign operations

The effective portion of any foreign exchange gain or loss on the derivative financial instruments is recognised in other comprehensive income and accumulated in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

40 Significant accounting policies (continued)

(o) Trade and other receivables, and contract assets

Trade receivables are recognised when the Group's right to consideration is unconditional that only the passage of time is required before the payment is due.

Contract assets primarily relate to the Group’s rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Trade and other receivables and contract assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measured the loss allowance for its trade and other receivables and contract assets at an amount equal to the lifetime expected credit losses. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(p) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(r) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Trade and other payables, and contract liabilities

Trade and other payables and contract liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

(t) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

(u) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

40 Significant accounting policies (continued)

(w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset’s fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group’s contributions to the defined contribution plans are charged to the income statement in the year incurred.

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

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

Pension costs are charged to the income statement within staff costs.

(z) Share-based payments

The Company has no share option scheme but certain of the Company’s subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies’ estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

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.

40 Significant accounting policies (continued)

(aa) Foreign exchange (continued)

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ending after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions in 2018 and non-monetary balances at the end of the current year of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 183 in December 2018 (2017 -125) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

(ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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.

40 Significant accounting policies (continued)

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Ports and Related Services

Revenue from the provision of ports and related services is recognised over time when the services are rendered and the Group's performance provides the benefits received and consumed simultaneously by the customer.

Retail

Revenue from the sale of retail goods is recognised at point of sale less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually settled in cash or by credit card and debit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

Infrastructure

Operating lease income from the rental of rolling stock assets is recognised on a straight-line basis over the lease term.

Revenue from the provision of water and wastewater services to customers is recognised pro-rata over the period to which they relate. Revenue received in respect of contributions to capital investment was previously recognised as deferred income in the statement of financial position and amortised to the income statement over the useful life of the associated assets. From 1 January 2018, contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, and other contributions to capital investment, most significantly mains and sewer diversions, the contributions are recognised in full in the income statement upon completion of the investment, which are typically the point at which the associated asset is brought into use.

Revenue from the provision of waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations were previously recognised in the period in which the services were rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. From 1 January 2018, revenue from provision of these services is recognised when a performance obligation is satisfied, which is recognised at a point of time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Energy

Prior to 1 January 2018, revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products was recognised when the title passes to the customer, and revenue associated with the sale of transportation, processing and natural gas storage services was recognised when the service is provided. From 1 January 2018, revenue is recognised when the performance obligations are satisfied and revenue can be reliably measured. Performance obligations associated with the sale of crude oil, crude oil equivalents, and refined products are satisfied at the point in time when the products are delivered to and title passes to the customer. Performance obligations associated with processing services, transportation, blending and storage, and marketing services are satisfied at the point in time when the services are provided.

Telecommunications services

Revenue represents amounts earned for services rendered and for the sale of mobile and related devices. The Group recognises revenue for mobile devices when it transfers the control over the device to the customer which is usually the time the customer signs up to a contract. The Group recognises revenue for mobile telecommunication services as the services are rendered. Monthly recurring charges and additional airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each period is accrued, and unearned monthly access charges relating to periods after each accounting period are deferred. Products and services may be sold separately or in a bundled transaction. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

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 2018, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2015-2017 Cycle (i)	Improvements to HKFRSs
HKAS 1 and HKAS 8 (Amendments) (ii)	Definition of Material
HKAS 28 (Amendments) (i)	Long-term Interests in Associates and Joint Ventures
HKAS 19 (Amendments) (i)	Plan Amendment, Curtailment and Settlement
HKFRS 3 (Amendments) (ii)	Definition of a Business
HKFRS 9 (Amendments) (i)	Prepayment Features with Negative Compensation
HKFRS 16 (i)	Leases
HKFRS 10 and HKAS 28 (Amendments) (iii)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) Interpretation 23 (i)	Uncertainty over Income Tax Treatments

(i) Effective for the Group for annual periods beginning on or after 1 January 2019.
(ii) Effective for the Group for annual periods beginning on or after 1 January 2020.
(iii) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

The Group is continuing to assess the implications of the adoption of these standards.

41 Changes in significant accounting policies

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised below. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

(a) HKFRS 9

The adoption of HKFRS 9 has resulted in changes in accounting policies. While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. In addition, changes to hedge accounting policies have been applied prospectively. Therefore, comparative balances have not been restated and continue to be reported under the accounting policies prevailing prior to 1 January 2018. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 January 2018.

HKFRS 9 largely retains the requirements in HKAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. However, HKFRS 9 eliminates the HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. From 1 January 2018, the Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to classify and measure financial assets in accordance with HKFRS 9 categories: as measured at amortised cost, at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL").

The adoption of HKFRS 9 has resulted in a HK$36 million increase in the opening balance of total equity on 1 January 2018. The impact is attributable to changes in classification and measurement by certain of the Group's joint ventures and associated companies of their financial assets to HKFRS 9 categories.

Set out below are further details on the changes in significant accounting policies under HKFRS 9 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

(i) Measurement

Debt instrument financial assets subsequent to initial recognition are measured as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

41 Changes in significant accounting policies (continued)

(a) HKFRS 9 (continued)

(i) Measurement (continued)

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.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, unlike the previous policies under HKAS 39 there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. During the year, certain joint ventures have disposed of equity investments. Under the new guidance, the Group's share of the fair value gains accumulated in the investment revaluation reserve account of the joint ventures relating to the investments disposed of amounting to HK$100 million is not reflected in the Group's income statement for the year ended 31 December 2018.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking expected credit loss model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items. The application of this new guidance represents a change in accounting policy. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of assets. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

(iii) Hedge accounting

The Group applies the new hedge accounting model prospectively from 1 January 2018, as no hedging relationships existed on or were designated after 1 January 2017 (the beginning of the comparative period) that would require retrospective application of the new hedge accounting treatment. Accordingly, no adjustment was made to the opening balance of retained profits and other reserves on 1 January 2018. All hedge accounting relationships designated under the previous HKAS 39 have continued to be valid hedge accounting relationships in accordance with HKFRS 9.

Previously under HKAS 39, entities can designate as hedging instrument only the change in the intrinsic value of an option or the spot element of a forward contract. Under these situations, the changes in the fair value of the time value of the option or the forward points, which can be considered as a cost of hedging, are accounted for in profit or loss in the period, therefore resulting in volatility. Under the HKFRS 9 hedging model when only the change in the intrinsic value of an option or the spot element of a forward contract is designated in the hedge relationship, all fluctuations in the fair value of the time value or forward points over time is recorded in other comprehensive income instead of affecting profit or loss immediately. The subsequent timing in the recognition in profit or loss of these amounts recognised in other comprehensive income depends on the nature of the hedged transaction, distinguishing between transaction related hedged items and time-period related hedged items. The amount accumulated in other comprehensive income will be included in the measurement of the hedged item or reclassified to profit or loss in the same periods during which the hedged item affects profit or loss (in the case of a transaction related hedged item), or be amortised to profit or loss on a rational basis, such as over the time periods during which the cost of hedging provides protection against risk, (in the case of a time-period related hedged item). This guidance also applies to foreign currency basis spreads.

41 Changes in significant accounting policies (continued)

(b) HKFRS 15

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of retained profits (or other component of equity, as appropriate) on 1 January 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

The Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to apply the new guidance from 1 January 2018. The application of the new guidance has resulted in a HK$758 million increase in the opening balance of total equity on 1 January 2018, which is mainly attributable to the capitalisation of the incremental cost of obtaining a contract, as explained further below.

Set out below are details of the changes in significant accounting policies under HKFRS 15 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

Previously, under the Group's accounting policies the costs associated with obtaining a contract are expensed as incurred. The accounting for some of these costs has changed upon adoption of HKFRS 15. Under the new guidance, the incremental cost of obtaining a contract is now recognised as an asset when incurred, and expensed over the customer contract period. Incremental costs of obtaining a contract are those costs that would not have incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). This new policy applied to the Group from 1 January 2018 is similar to that applicable by a subsidiary acquired during the year prior to 1 January 2018 with respect to certain types of its contracts with customers, and for which this newly acquired subsidiary has recognised HK$698 million as an asset and expensed HK$146 million as depreciation and amortisation charge from the date of its acquisition to 31 December 2018. Accordingly, these amounts have been excluded from adoption impacts discussed below. The adoption of this guidance has resulted in an increase of HK$830 million in the opening balance of the Group's total equity at 1 January 2018, and a HK$982 million reduction in Expensed customer acquisition and retention costs and a HK$1,042 million increase in Depreciation and amortisation for the year ended 31 December 2018.

Under HKFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The new revenue standard introduces specific criteria for determining when revenue is recognised. As a result of adopting this new guidance, the opening balance of the Group's total equity has been reduced by HK$72 million and the Group's revenue for the year ended 31 December 2018 has been increased by HK$19 million, reflecting the change in assessment in respect of the timing of satisfaction of the performance obligations related to certain revenue streams at the subsidiaries, joint ventures and associated companies levels.

In addition, HKFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. Prior to the adoption of HKFRS 15, based on the existence of credit risks and other factors, certain entities within the Retail and Finance & Investments and Others divisions of the Group concluded that they have an exposure to the significant risks and rewards associated with certain sale arrangements to their customers, and accounted for the contracts as if they were a principal. In applying the new guidance, they determined that they do not control the goods before they are transferring to customers, and hence, are an agent in these contracts. This change has no impact on the total equity on 1 January 2018 and 31 December 2018. However, the amounts for revenue and other operating expenses reported on the consolidated income statement for the year ended 31 December 2018 would have been both higher by HK$1,442 million if these contracts were reported under the previous accounting policies where the same group entities would have accounted for the contracts as if they were a principal.

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15

(i) on the opening consolidated statement of financial position on 1 January 2018

As explained above, HKFRS 9 and HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

	31 December 2017 As previously reported HK$ million	Effect on adoption of HKFRS 9 HK$ million	Effect on adoption of HKFRS 15 HK$ million	1 January 2018 As adjusted HK$ million
Non-current assets				
Fixed assets	158,789	-	-	158,789
Investment properties *	360	-	-	360
Leasehold land	8,305	-	-	8,305
Telecommunications licences	27,271	-	-	27,271
Brand names and other rights	75,985	-	-	75,985
Goodwill	255,334	-	-	255,334
Associated companies	145,343	128	-	145,471
Interests in joint ventures	162,134	(92)	143	162,185
Deferred tax assets	20,195	-	(186)	20,009
Liquid funds and other listed investments	7,813	-	-	7,813
Other non-current assets	5,180	-	1,336	6,516
	866,709	36	1,293	868,038
Current assets				
Cash and cash equivalents	160,470	-	-	160,470
Inventories	21,708	-	-	21,708
Trade receivables and other current assets	51,368	-	(256)	51,112
	233,546	-	(256)	233,290
Current liabilities				
Bank and other debts	21,712	-	-	21,712
Current tax liabilities	2,948	-	-	2,948
Trade payables and other current liabilities	90,228	-	920	91,148
	114,888	-	920	115,808
Net current assets	118,658	-	(1,176)	117,482
Total assets less current liabilities	985,367	36	117	985,520
Non-current liabilities				
Bank and other debts	310,276	-	-	310,276
Interest bearing loans from non-controlling shareholders	3,143	-	-	3,143
Deferred tax liabilities	25,583	-	118	25,701
Pension obligations	3,770	-	-	3,770
Other non-current liabilities	51,048	-	(759)	50,289
	393,820	-	(641)	393,179
Net assets	591,547	36	758	592,341
Capital and reserves				
Share capital	3,858	-	-	3,858
Share premium	244,505	-	-	244,505
Reserves	181,693	14	416	182,123
Total ordinary shareholders' funds *	430,056	14	416	430,486
Perpetual capital securities	29,481	-	-	29,481
Non-controlling interests	132,010	22	342	132,374
Total equity	591,547	36	758	592,341

* With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. The balances presented above have reflected this new presentation.

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(ii) on the consolidated income statement for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018	Effect on adoption of HKFRS 9	Effect on adoption of HKFRS 15	As presented under accounting policies from 1 January 2018
	HK$ million	HK$ million	HK$ million	HK$ million
Revenue	278,552	-	(1,423)	277,129
Cost of inventories sold	(109,564)	-	-	(109,564)
Staff costs	(36,478)	-	-	(36,478)
Expensed customer acquisition and retention costs	(17,106)	-	982	(16,124)
Depreciation and amortisation	(18,697)	-	(1,042)	(19,739)
Other operating expenses	(50,985)	130	1,518	(49,337)
Share of profits less losses of:				
Associated companies	2,858	31	(1)	2,888
Joint ventures	10,384	(96)	(68)	10,220
	58,964	65	(34)	58,995
Interest expenses and other finance costs	(9,797)	-	-	(9,797)
Profit before tax	49,167	65	(34)	49,198
Current tax	(3,907)	-	(5)	(3,912)
Deferred tax	1,304	-	(10)	1,294
Profit after tax	46,564	65	(49)	46,580
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,573)	(12)	5	(7,580)
Profit attributable to ordinary shareholders	38,991	53	(44)	39,000
Earnings per share for profit attributable to ordinary shareholders	HK$ 10.11	HK$0.01	(HK$0.01)	HK$ 10.11

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iii) on the consolidated statement of comprehensive income for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK$ million	Effect on adoption of HKFRS 9 HK$ million	Effect on adoption of HKFRS 15 HK$ million	As presented under accounting policies from 1 January 2018 HK$ million
Profit after tax	46,564	65	(49)	46,580
Other comprehensive income (losses)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations recognised directly in reserves	615	-	-	615
Equity securities at FVOCI				
Valuation losses recognised directly in reserves	(1,637)	(15)	-	(1,652)
Valuation losses previously in reserves recognised in income statement	2	(2)	-	-
Share of other comprehensive income of associated companies	262	(38)	-	224
Share of other comprehensive income of joint ventures	463	83	-	546
Tax relating to items that will not be reclassified to profit or loss	(93)	-	-	(93)
	(388)	28	-	(360)
Items that have been reclassified or may be subsequently reclassified to profit or loss:				
Debt securities at FVOCI				
Valuation losses recognised directly in reserves	(20)	-	-	(20)
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)				
Gains recognised directly in reserves	363	-	-	363
Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	3,735	-	-	3,735
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	(9,294)	-	(11)	(9,305)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	(2,093)	-	-	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,844)	9	-	(2,835)
Share of other comprehensive income (losses) of joint ventures	(5,299)	-	(8)	(5,307)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(66)	(3)	-	(69)
	(15,518)	6	(19)	(15,531)
Other comprehensive income (losses), net of tax	(15,906)	34	(19)	(15,891)
Total comprehensive income	30,658	99	(68)	30,689
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(5,557)	(10)	21	(5,546)
Total comprehensive income attributable to ordinary shareholders	25,101	89	(47)	25,143

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iv) on the consolidated statement of financial position on 31 December 2018

	As at 31 December 2018			
	As presented under accounting policies pre 1 January 2018	Effect on adoption of HKFRS 9	Effect on adoption of HKFRS 15	As presented under accounting policies from 1 January 2018
	HK$ million	HK$ million	HK$ million	HK$ million
Non-current assets				
Fixed assets	110,605	-	-	110,605
Leasehold land	7,702	-	-	7,702
Telecommunications licences	64,221	-	-	64,221
Brand names and other rights	88,761	-	-	88,761
Goodwill	323,160	-	-	323,160
Associated companies	136,161	127	(1)	136,287
Interests in joint ventures	118,007	4	42	118,053
Deferred tax assets	20,444	-	(184)	20,260
Liquid funds and other listed investments	9,292	-	-	9,292
Other non-current assets	9,148	-	1,569	10,717
	887,501	131	1,426	889,058
Current assets				
Cash and cash equivalents	135,411	-	-	135,411
Inventories	23,410	-	-	23,410
Trade receivables and other current assets	64,425	4	(603)	63,826
	223,246	4	(603)	222,647
Assets classified as held for sale	120,377	-	162	120,539
	343,623	4	(441)	343,186
Current liabilities				
Bank and other debts	25,986	-	-	25,986
Current tax liabilities	2,069	-	2	2,071
Trade payables and other current liabilities	115,559	-	713	116,272
	143,614	-	715	144,329
Liabilities directly associated with assets classified as held for sale	78,020	-	(420)	77,600
	221,634	-	295	221,929
Net current assets	121,989	4	(736)	121,257
Total assets less current liabilities	1,009,490	135	690	1,010,315
Non-current liabilities				
Bank and other debts	325,570	-	-	325,570
Interest bearing loans from non-controlling shareholders	752	-	-	752
Deferred tax liabilities	19,261	-	-	19,261
Pension obligations	2,443	-	-	2,443
Other non-current liabilities	71,466	-	-	71,466
	419,492	-	-	419,492
Net assets	589,998	135	690	590,823
Capital and reserves				
Share capital	3,856	-	-	3,856
Share premium	244,377	-	-	244,377
Reserves	197,446	103	369	197,918
Total ordinary shareholders' funds	445,679	103	369	446,151
Perpetual capital securities	12,326	-	-	12,326
Non-controlling interests	131,993	32	321	132,346
Total equity	589,998	135	690	590,823

41 Changes in significant accounting policies (continued)

(d) Standards issued but not yet effective and applied by the Group

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted these new or amended standards in preparing these financial statements. The Group is in the process of making an assessment of what the impact of these standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the Group's financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases" replaces HKAS 17 "Leases" and is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019.

As disclosed in note 40(w), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases which are currently classified as operating leases.

The new lease standard requires lessees to account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases over the lease term.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. With all other variables remaining constant, the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year. In addition, leasing expenses will no longer be presented as operating cash outflows in the statement of cash flows, but will be included as part of the financing cash outflow. Interest expenses from the newly recognised lease liability may be presented in the cash flow from operating or from financing activities.

The Group plans to elect the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

Other than the impacts discussed above, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the actual impact upon the initial adoption of this standard may differ as the assessment carried out to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its elections on transition options, practical expedients and recognition exemptions, until the standard is initially applied in that financial report.

42 Critical accounting estimates and judgements

Note 40 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

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

(a) Basis of consolidation

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

(b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

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

(c) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(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.

42 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation (continued)

(ii) Telecommunications licences, other licences, brand names, trademarks and other rights (continued)

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

(iii) Customer acquisition and retention costs

From 1 January 2018, in accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred after 31 December 2017; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

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

Prior to 1 January 2018, all customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(d) Goodwill

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

(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.

42 Critical accounting estimates and judgements (continued)

(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.

(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.

42 Critical accounting estimates and judgements (continued)

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 40(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 40(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

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

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

43 Financial risk management

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

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$144,703 million at 31 December 2018 (2017 - HK$168,283 million), mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, redemption of certain perpetual capital securities, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses, issuance of perpetual capital securities and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies (2017 - 23% were denominated in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies).

Cash and cash equivalents represented 94% (2017 - 95%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2017 - 4%) and listed equity securities 2% (2017 - 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56% (2017 - 56%), government and government guaranteed notes of 17% (2017 - 17%), notes issued by the Group's associated company, Husky Energy of 4% (2017 - 4%), notes issued by financial institutions of nil (2017 - 1%), and others of 23% (2017 - 22%). Of these US Treasury notes and listed / traded debt securities, 80% (2017 - 79%) are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.2 years (2017 - 2.4 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

At 31 December 2018, approximately 39% (2017 - approximately 36%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 61% (2017 - approximately 64%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$9,100 million (2017 - approximately HK$9,600 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$50,613 million (2017 - HK$27,950 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% (2017 - approximately 30%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% (2017 - approximately 70%) were at fixed rates at 31 December 2018. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

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 2018, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK$50,537 million (2017 - HK$59,430 million).

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings.

As at 31 December 2018, the Group's total principal amount of bank and other debts are denominated as follows: 44% in US dollars, 42% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 42% in US dollars, 21% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$38,610 million (2017 - HK$23,010 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in US dollars, 53% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 35% in US dollars, 28% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies).

(d) **Credit exposure**

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

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

(e) **Market price risk**

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 6% (2017 - approximately 5%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) **Market risks sensitivity analyses**

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 20)
- some of the listed debt securities and managed funds (see note 17) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 17) that bear interest at floating rate
- some of the bank and other debts (see note 23) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 26)

Under these assumptions, the impact of a hypothetical 100 basis points (2017 - 100 basis points) increase in market interest rate at 31 December 2018, with all other variables held constant:

- profit for the year would increase by HK$398 million due to increase in interest income (2017- HK$674 million);
- total equity would increase by HK$398 million due to increase in interest income (2017 - HK$674 million); and
- total equity would increase by HK$1,828 million due to change in fair value of derivative financial instruments (2017 - HK$728 million).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward foreign exchange contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

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 20)
- some of the liquid funds and other listed investments (see note 17)
- some of the bank and other debts (see note 23)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2018		2017	
	Hypothetical increase (decrease) in profit after tax HK$ million	**Hypothetical increase (decrease) in total equity HK$ million**	Hypothetical increase (decrease) in profit after tax HK$ million	Hypothetical increase (decrease) in total equity HK$ million
Euro	**11**	**(473)**	20	(340)
British Pounds	**47**	**(1,106)**	76	(1,248)
Australian dollars	**63**	**(386)**	64	(359)
Renminbi	**14**	**14**	12	12
US dollars	**1,523**	**1,523**	2,281	2,281
Japanese Yen	**(106)**	**(106)**	(104)	(104)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair values. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- FVOCI (see note 17)
- available-for-sale investments (see note 17)
- financial assets at fair value through profit or loss (see note 17)

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's FVOCI, available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK$5 million (2017 - HK$8 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$5 million (2017 - HK$8 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$456 million (2017 - HK$383 million) due to increase in gains on FVOCI (2017 - available-for-sale investments) which are recognised in other comprehensive income.

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2018						
Trade payables	29,233	-	-	29,233	-	29,233
Other payables and accruals	76,244	-	-	76,244	-	76,244
Interest free loans from non-controlling shareholders	385	-	-	385	-	385
Bank loans	5,943	111,235	-	117,178	(205)	116,973
Other loans	38	310	100	448	-	448
Notes and bonds	19,710	90,877	118,705	229,292	4,843	234,135
Interest bearing loans from non-controlling shareholders	752	-	-	752	-	752
Obligations for telecommunications licences and other rights	745	8,070	2,134	10,949	(1,336)	9,613
	133,050	210,492	120,939	464,481	3,302	467,783

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,729 million in "within 1 year" maturity band, HK$27,399 million in "after 1 year, but within 5 years" maturity band, and HK$13,001 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

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)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2017						
Trade payables	19,252	-	-	19,252	-	19,252
Other payables and accruals	69,144	-	-	69,144	-	69,144
Interest free loans from non-controlling shareholders	389	-	-	389	-	389
Bank loans	19,080	87,355	4,736	111,171	(291)	110,880
Other loans	249	668	611	1,528	(3)	1,525
Notes and bonds	2,377	84,391	123,349	210,117	9,466	219,583
Interest bearing loans from non-controlling shareholders	-	956	2,187	3,143	-	3,143
Obligations for telecommunications licences and other rights	836	3,402	1,877	6,115	(445)	5,670
	111,327	176,772	132,760	420,859	8,727	429,586

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,738 million in "within 1 year" maturity band, HK$28,580 million in "after 1 year, but within 5 years" maturity band, and HK$32,138 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million
At 31 December 2017				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(74)	50	-	(24)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(165)	(329)	(64)	(558)
Cross currency interest rate swaps				
Net inflow (outflow)	513	(2,347)	-	(1,834)
Forward foreign exchange contracts				
Inflow	380	9	-	389
Outflow	(380)	(9)	-	(389)
Other contracts				
Net outflow	(23)	(87)	(339)	(449)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	16,952	9,791	13,684	40,427
Outflow	(17,187)	(9,752)	(13,872)	(40,811)
Other derivative financial instruments				
Net outflow	(263)	(3,182)	(659)	(4,104)

43 Financial risk management (continued)

(h) In accordance with the disclosure requirement of HKFRS 7, the group's financial instruments resulted in the following income, expenses and gains and losses recognised in the income statement:

	2018 **HK$ million**	2017 HK$ million
Dividends from equity securities at FVOCI		
Related to investments held at the end of the reporting period	**103**	-
Dividends from equity securities at AFS	**-**	88
Interest from debt securities at FVOCI	**157**	-
Interest from debt securities at AFS	**-**	120
Interest from assets held at amortised cost	**2,475**	1,562
Fair value gains (losses) on equity securities at FVPL	**(2)**	2
Fair value losses on debt securities at FVPL	**(17)**	-
Net impairment expense recognised on trade receivables	**(1,560)**	(980)
Losses arising on derivatives in a designated fair value hedge	**(115)**	(103)
Gains arising on adjustment for hedged items in a designated fair value hedge	**115**	103

(i) Hedge accounting

(i) Fair value hedges

	2018							
					Carrying amount of derivatives included in			
Hedging instruments	**Receive average contracted interest rate Percentage**	**Pay average contracted interest rate Percentage**	**Notional amount in local currency million**	**Notional Amount HK$ million**	**Other current assets HK$ million**	**Other non current assets HK$ million**	**Other current liabilities HK$ million**	**Other non current liabilities HK$ million**
Interest rate swap								
- receive fixed and pay floating								
maturing in								
2020	**4.23%**	**2.78%**	**HK$1,300**	**1,300**	**-**	**19**	**-**	**-**
2022	**4.63%**	**4.92%**	**US$1,000**	**7,800**	**-**	**-**	**-**	**(116)**
				9,100	**-**	**19**	**-**	**(116)**

	2018		
Hedged items	**Carrying amount of the hedged item HK$ million**	**Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item HK$ million**	**Line item in the statement of financial position in which the hedged item is included**
USD Fixed rate debts	**7,977**	**(116)**	**Bank and other debts**
HKD Fixed rate debts	**1,319**	**19**	**Bank and other debts**

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

Hedging instruments	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency million	Notional Amount HK$ million	Other current assets HK$ million	Other non current assets HK$ million	Other current liabilities HK$ million	Other non current liabilities HK$ million
	2018				Carrying amount of derivatives included in			
Interest rate swaps								
- receive floating and pay fixed maturing in								
2019	**3.72%**	**5.19%**	**NZD 150**	**792**	**-**	**-**	**(8)**	**-**
2022	**1.40%**	**3.26%**	**GBP 300**	**2,976**	**-**	**-**	**-**	**(80)**
2022	**2.00%**	**2.40%**	**EUR 3,000**	**26,850**	**-**	**-**	**-**	**(192)**
2025	**2.82%**	**3.57%**	**AUD 509**	**2,835**	**-**	**-**	**-**	**(101)**
				33,453	**-**	**-**	**(8)**	**(373)**
Cross currency interest rate swaps								
- receive floating and pay fixed maturing in								
2020	**1.73%**	**0.05%**	**US$ 2,200**	**17,160**	**-**	**-**	**-**	**(821)**
- receive fixed and pay fixed contracts maturing in								
2021 - 2022	**4.15%**	**1.98%**	**US$ 2,750**	**21,450**	**-**	**317**	**-**	**(107)**
				38,610	**-**	**317**	**-**	**(928)**

Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK$ million	Other current assets HK$ million	Other non current assets HK$ million	Other current liabilities HK$ million	Other non current liabilities HK$ million
	2018			Carrying amount of derivatives included in			
Forward foreign exchange contracts maturing in							
2019	**8.89**	**EUR 30**	**268**	**-**	**-**	**(2)**	**-**

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
	2018		
Interest rate risk	**2**	**220**	**-**
Cross currency interest rate risk	**(1,485)**	**567**	**-**
Foreign exchange risk	**(1)**	**1**	**-**

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK$ million	2018 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	**5.80**	**CAD 184**	**1,070**	**14**	**-**	**-**	**-**
2019	**5.55**	**AUD 159**	**887**	**5**	**-**	**-**	**-**
2019	**5.39**	**NZD 280**	**1,478**	**41**	**-**	**-**	**-**
2019-2022	**11.17**	**GBP 2,348**	**23,290**	**507**	**1,977**	**(6)**	**-**
2020-2022	**9.53**	**EUR 135**	**1,208**	**-**	**44**	**-**	**-**
			27,933	**567**	**2,021**	**(6)**	**-**
Cross currency swaps maturing in							
2020-2024	**9.23**	**EUR 1,030**	**9,219**	**-**	**112**	**-**	**-**
2020-2025	**6.12**	**CAD 947**	**5,505**	**-**	**315**	**-**	**-**
2027	**5.86**	**AUD 1,415**	**7,880**	**-**	**-**	**-**	**(45)**
			22,604	**-**	**427**	**-**	**(45)**

Hedged items	2018 Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
Foreign investments	**(3,735)**	**(5,602)**	**(2,841)**

43 Financial risk management (continued)

(j) The following table shows the classification category and carrying amount as at 31 December 2018 and 1 January 2018 (the date of initial application of HKFRS 9) under HKFRS 9 and as at 31 December 2017 under HKAS 39 for the Group's financial assets and financial liabilities.

	Note	Classification under HKFRS 9 *	**31 December 2018 Carrying amount HK$ million**	**1 January 2018 Carrying amount HK$ million**	Classification under HKAS 39 *	31 December 2017 Carrying amount HK$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	**66**	**50**	Loans and receivables	50
Listed equity securities, Hong Kong	17	FVOCI	**2,909**	**1,546**	AFS	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	**208**	**25**	AFS	25
Listed equity securities (included in Managed funds)	17	FVOCI	**154**	**169**	AFS	169
Listed debt securities (included in Managed funds)	17	FVOCI	**4,770**	**4,697**	AFS	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	**1,089**	**1,168**	AFS	1,168
Financial assets at fair value through profit or loss	17	FVPL	**96**	**158**	FVPL	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	**170**	**179**	Loans and receivables	179
Unlisted equity securities	18	FVOCI	**1,953**	**2,044**	AFS	2,649
Unlisted equity securities	18	FVPL	**641**	**605**		
Unlisted debt securities	18	FVPL	**318**	**-**		
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	**19**	**54**	Fair value - hedges	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	**-**	**31**	Fair value - hedges	31
Cross currency interest rate swaps	18	Fair value - hedges	**317**	**-**		
Forward foreign exchange contracts	18 & 21	Fair value - hedges	**-**	**294**	Fair value - hedges	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	**2,588**	**1,791**	Fair value - hedges	1,791
Cross currency swaps	18	Fair value - hedges	**427**	**-**		
Other derivative financial instruments	18	FVPL	**167**	**192**	FVPL	192
Cash and cash equivalents	20	Amortised cost	**135,411**	**160,470**	Loans and receivables	160,470
Trade receivables	21	Amortised cost	**19,255**	**11,546**	Loans and receivables	11,546
Other receivables	21	Amortised cost	**18,682**	**29,461**	Loans and receivables	29,461
			189,240	**214,480**		214,480
Financial liabilities						
Bank and other debts	23	Amortised cost	**351,556**	**331,988**	Amortised cost	331,988
Trade payables	24	Amortised cost	**29,233**	**19,252**	Amortised cost	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	**116**	**37**	Fair value - hedges	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	**381**	**543**	Fair value - hedges	543
Cross currency interest rate swaps	28	Fair value - hedges	**928**	**1,888**	Fair value - hedges	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	**2**	**3**	Fair value - hedges	3
Other contracts	24 & 28	Fair value - hedges	**-**	**384**	Fair value - hedges	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	**6**	**1,291**	Fair value - hedges	1,291
Cross currency swaps	28	Fair value - hedges	**45**	**-**		
Other derivative financial instruments	24 & 28	FVPL	**481**	**4,069**	FVPL	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	**385**	**389**	Amortised cost	389
Other payables and accruals	24	Amortised cost	**76,244**	**69,144**	Amortised cost	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	**752**	**3,143**	Amortised cost	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	**9,613**	**5,670**	Amortised cost	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	**14,308**	**-**		
			484,050	**437,801**		437,801
Representing:						
Financial assets measured at						
Amortised cost (2017 - Loans and receivables)			**173,584**	**201,706**		201,706
FVOCI (2017 - AFS)			**11,083**	**9,649**		10,254
FVPL			**1,222**	**955**		350
Fair value - hedges			**3,351**	**2,170**		2,170
			189,240	**214,480**		214,480
Financial liabilities measured at						
Amortised cost			**482,091**	**429,586**		429,586
FVPL			**481**	**4,069**		4,069
Fair value - hedges			**1,478**	**4,146**		4,146
			484,050	**437,801**		437,801

* see note 41.

43 Financial risk management (continued)

(k) Carrying amounts and fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Note	Classification under HKFRS 9 *	**2018 Carrying amount HK$ million**	**2018 Fair values HK$ million**	2017 Carrying amount HK$ million	2017 Fair values HK$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	**66**	**66**	50	50
Listed equity securities, Hong Kong	17	FVOCI	**2,909**	**2,909**	1,546	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	**208**	**208**	25	25
Listed equity securities (included in Managed funds)	17	FVOCI	**154**	**154**	169	169
Listed debt securities (included in Managed funds)	17	FVOCI	**4,770**	**4,770**	4,697	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	**1,089**	**1,089**	1,168	1,168
Financial assets at fair value through profit or loss	17	FVPL	**96**	**96**	158	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	**170**	**170**	179	179
Unlisted equity securities	18	FVOCI	**1,953**	**1,953**	2,649	2,649
Unlisted equity securities	18	FVPL	**641**	**641**	-	-
Unlisted debt securities	18	FVPL	**318**	**318**	-	-
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	**19**	**19**	54	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	**-**	**-**	31	31
Cross currency interest rate swaps	18	Fair value - hedges	**317**	**317**	-	-
Forward foreign exchange contracts	18 & 21	Fair value - hedges	**-**	**-**	294	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	**2,588**	**2,588**	1,791	1,791
Cross currency swaps	18	Fair value - hedges	**427**	**427**	-	-
Other derivative financial instruments	18	FVPL	**167**	**167**	192	192
Cash and cash equivalents	20	Amortised cost	**135,411**	**135,411**	160,470	160,470
Trade receivables	21	Amortised cost	**19,255**	**19,255**	11,546	11,546
Other receivables	21	Amortised cost	**18,682**	**18,682**	29,461	29,461
			189,240	**189,240**	214,480	214,480
Financial liabilities						
Bank and other debts (i)	23	Amortised cost	**351,556**	**343,527**	331,988	341,334
Trade payables	24	Amortised cost	**29,233**	**29,233**	19,252	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	**116**	**116**	37	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	**381**	**381**	543	543
Cross currency interest rate swaps	28	Fair value - hedges	**928**	**928**	1,888	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	**2**	**2**	3	3
Other contracts	24 & 28	Fair value - hedges	**-**	**-**	384	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	**6**	**6**	1,291	1,291
Cross currency swaps	28	Fair value - hedges	**45**	**45**	-	-
Other derivative financial instruments	24 & 28	FVPL	**481**	**481**	4,069	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	**385**	**385**	389	389
Other payables and accruals	24	Amortised cost	**76,244**	**76,244**	69,144	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	**752**	**752**	3,143	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	**9,613**	**9,613**	5,670	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	**14,308**	**14,308**	-	-
			484,050	**476,021**	437,801	447,147

* see note 41.

(i) The fair value of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(k) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	2018		2017	
	Carrying amount HK$ million	**Fair values HK$ million**	Carrying amount HK$ million	Fair values HK$ million
Representing:				
Financial assets measured at				
Amortised cost (2017 - Loans and receivables)	**173,584**	**173,584**	201,706	201,706
FVOCI (2017 - AFS)	**11,083**	**11,083**	10,254	10,254
FVPL	**1,222**	**1,222**	350	350
Fair value - hedges	**3,351**	**3,351**	2,170	2,170
	189,240	**189,240**	214,480	214,480
Financial liabilities measured at				
Amortised cost	**482,091**	**474,062**	429,586	438,932
FVPL	**481**	**481**	4,069	4,069
Fair value - hedges	**1,478**	**1,478**	4,146	4,146
	484,050	**476,021**	437,801	447,147

43 Financial risk management (continued)

(l) Fair value measurements

(i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

		2018				2017			
		Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	Note	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	HK$ million	HK$ million	HK$ million	HK$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	17	**2,909**	**-**	**-**	**2,909**	1,546	-	-	1,546
Listed equity securities, outside Hong Kong	17	**208**	**-**	**-**	**208**	25	-	-	25
Listed equity securities (included in Managed funds)	17	**154**	**-**	**-**	**154**	169	-	-	169
Listed debt securities (included in Managed funds)	17	**4,770**	**-**	**-**	**4,770**	4,697	-	-	4,697
Listed / traded debt securities, outside Hong Kong	17	**201**	**888**	**-**	**1,089**	212	956	-	1,168
Financial assets at fair value through profit or loss	17	**96**	**-**	**-**	**96**	112	46	-	158
Unlisted investments									
Unlisted equity securities	18	**-**	**-**	**1,953**	**1,953**	-	-	2,649	2,649
Unlisted equity securities	18	**-**	**46**	**595**	**641**	-	-	-	-
Unlisted debt securities	18	**-**	**143**	**175**	**318**	-	-	-	-
Derivative financial instruments									
Fair value hedges - Interest rate swaps	18 & 21	**-**	**19**	**-**	**19**	-	54	-	54
Cash flow hedges									
Interest rate swaps	18	**-**	**-**	**-**	**-**	-	31	-	31
Cross currency interest rate swaps	18	**-**	**317**	**-**	**317**	-	-	-	-
Forward foreign exchange contracts	18 & 21	**-**	**-**	**-**	**-**	-	294	-	294
Net investment hedges									
Forward foreign exchange contracts	18 & 21	**-**	**2,588**	**-**	**2,588**	-	1,791	-	1,791
Cross currency swaps	18	**-**	**427**	**-**	**427**	-	-	-	-
Other derivative financial instruments	18	**-**	**167**	**-**	**167**	-	192	-	192
		8,338	**4,595**	**2,723**	**15,656**	6,761	3,364	2,649	12,774
Financial liabilities									
Derivative financial instruments									
Fair value hedges - Interest rate swaps	28	**-**	**116**	**-**	**116**	-	37	-	37
Cash flow hedges									
Interest rate swaps	24 & 28	**-**	**381**	**-**	**381**	-	543	-	543
Cross currency interest rate swaps	28	**-**	**928**	**-**	**928**	-	1,888	-	1,888
Forward foreign exchange contracts	24 & 28	**-**	**2**	**-**	**2**	-	3	-	3
Other contracts	24 & 28	**-**	**-**	**-**	**-**	-	384	-	384
Net investment hedges									
Forward foreign exchange contracts	24 & 28	**-**	**6**	**-**	**6**	-	1,291	-	1,291
Cross currency swaps	28	**-**	**45**	**-**	**45**	-	-	-	-
Other derivative financial instruments	24 & 28	**-**	**481**	**-**	**481**	-	4,069	-	4,069
		-	**1,959**	**-**	**1,959**	-	8,215	-	8,215

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the year ended 31 December 2018 and 2017, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

43 Financial risk management (continued)

(l) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	2018	2017
	HK$ million	HK$ million
At 1 January	**2,649**	1,059
Total gains (losses) recognised in		
Income statement	**29**	-
Other comprehensive income	**(510)**	46
Additions	**598**	130
Relating to subsidiaries acquired	**20**	-
Relating to subsidiaries disposed	**-**	1,413
Disposals	**(22)**	(18)
Exchange translation differences	**(41)**	19
At 31 December	**2,723**	2,649
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**29**	-

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

(ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 43(k) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**
At 31 December 2018				
Bank and other debts	**217,197**	**126,330**	**-**	**343,527**
At 31 December 2017				
Bank and other debts	214,297	127,037	-	341,334

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

43 Financial risk management (continued)

(m) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:
(1) are offset in the Group's consolidated statement of financial position; or
(2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities) 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: Financial assets (liabilities) HK$ million	Related amounts not offset in the consolidated statement of financial position: Cash collateral pledged (received) HK$ million	Net amounts HK$ million
At 31 December 2018						
Financial assets						
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	**965**	**-**	**965**	**(6)**	**-**	**959**
Other derivative financial instruments	**159**	**-**	**159**	**(4)**	**-**	**155**
Trade receivables	**172**	**(127)**	**45**	**(25)**	**-**	**20**
Other receivables and prepayments	**602**	**(406)**	**196**	**-**	**-**	**196**
	1,898	**(533)**	**1,365**	**(35)**	**-**	**1,330**
Financial liabilities						
Trade payables	**(1,165)**	**278**	**(887)**	**-**	**-**	**(887)**
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	**(6)**	**-**	**(6)**	**6**	**-**	**-**
Other derivative financial instruments	**(4)**	**-**	**(4)**	**4**	**-**	**-**
Other payables and accruals	**(3,471)**	**255**	**(3,216)**	**25**	**-**	**(3,191)**
	(4,646)	**533**	**(4,113)**	**35**	**-**	**(4,078)**
At 31 December 2017						
Financial assets						
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	2	-	2	(2)	-	-
Net investment hedges						
Forward foreign exchange contracts	487	-	487	(275)	-	212
Other derivative financial instruments	192	-	192	(82)	-	110
Trade receivables	57	(3)	54	(35)	-	19
Other receivables and prepayments	994	(568)	426	-	-	426
	1,732	(571)	1,161	(394)	-	767
Financial liabilities						
Trade payables	(4,355)	571	(3,784)	-	-	(3,784)
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	(2)	-	(2)	2	-	-
Net investment hedges						
Forward foreign exchange contracts	(275)	-	(275)	275	-	-
Other derivative financial instruments	(539)	-	(539)	82	-	(457)
Other payables and accruals	(43)	-	(43)	35	-	(8)
	(5,214)	571	(4,643)	394	-	(4,249)

44 Statement of financial position of the Company, as at 31 December 2018

	2018 HK$ million	2017 HK$ million
Non-current assets		
Subsidiary companies - Unlisted shares [a]	**355,164**	355,164
Current assets		
Amounts due from subsidiary companies [b]	**9,382**	9,292
Other receivables	**20**	176
Cash	**7**	6
Current liabilities		
Other payables and accruals	**60**	47
Net current assets	**9,349**	9,427
Net assets	**364,513**	364,591
Capital and reserves		
Share capital (see note 29(a))	**3,856**	3,858
Share premium (see note 29(a))	**244,377**	244,505
Reserves - Retained profit [c]	**116,280**	116,228
Shareholders' funds	**364,513**	364,591

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

44 Statement of financial position of the Company, as at 31 December 2018 (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 113 to 115.

(b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.

(c) Reserves - Retained profit

	HK$ million
At 1 January 2017	116,190
Profit for the year	10,550
Dividends paid relating to 2016	(7,503)
Dividends paid relating to 2017	(3,009)
At 31 December 2017	**116,228**
Profit for the year	**11,394**
Buy-back and cancellation of issued shares (see note 29(a)(i))	**(1)**
Dividends paid relating to 2017	**(7,985)**
Dividends paid relating to 2018	**(3,356)**
At 31 December 2018	**116,280**

(d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(e) The net profit of the Company is HK$11,394 million (2017 - HK$10,550 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2018, the Company's share premium and retained profit amounted to HK$244,377 million (2017 - HK$244,505 million) and HK$116,280 million (2017 - HK$116,228 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

45 Approval of financial statements

The financial statements set out on pages 14 to 115 were approved and authorised for issue by the Board of Directors on 21 March 2019.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services					
	Alexandria International Container Terminals Company S.A.E.	Egypt	USD	30,000,000	64	Container terminal operating
	Amsterdam Port Holdings B.V.	Netherlands	EUR	170,704	80	Holding company
	Brisbane Container Terminals Pty Limited	Australia	AUD	34,100,000	80	Container terminal operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	321,528,668	80	Container terminal operating
	ECT Delta Terminal B.V.	Netherlands	EUR	18,000	71	Container terminal operating
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	EUR	45,000,000	75	Holding company
	Euromax Terminal Rotterdam B.V.	Netherlands	EUR	100,000	49	Container terminal operating
	Freeport Container Port Limited	Bahamas	BSD	2,000	41	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	80	Container terminal operating and rental of port real estate
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD	76,000,000	50	Ship repairing, general engineering and tug operations
✡	惠州港業股份有限公司	China	RMB	300,000,000	27	Container terminal operating
✡ ⌘	Huizhou Quanwan Port Development Co., Ltd.	China	RMB	359,300,000	40	Port related land development
	Hutchison Ajman International Terminals Limited – F.Z.E.	United Arab Emirates	AED	60,000,000	80	Container terminal operating
	Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD	26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Korea Terminals Limited	South Korea	WON	4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating
✧ * #	Hutchison Port Holdings Trust	Singapore / China	USD	8,797,780,935	30	Container port business trust
	Hutchison Port Investments Limited	Cayman Islands Hong Kong	USD	74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR	12,750	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emriates	USD	10,000	48	Container terminal operating
	Hutchison Ports UAQ Limited	British Virgin Islands/ United Arab Emriates	USD	34,650	48	Container terminal operating
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR	2,000,000	41	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	USD	14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR	1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	WON	45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	78,560,628	80	Container terminal operating
	Maritime Transport Services Limited	United Kingdom	GBP	13,921,323	64	Container terminal operating
✡ ⌘	Nanhai International Container Terminals Limited	China	USD	42,800,000	40	Container terminal operating
	NAWAH for Ports Management LLC	Iraq	IQD	10,000,000	41	Container terminal operating
✡ ⌘	寧波北侖國際集裝箱碼頭有限公司	China	RMB	700,000,000	39	Container terminal operating
	Oman International Container Terminal L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S.A.	Panama	USD	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating
✡	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,000	39	Container terminal operating
✡	River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD	1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD	80,084,000	56	Container terminal operating
✡ ⌘ +	上海明東集裝箱碼頭有限公司	China	RMB	4,000,000,000	40	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR	5,763,773,300	72	Container terminal operating
	Star Classic Investments Limited	British Virgin Islands	USD	2	80	Operation, management and development of ports and container terminals, and investment holding
	Sydney International Container Terminals Pty Ltd	Australia	AUD	49,000,001	80	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	80	Marine construction and ship repair yard

CK Hutchison Holdings Limited
Principal Subsidiary and Associated Companies and Joint Ventures
at 31 December 2018

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital	Percentage of equity attributable to the Group	Principal activities
	Ports and related services (continued)				
	Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
	Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
	Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 800,000,000	70	Container terminal operating
	Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # +	Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ⌘	Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ⌘	Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
	Retail				
	A.S. Watson Holdings Limited	Cayman Islands	HKD 1,000,000	75	Holding company
	A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
	A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✡ +	Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
⌘	廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
	PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✡	Rossmann Supermarkety Drogeryjne Polska sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
	Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
⌖	武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing
	Infrastructure and energy				
✡	Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
✡ +	AVR-Afvalverwerking B.V.	Netherlands	EUR 1	61	Producing energy from waste
* +	CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding Company
✡ +	CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution
✡ +	CKP (Canada) Holidngs Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
+	Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # +	Husky Energy Inc.	Canada	CAD 7,293,334,286	40	Investment in oil and gas
✡ +	Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
+	Northumbrian Water Group Limited	United Kingdom	GBP 161	70	Water & sewerage businesses
* # +	Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	29	Investment holding in energy and utility-related businesses
✡ +	Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
✡ +	UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
+	Eversholt UK Rails Limited	United Kingdom	GBP 102	88	Holding company in leasing of rolling stock
✡ +	Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 29,027	53	Gas distribution
	Telecommunications				
	Hi3G Access AB	Sweden	SEK 10,000,000	60	Mobile telecommunications services
	Hi3G Denmark ApS	Denmark	DKK 64,375,000	60	Mobile telecommunications services
	Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of mobile telecommunications services
	Hutchison 3G UK Limited	United Kingdom	GBP 201	100	Mobile telecommunications services
	Hutchison Drei Austria GmbH	Austria	EUR 34,882,960	100	Mobile telecommunications services
*	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD 1,204,724,052	66	Holding company of mobile telecommunications services
	Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	50	Mobile telecommunications services
	PT. Hutchison **3** Indonesia	Indonesia	IDR 651,896,000,000	65	Mobile telecommunications services
	Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
	Wind Tre S.p.A.	Italy	EUR 474,303,795	100	Mobile telecommunications services

CK Hutchison Holdings Limited
Principal Subsidiary and Associated Companies and Joint Ventures
at 31 December 2018

Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
Finance & investments and others					
Cheung Kong (Holdings) Limited	Hong Kong	HKD	10,488,733,666	100	Holding company
CK Hutchison Global Investments Limited	British Virgin Islands	USD	2	100	Holding company
* Hutchison Telecommunications (Australia) Limited	Australia	AUD	4,204,487,847	88	Holding company
✡ + Vodafone Hutchison Australia Pty Limited	Australia	AUD	6,046,889,713	44	Telecommunications services
* # + CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD	961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
✡ ⌘ Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD	65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands / China	USD	66,657,745	60	Holding company of healthcare business
Hutchison International Limited	Hong Kong	HKD	727,966,526	100	Holding company & corporate
Hutchison Whampoa (China) Limited	Hong Kong	HKD	15,100,000	100	Investment holding & China businesses
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR	1,764,027,025	100	Holding company
Hutchison Whampoa Limited	Hong Kong	HKD	29,424,795,590	100	Holding company
Marionnaud Parfumeries S.A.S.	France	EUR	351,575,833	100	Investment holding in perfume retailing businesses
# Metro Broadcast Corporation Limited	Hong Kong	HKD	1,000,452	24	Radio broadcasting
* # TOM Group Limited	Cayman Islands / Hong Kong	HKD	395,851,056	36	Technology and media

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchsion Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on the Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

\# Associated companies

✡ Joint ventures

⌘ Equity joint venture registered under PRC law

♆ Wholly owned foreign enterprise (WOFE) registered under PRC law

✧ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

\+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and revenue (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 24% and 9% of the Group's respective items.

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 2018, approximately 39% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 61% were at fixed rates (31 December 2017: 36% floating; 64% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$9,100 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, 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 27% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% were at fixed rates at 31 December 2018 (31 December 2017: 30% floating; 70% 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 2018 was HK$113,580 million, of which 55% was derived from European operations, including 27% from the UK. At 31 December 2018, of the Group's total principal amount of bank and other debts after currency swap arrangements, 53% and 3% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 9% Euro and 4% British Pounds denominated cash and cash equivalents. As a result, 81% and 3% of the Group's consolidated net debt of HK$207,965 million were denominated in Euro and British Pounds respectively. Net assets was HK$590,823 million, with 24% and 31% attributable to Continental Europe and UK operations respectively.

Note 1: EBITDA excludes the non-controlling interests' share of HPH Trust's EBITDA.

At 31 December 2018, the Group's total principal amount of bank and other debts are denominated as follows: 42% in Euro, 44% in US dollars, 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$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: 53% in Euro, 33% in US dollars, 3% in HK dollars, 3% in British Pounds and 8% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the results for 2018, a 10% depreciation of British Pounds would result in a HK$3.1 billion decrease in EBITDA, a HK$1.2 billion decrease in NPAT, HK$0.5 billion decrease in cash and cash equivalents, HK$1.2 billion decrease in gross debt, HK$0.7 billion decrease in net debt, HK$14.2 billion decrease in net assets, no impact on gross debt over EBITDA and 0.4%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK$2.7 billion decrease in EBITDA, a HK$1.0 billion decrease in NPAT, HK$1.3 billion decrease in cash and cash equivalents, HK$18.2 billion decrease in gross debt, HK$16.9 billion decrease in net debt, HK$7.7 billion decrease in net assets, no impact on gross debt over EBITDA and 1.4%-point decrease on net debt to net total capital ratio. Actual sensitivity will of course 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 and Fitch remained at A2 (stable outlook) and A- (stable outlook) respectively. In September 2018, S&P revised our rating from A- to A with a stable outlook. 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.

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 6% (31 December 2017 - approximately 5%) 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$144,703 million at 31 December 2018, a decrease of 14% from the balance of HK$168,283 million at 31 December 2017, mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, redemption of certain perpetual capital securities, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses, issuance of perpetual capital securities and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies.

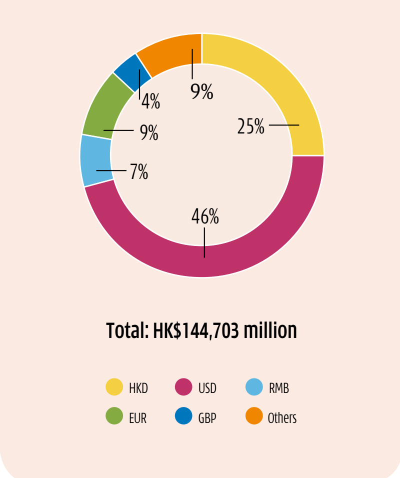
Cash and cash equivalents represented 94% (31 December 2017 - 95%) of the liquid assets, US Treasury notes and listed/traded debt securities 4% (31 December 2017 - 4%) and listed equity securities 2% (31 December 2017 - 1%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56%, government and government guaranteed notes of 17%, notes issued by the Group's associated company, Husky Energy of 4% and others of 23%. Of these US Treasury notes and listed/traded debt securities, 80% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.2 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Cash Flow

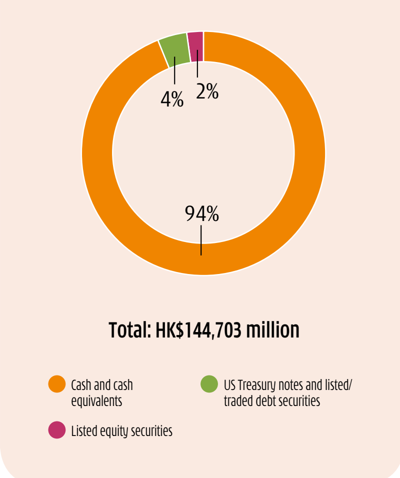
EBITDA in 2018 was HK$113,580 million, an increase of 9% compared to HK$104,354 million last year. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK$57,345 million for the year, a 6% increase compared to 2017.

Liquid Assets (continued)

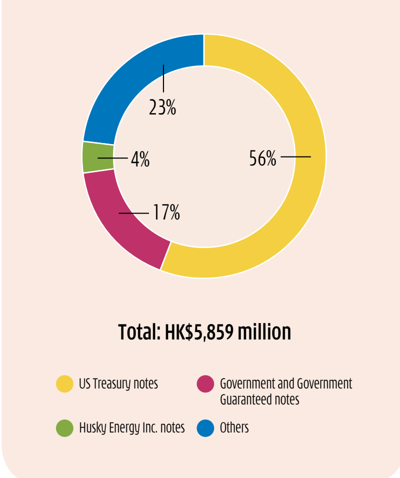
Liquid Assets by Currency Denomination at 31 December 2018



Liquid Assets by Type at 31 December 2018



US Treasury Notes and Listed/ Traded Debt Securities by Type at 31 December 2018



The Group's capital expenditures (including licences, brand name and other rights) for 2018 amounted to HK$37,546 million (31 December 2017 – HK$23,915 million). Capital expenditures (including licences, brand name and other rights) for the ports and related services division amounted to HK$3,910 million (31 December 2017 – HK$3,703 million); for the retail division HK$3,454 million (31 December 2017 – HK$3,148 million); for the infrastructure division HK$6,060 million (31 December 2017 – HK$5,549 million); for **3** Group Europe HK$18,715 million (31 December 2017 – HK$8,080 million); for HTHKH HK$513 million (31 December 2017 – HK$1,027 million); for HAT HK$4,656 million (31 December 2017 – HK$2,122 million); and for the finance and investments and others segment HK$238 million (31 December 2017 – HK$286 million).

The Group's dividends received from associated companies and joint ventures for 2018 amounted to HK$14,519 million (31 December 2017 – HK$19,029 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK$1,946 million (31 December 2017 – HK$2,046 million); for the retail division HK$1,255 million (31 December 2017 – HK$1,025 million); for the infrastructure division HK$10,043 million (31 December 2017 – HK$15,369 million); for Husky HK$667 million (31 December 2017 – Nil); and for the finance and investments and others segment HK$608 million (31 December 2017 – HK$589 million).

The Group's purchases of and advances to associated companies and joint ventures amounted to HK$2,446 million (31 December 2017 – HK$37,798 million). Purchases of and advances to associated companies and joint ventures for the ports and related services division amounted to HK$3 million (31 December 2017: HK$137 million), for the retail division was nil (31 December 2017 – HK$85 million); for the infrastructure division HK$1,444 million (31 December 2017 – HK$36,157 million); for HTHKH HK$72 million (31 December 2017 – HK$85 million); and for the finance and investments and others segment HK$927 million (31 December 2017 – HK$1,334 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 Announcement.

Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2018 amounted to HK$352,668 million (31 December 2017 – HK$333,155 million) which comprises principal amount of bank and other debts of HK$346,918 million (31 December 2017 – HK$322,816 million) and unamortised fair value adjustments arising from acquisitions of HK$5,750 million (31 December 2017 – HK$10,339 million). The Group's total principal amount of bank and other debts at 31 December 2018 consist of 66% notes and bonds (31 December 2017 – 65%) and 34% bank and other loans (31 December 2017 – 35%). The Group's weighted average cost of debt for the year ended 31 December 2018 is 2.4% (31 December 2017 – 2.3%). For purposes of illustrating the Group's sensitivity to interest rates, based on the 2018 results, a 100 basis-points increase in interest rates will result in 0.2%-point increase in the Group's weighted average cost of debt. Actual sensitivity will of course depend on actual results, cash flows and financing activities in the period under consideration. Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totaled HK$752 million as at 31 December 2018 (31 December 2017 – HK$3,143 million).

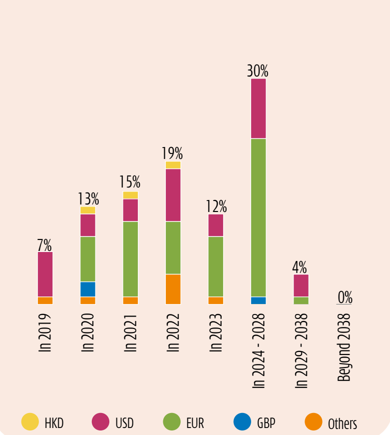
The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2018 is set out below:

	HK$	US$	Euro	GBP	Others	**Total**
In 2019	–	6%	–	–	1%	**7%**
In 2020	1%	3%	6%	2%	1%	**13%**
In 2021	1%	3%	10%	–	1%	**15%**
In 2022	1%	7%	7%	–	4%	**19%**
In 2023	–	3%	8%	–	1%	**12%**
In 2024 - 2028	–	8%	21%	1%	–	**30%**
In 2029 - 2038	–	3%	1%	–	–	**4%**
Beyond 2038	–	–	–	–	–	**–**
Total	3%	33%	53%	3%	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.

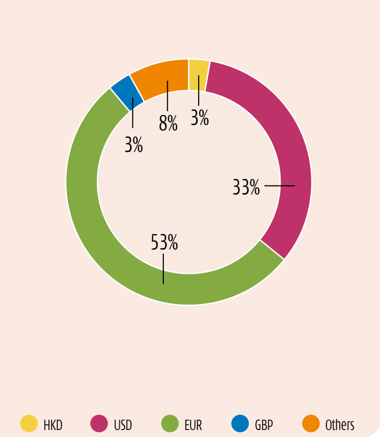
Debt Maturity Profile by Year and Currency Denomination at 31 December 2018

Total principal amount of bank and other debts: HK$346,918 million



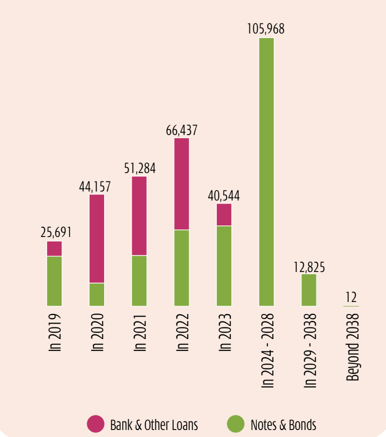
Debt Profile by Currency Denomination at 31 December 2018

Total principal amount of bank and other debts: HK$346,918 million



Debt Maturity Profile by Notes & Bonds and Bank & Other Loans at 31 December 2018

Total principal amount of bank and other debts: HK$346,918 million



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2018 were as follows:

- In January, prepaid a floating rate term and revolving loan facility of HK$2,900 million maturing in November 2019;
- In January, prepaid a floating rate term and revolving loan facility of HK$1,000 million maturing in October 2019;
- In January, listed subsidiary CKI prepaid two floating rate loan facilities of US$200 million each (approximately HK$3,120 million) maturing in October 2018;
- In January, the US$500 million (approximately HK$3,900 million) Guaranteed Senior Perpetual Securities issued by Cheung Kong Bond Securities (03) Limited were redeemed in full;
- In February, obtained a three year floating rate loan facility of US$130 million (approximately HK$1,014 million);
- In March, obtained a five year floating rate loan facility of US$130 million (approximately HK$1,014 million);
- In March, obtained a five year floating rate loan facility of THB6,500 million (approximately HK$1,634 million) and made a drawdown in April to prepay a floating rate loan facility of THB4,500 million (approximately HK$1,122 million) maturing in June 2020;

- In March and May, prepaid a floating rate loan facility of US$165 million (approximately HK$1,287 million) maturing in June 2018;
- In April, issued EUR750 million (approximately HK$7,170 million) guaranteed notes due 2025 and EUR500 million (approximately HK$4,780 million) guaranteed notes due 2030;
- In May, EUR1,750 million (approximately HK$16,118 million) Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa Europe Finance (13) Limited were redeemed in full;
- In May, obtained four five year floating rate loan facilities of aggregate amount of AUD750 million (approximately HK$4,384 million) and repaid a floating rate loan facility of the same amount;
- In June, obtained a three year floating rate loan facility of US$500 million (approximately HK$3,900 million);
- In July, repaid S$320 million (approximately HK$1,850 million) principal amount of fixed rate notes on maturity;
- In July, listed subsidiary CKI repaid a floating rate loan facility of US$300 million (approximately HK$2,340 million) on maturity;
- In August, repaid HK$500 million principal amount of fixed rate notes on maturity;
- In August, prepaid a floating rate loan facility of GBP245 million (approximately HK$2,472 million) maturing in March 2020 and a floating rate loan facility of GBP250 million (approximately HK$2,523 million) maturing in April 2020;
- In August, obtained a three month floating rate loan facility of EUR2,450 million (approximately HK$22,222 million) for funding the acquisition of the remaining 50% interest in Wind Tre. The facility matured and was repaid fully by internal funds in November 2018;
- In September, acquired a total of 1,438,000 of CKHH's own shares through purchases on the Stock Exchange. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK$130.4 million and has been deducted from share capital and share premium of HK$130 million and retained profit of HK$0.4 million;
- In September, announced the completion of acquiring the remaining 50% interest in Wind Tre. Subsequent to the completion, Wind Tre became a wholly-owned subsidiary of CKHH. The principal amount of Wind Tre's debts of EUR8,625 million (approximately HK$78,229 million) and US$2,000 million (approximately HK$15,600 million) has been consolidated to CKHH's total debts. In addition, a EUR400 million (approximately HK$3,628 million) revolving facility remains undrawn;
- In September, listed subsidiary CKI obtained two five-year floating rate loan facilities of US$300 million (approximately HK$2,340 million) and US$200 million (approximately HK$1,560 million);
- In October, listed subsidiary CKI obtained a three-year floating rate loan facility of HK$2,000 million and two five-year floating rate loan facilities of HK$800 million and HK$1,560 million;
- In October, obtained a three year floating rate loan facility of GBP165 million (approximately HK$1,637 million);
- In November, obtained a one year floating rate loan facility of US$110 million (approximately HK$858 million);
- In November, obtained a three year floating rate loan facility of US$170 million (approximately HK$1,326 million);
- In December, obtained a five year floating rate loan facility of US$128 million (approximately HK$998 million) and repaid a floating rate loan facility of HK$1,000 million on maturity;
- In December, prepaid EUR500 million (approximately HK$4,475 million) of a floating rate loan facility of EUR1,000 million maturing in May 2021;
- In December, the EUR500 million (approximately HK$4,475 million) Subordinated Guaranteed Perpetual Capital Securities was issued by CK Hutchison Capital Securities (Europe) Limited; and
- In December, obtained a three year floating rate loan facility of SEK1,800 million (approximately HK$1,566 million);

Furthermore, the significant debt financing activities undertaken by the Group subsequent to the year ended 31 December 2018 were as follows,

- In February 2019, prepaid EUR450 million (approximately HK$4,010 million) tranche of a floating rate loan facility of EUR3,000 million maturing in November 2020.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities decreased to HK$458,477 million as at 31 December 2018, compared to HK$459,537 million as at 31 December 2017, reflecting the Group's 2017 final and 2018 interim dividends and distributions paid and redemption of perpetual capital securities in 2018, partly offset by profit for 2018, issuance of perpetual capital securities and other items recognised directly in reserves.

As at 31 December 2018, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK$207,965 million (31 December 2017 – HK$164,872 million), a 26% increase compared to the net debt at the beginning of the year primarily due to the net effect of dividend payments, redemption of certain perpetual capital securities, capital expenditure and investment spending, positive funds from operations and issuance of perpetual capital securities. As at the reporting date, net debt of the co-owned infrastructure assets previously consolidated in the Group's balance sheet has been reclassified under disposal group held for sale as the Group has approved a plan to streamline the direct ownership in the relevant infrastructure assets, subject to obtaining certain regulatory approvals. The Group's net debt to net total capital ratio was 26.0% as at 31 December 2018 (31 December 2017 – 21.7%). The Group's consolidated cash and liquid investments as at 31 December 2018 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2022.

The Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK$5,948 (31 December 2017: HK$4,135 million) in 2018 was HK$4,226 million (31 December 2017 – HK$4,509 million). EBITDA of HK$113,580 million (31 December 2017 – HK$104,354 million) and FFO excluding net interest of HK$62,063 million (31 December 2017 – HK$59,132 million) for the year covered consolidated net interest expenses and other finance costs 25.5 times (31 December 2017 – 22.2 times) and 14.7 times (31 December 2017 – 13.1 times) respectively.

Secured Financing

At 31 December 2018, assets of the Group totalling HK$111,017 million (31 December 2017 – HK$27,990 million) were pledged as security for bank and other debts. The increase is mainly attributable to an acquisition of a subsidiary during the year.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2018 amounted to the equivalent of HK$14,402 million (31 December 2017 – HK$13,168 million).

Contingent Liabilities

At 31 December 2018, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK$4,138 million (31 December 2017 – HK$3,911 million), of which HK$3,505 million (31 December 2017 – HK$3,310 million) has been drawn down as at 31 December 2018 and also provided performance and other guarantees of HK$2,885 million (31 December 2017 – HK$3,307 million).

Share Options Scheme

The Company does not have any operating share option schemes during the year ended 31 December 2018 but certain of the Company's subsidiary companies have adopted share option schemes for their employees.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, the Company repurchased a total of 1,438,000 ordinary shares of HK$1.00 each in the capital of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "SEHK"), with the aggregate consideration paid (before expenses) amounting to HK$130,005,175.00. All the Shares repurchased were subsequently cancelled. As at 31 December 2018, the total number of Shares in issue was 3,856,240,500.

Particulars of the share repurchase are as follows:-

Date	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses)
		Highest	Lowest	
		HK$	HK$	HK$
September 2018	1,438,000	91.05	89.05	130,005,175.00

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company had complied throughout the year ended 31 December 2018 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), other than those in respect of the separate roles of Chairman and Chief Executive, and the nomination committee.

Roles of Chairman and Chief Executive

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 retirement of Mr Li Ka-shing as Chairman and Executive Director of the Company in May 2018, Mr Victor T K Li was appointed Chairman of the Company while continuing to hold the positions of Executive Director and Group Co-Managing Director of the Company. Accordingly, with Mr Fok Kin Ning, Canning acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared by Mr Victor T K Li and Mr Fok Kin Ning, Canning with no single individual having unfettered management decision-making power. Further, the Board which comprises experienced and seasoned professionals continues to monitor the management of the Company to ensure that joint management is effectively and properly exercised. Hence, notwithstanding the Company might deviate from code provision A.2.1, which requires the roles of Chairman and Chief Executive to be performed by different individuals, the current arrangements provide check and balance and do not jeopardise the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

Nomination Committee

The Company has considered the merits of establishing a nomination committee as required by the Listing Rules but is of the view that it is in the best interests of the Company that the Board of Directors (the "Board") collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate.

Notwithstanding the aforementioned, a nomination committee of the Company, chaired by the Chairman of the Board, comprising all Directors of the Company, was established on 1 January 2019. When the need to select, nominate or re-elect directors arises, the nomination committee of the Company will, as it considers appropriate and having regard to the expertise and skills set required for the new or replacement Director, appoint, on a case-by-case basis, members of the Board with relevant expertise to form a sub-committee (which is chaired by the Chairman of the Board and comprises members in compliance with the requirements under the Listing Rules for a nomination committee) to facilitate the nomination committee of the Company in the selection and nomination process.

Compliance with the Model Code for Securities Transactions by Directors

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 response to specific enquiries made, all Directors confirmed that they had complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2018.

Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2018 have been audited by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unqualified auditor's report is set out on pages 9 to 13 of this Announcement. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2018 have also been reviewed by the Audit Committee.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 10 May 2019 to Thursday, 16 May 2019, both days inclusive, during which period no transfer of shares will be effected, to determine shareholders' entitlement to attend and vote at the 2019 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Thursday, 9 May 2019.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Wednesday, 22 May 2019. In order to qualify for the proposed final dividend payable on Friday, 31 May 2019, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 22 May 2019.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 16 May 2019. Notice of the 2019 Annual General Meeting will be published and issued to shareholders in due course.

Corporate Strategy

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place emphasis on achieving recurring and predictable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group continues to focus on disciplined management of revenue growth, margin and costs, disciplined management of capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities and organic growth in sectors or geographies where we have strong management experience and resources and technology transformation to capture new cost and revenue opportunities in all businesses. At the same time, the Group maintains an equal focus on maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced maturity profile and actively managing cash flow and working capital. The Group continues to explore 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 Highlights contained in the 2018 annual results announcement and the Operations Analysis which is posted on the Company's website (http://www.ckh.com.hk/en/ir/presentation.php), include discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

Past Performance and Forward Looking Statements

The performance and the results of the operations of the Group contained in the 2018 annual results announcement 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 the 2018 annual results announcement 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 the 2018 annual results announcement; 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.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr LI Tzar Kuoi, Victor *(Chairman and Group Co-Managing Director)*
Mr FOK Kin Ning, Canning *(Group Co-Managing Director)*
Mr Frank John SIXT *(Group Finance Director and Deputy Managing Director)*
Mr IP Tak Chuen, Edmond *(Deputy Managing Director)*
Mr KAM Hing Lam *(Deputy Managing Director)*
Mr LAI Kai Ming, Dominic *(Deputy Managing Director)*
Ms Edith SHIH

Non-executive Directors:
Mr CHOW Kun Chee, Roland
Mrs CHOW WOO Mo Fong, Susan
Mr LEE Yeh Kwong, Charles
Mr LEUNG Siu Hon
Mr George Colin MAGNUS

Independent Non-executive Directors:
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 to The Hon Sir Michael David Kadoorie)
Mr William SHURNIAK
Mr WONG Chung Hin
Dr WONG Yick-ming, Rosanna

Operations Review

Hutchison Ports ECT Rotterdam celebrates 50 years of business relations with global shipping line Hapag Lloyd.

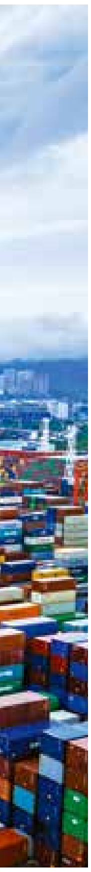
Ports

and Related Services


1
HAMBURG SÜD


2


3
MAERSK



1. Hutchison Ports Alexandria in Egypt adds four new hybrid rubber-tyred gantry cranes to improve terminal efficiency.

2. Port of Felixstowe's new paved container yard is under construction to create additional storage capacity and enhance terminal operation efficiency.

3. Hutchison Ports Yantian is located at the Greater Bay Area. With its operation and service excellence, it is the preferred port of call for mega container vessels.

4. Hutchison Ports Pakistan is the only container terminal in the region equipped with remote-controlled facilities.

5. Hutchison Ports Sohar's Terminal C achieves new milestone, having handled 3 million TEU since operations began in 2014.

Operations Review – Ports and Related Services

This division is the world's leading port network, and has interests in 51 ports comprising 288 operational berths in 26 countries.

Group Performance

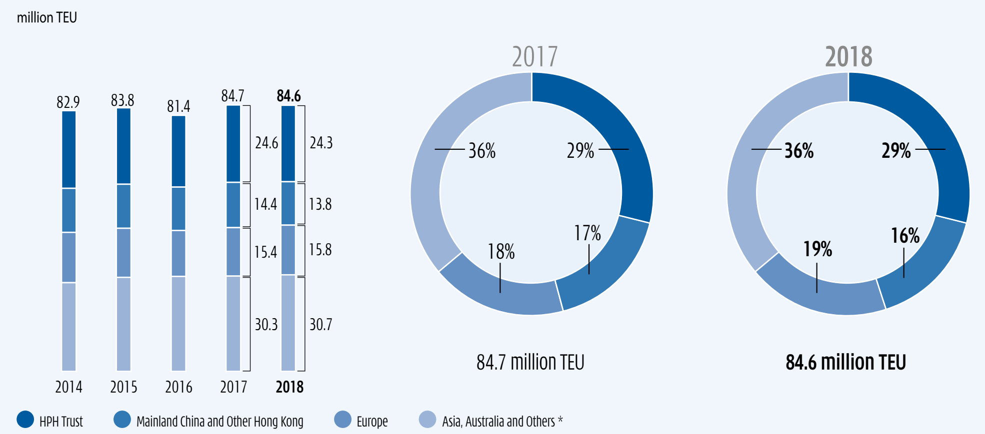
The Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 84.6 million twenty-foot equivalent units ("TEU") in 2018.

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue [(1)]	**35,175**	34,146	+3%	+3%
EBITDA [(1)]	**13,392**	12,563	+7%	+7%
EBIT [(1)]	**8,726**	8,219	+6%	+7%
Throughput (million TEU)	**84.6**	84.7	–	
Number of berths	**288**	287	+1 berth	

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

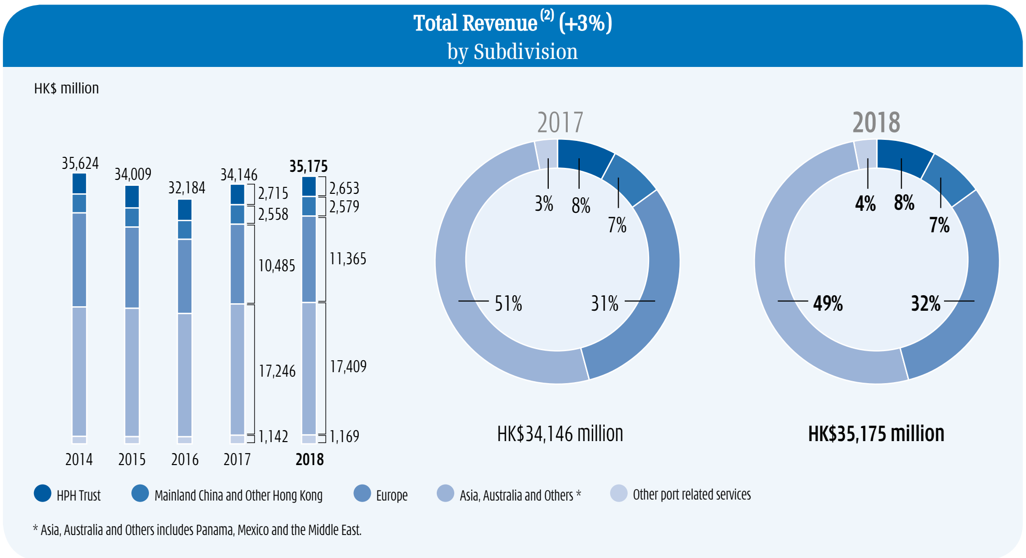
Overall throughput remained flat at 84.6 million TEU in 2018, with growth in Europe (mainly Rotterdam and Barcelona) and Asia, Australia and others (mainly Asian ports and resumption of trade volumes at Freeport, partly offset by Panama's intense competition), being fully offset by lower throughput in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

Total Container Throughput (stable against 2017)
by Subdivision



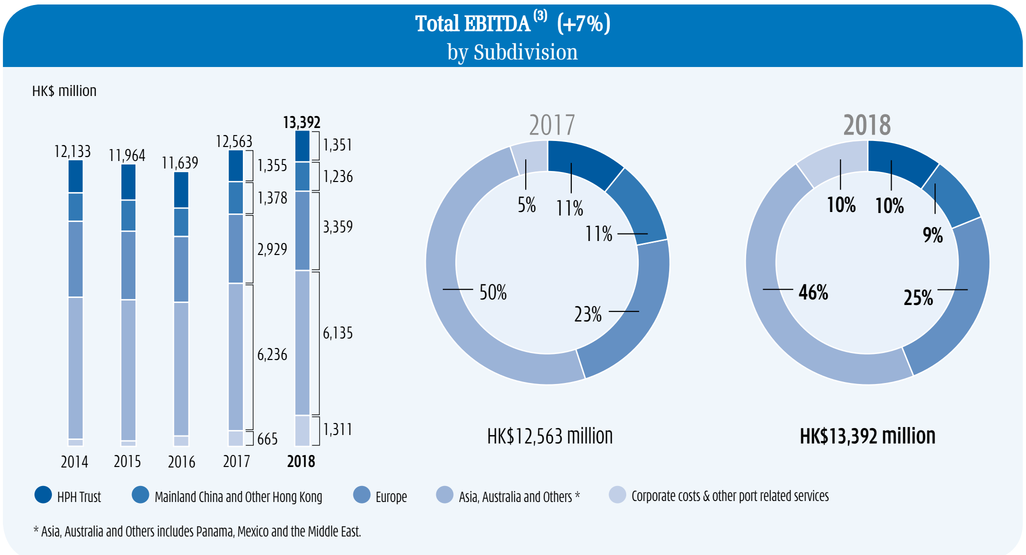
* Asia, Australia and Others includes Panama, Mexico and the Middle East.

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



Note 2: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

EBITDA and EBIT increased 7% and 6% to HK$13,392 million and HK$8,726 million respectively, mainly due to higher revenue and stringent cost discipline across all business units. The improvements were partly offset by lower profitability of HPH Trust, Panama, Ajman, Dammam and the UK. In November 2018, the division disposed of its 70% interest in Shantou International Container Terminals for cash consideration of HK$1,628 million and realised a pre-tax gain of approximately HK$914 million.



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

As at 31 December 2018, the division had 288 operating berths[4], one berth more than 2017, reflecting new berths commencing operations in Yantian (+2 berths) and Laem Chabang (+1 berth), and the disposal of Shantou port (-2 berths).

Note 4: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Segment Performance

HPH Trust

	2018 HK$ million	2017 HK$ million	Change
Total Revenue [5]	**2,653**	2,715	-2%
EBITDA [5]	**1,351**	1,355	–
EBIT [5]	**627**	648	-3%
Throughput (million TEU)	**24.3**	24.6	-1%
Number of berths	**52**	50	+2 berths

Note 5: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput decreased 1% and total revenue of the ports operated by HPH Trust decreased 2%. This was mainly attributable to lower transhipment volume in Hong Kong, partly offset by increase in US and transhipment cargoes for the Yantian port operations driven by the frontloading of cargoes in the fourth quarter of 2018 in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to China exports. Despite the lower revenue, the Group's share of EBITDA was broadly in line with the results reported for 2017 due to offsetting impact of cost control initiatives. The Group's share of EBIT was 3% lower due to additional depreciation on a higher asset base and expansion at West Port Phase II.

Following an asset impairment assessment performed during the year and in view of the mounting global trade uncertainties, behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of the Mainland and the effects stemming from the structural changes within the shipping line industry, a non-cash impairment loss was recognised by HPH Trust in 2018. The Group's share of this non-cash impairment loss of HK$4,781 million has been included under the Finance & Investments and Others segment.

Mainland China and Other Hong Kong

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**2,579**	2,558	+1%	-1%
EBITDA	**1,236**	1,378	-10%	-12%
EBIT	**966**	1,122	-14%	-16%
Throughput (million TEU)	**13.8**	14.4	-4%	
Number of berths	**42**	44	-2 berths	

The Mainland China and other Hong Kong segment's revenue, EBITDA and EBIT decline in local currencies was mainly attributable to the lower throughput as well as tariff reduction for local laden containers in Shanghai and Ningbo. 2017 also included non-recurring business interruption compensation for the port operations in Ningbo.

Europe

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**11,365**	10,485	+8%	+4%
EBITDA	**3,359**	2,929	+15%	+10%
EBIT	**2,319**	1,947	+19%	+15%
Throughput (million TEU)	**15.8**	15.4	+3%	
Number of berths	**61**	61	–	

The improvement in performance in the Europe segment during the year was mainly due to higher contributions from the ports in Barcelona and ECT Rotterdam, which was partly offset by weaker performance in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.

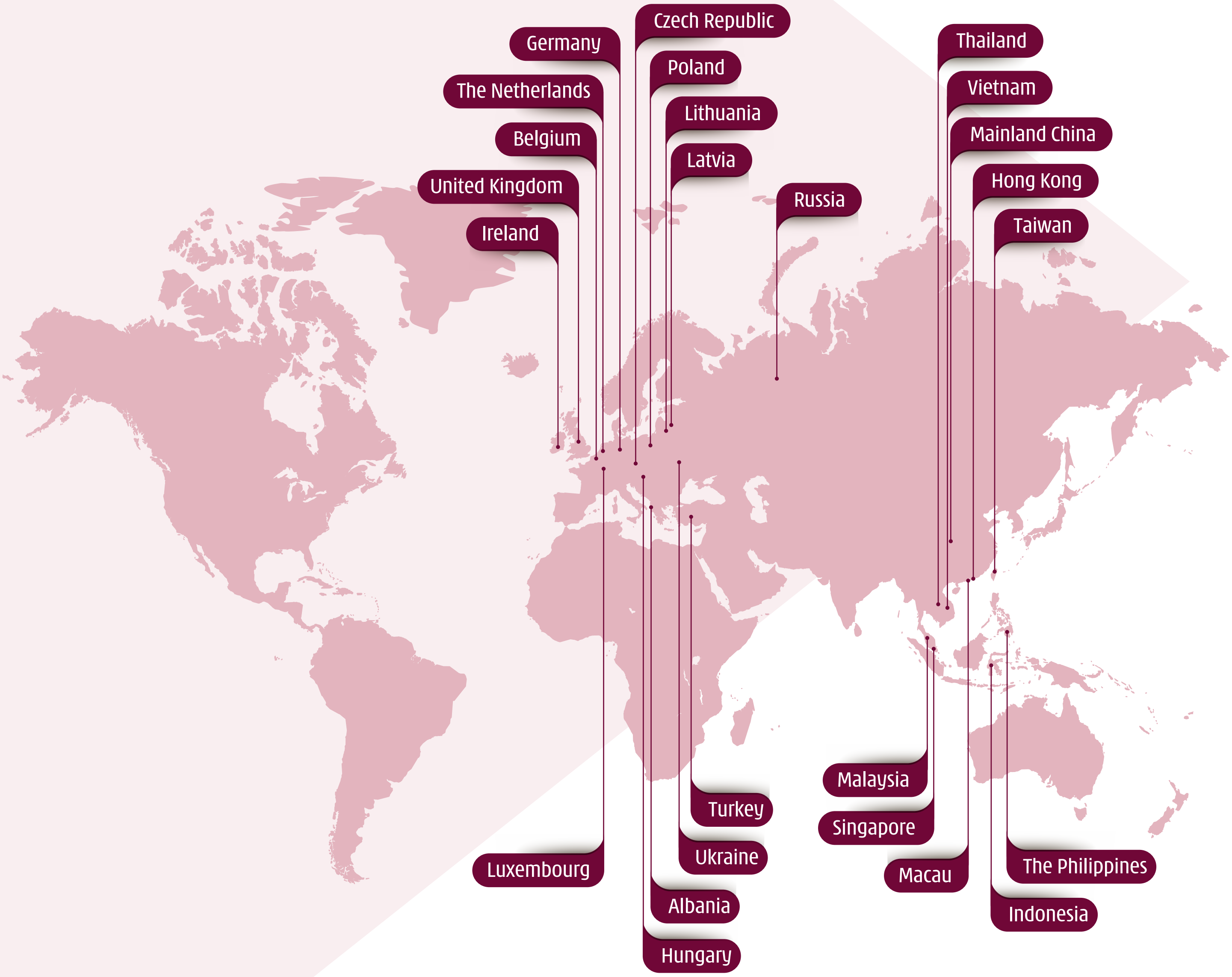
Asia, Australia and Others

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**17,409**	17,246	+1%	+4%
EBITDA	**6,135**	6,236	-2%	+1%
EBIT	**3,714**	4,085	-9%	-6%
Throughput (million TEU)	**30.7**	30.3	+1%	
Number of berths	**133**	132	+1 berth	

Adverse exchange rate movements resulted in a decline in the contribution from the Asia, Australia and others segment during 2018. In local currencies, total revenue and EBITDA increased by 4% and 1% respectively, mainly due to throughput-driven growth in Pakistan and Argentina and recovery of handling capacity at the Bahamas operations from hurricane damage. This is partly offset by fierce competition in Panama, lower year-on-year net insurance recovery in the Bahamas and lower contribution from Ajman and Dammam. EBIT declined by 6% in local currencies as the higher depreciation charge from expanded facilities in Thailand and Pakistan, together with the accelerated depreciation on Dammam port's assets to concession expiry more than offset the marginal growth in EBITDA in local currenices.

With over 1,200 stores in the Netherlands and Belgium, Kruidvat strives to offer a huge selection of value-for-money products to customers.

Retail

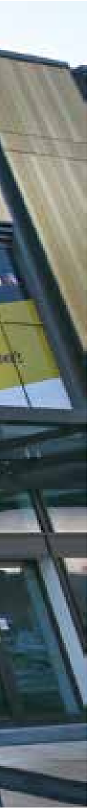


Czech Republic
Germany
Poland
The Netherlands
Lithuania
Belgium
Latvia
United Kingdom
Russia
Ireland
Thailand
Vietnam
Mainland China
Hong Kong
Taiwan
Malaysia
Turkey
Singapore
Ukraine
Macau
The Philippines
Luxembourg
Albania
Indonesia
Hungary


1
Superdrug
UNIT
To Let


3
TAP & SHOP
點點購
消費滿$2000
送$100


4
click &
collect



1. Superdrug, with over 800 stores in the UK, is well established as a fashion-led retailer with a focus on great value deals.

2. Watsons China launches Colorlab, a new concept makeup store that offers customers a fashionable and trendy experience-led makeup space.

3. Watsons introduces the Tech-Fun store in Taiwan with AR technology applications including StyleMe, Tap & Shop, as well as Digital Beauty Advisor.

4. Watsons Malaysia is currently operating around 500 stores, offering quality products and services through its online and offline channels.

5. Rossmann operates around 4,000 stores in Germany, Poland, Hungary, Czech Republic and Albania.

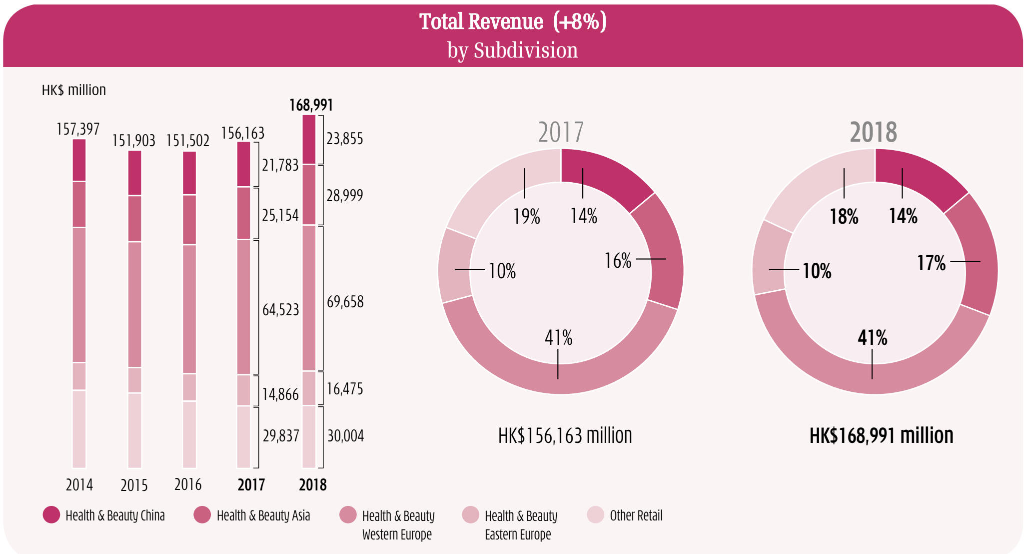
The retail division consists of the A S Watson ("ASW") group of companies, the world's largest international Health and Beauty retailer with a 135 million loyalty member base.

Group Performance

ASW operated 12 retail brands with 14,976 stores in 24 markets worldwide in 2018, 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.

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**168,991**	156,163	+8%	+6%
EBITDA	**16,164**	14,798	+9%	+7%
EBIT	**13,078**	12,089	+8%	+6%
Store Numbers	**14,976**	14,124	+6%	

Total reported revenue was 8% ahead of last year, driven by a 6% increase in store numbers, primarily in Health and Beauty China and Asia, as well as an overall 2.0% comparable stores sales growth. The Health and Beauty subdivision currently has 132 million loyalty members with 62% of total revenue being generated by these loyalty members during 2018. Higher margin exclusive sales contributed 34% of total sales (2017: 34%).



Total Revenue	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Health & Beauty China	**23,855**	21,783	+10%	+7%
Health & Beauty Asia	**28,999**	25,154	+15%	+16%
Health & Beauty China & Asia Subtotal	**52,854**	46,937	+13%	+12%
Health & Beauty Western Europe	**69,658**	64,523	+8%	+4%
Health & Beauty Eastern Europe	**16,475**	14,866	+11%	+7%
Health & Beauty Europe Subtotal	**86,133**	79,389	+8%	+5%
Health & Beauty Subtotal	**138,987**	126,326	+10%	+7%
Other Retail [1]	**30,004**	29,837	+1%	–
Total Retail	**168,991**	156,163	+8%	+6%

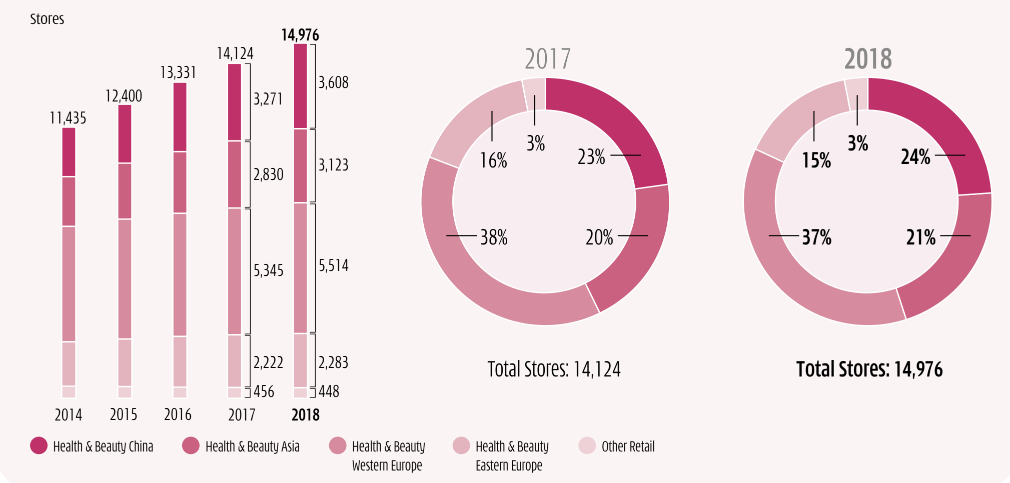
Comparable Stores Sales Growth (%) [2]	2018	2017
Health & Beauty China	**-1.6%**	-4.3%
Health & Beauty China (adjusted to include loyalty members' sales recovered in proximate new stores)	**+2.1%**	+0.3%
Health & Beauty Asia	**+7.1%**	+3.8%
Health & Beauty China & Asia Subtotal	**+3.1%**	–
Health & Beauty Western Europe	**+1.3%**	+2.1%
Health & Beauty Eastern Europe	**+2.9%**	+4.4%
Health & Beauty Europe Subtotal	**+1.6%**	+2.5%
Health & Beauty Subtotal	**+2.1%**	+1.6%
Other Retail [1]	**+1.4%**	-2.3%
Total Retail	**+2.0%**	+0.9%

Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

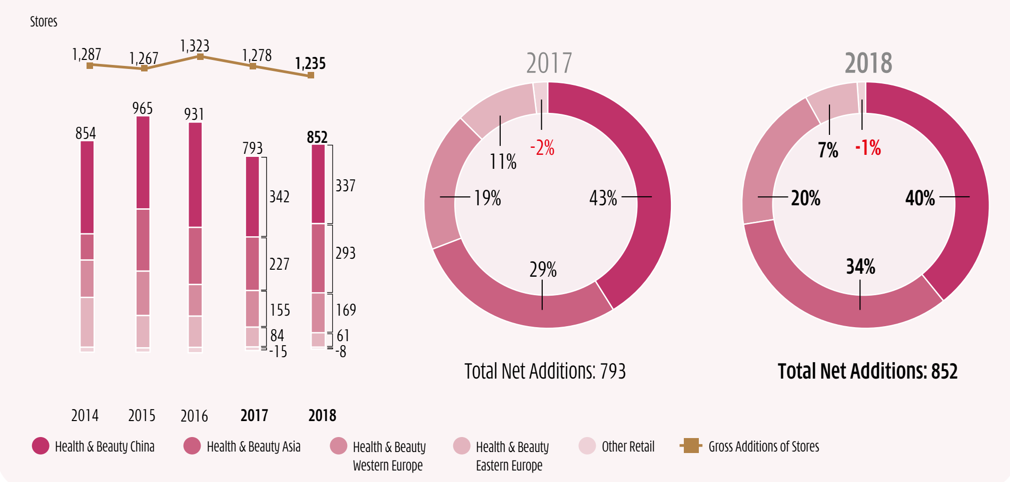
Note 2: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Group Performance (continued)

Total Retail Store Numbers (+6%)
by Subdivision



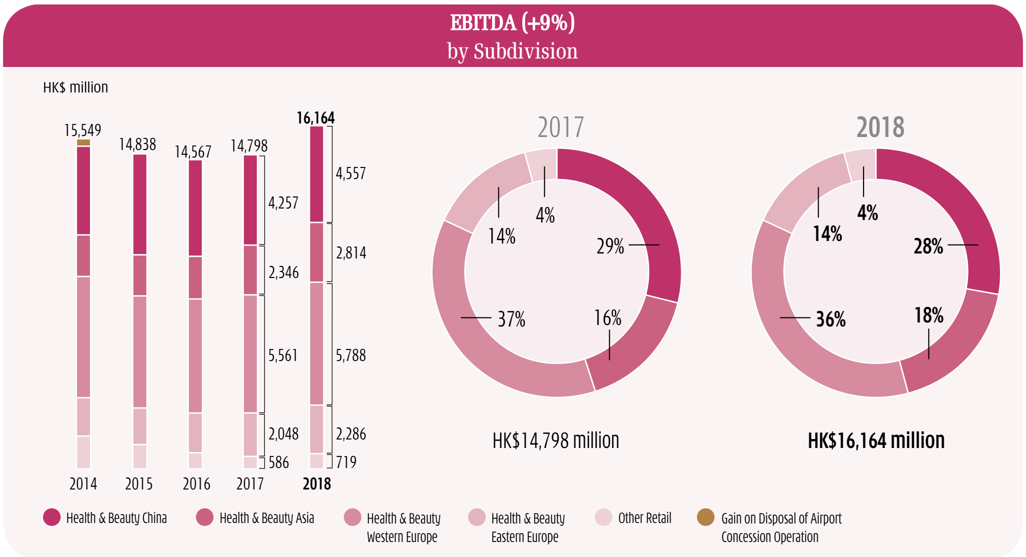
Total Net Additions of Retail Store
by Subdivision



Store Numbers	2018	2017	Change
Health & Beauty China	**3,608**	3,271	+10%
Health & Beauty Asia	**3,123**	2,830	+10%
Health & Beauty China & Asia Subtotal	**6,731**	6,101	+10%
Health & Beauty Western Europe	**5,514**	5,345	+3%
Health & Beauty Eastern Europe	**2,283**	2,222	+3%
Health & Beauty Europe Subtotal	**7,797**	7,567	+3%
Health & Beauty Subtotal	**14,528**	13,668	+6%
Other Retail [3]	**448**	456	-2%
Total Retail	**14,976**	14,124	+6%

Note 3: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The retail division's EBITDA and EBIT increased by 9% and 8% respectively in reported currency against 2017. The principal contributors to growth were the Health and Beauty segment generally, improved performances in the other retail operations in Hong Kong, and favourable foreign currency translation impacts.



EBITDA	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Health & Beauty China	**4,557**	4,257	+7%	+4%
Health & Beauty Asia	**2,814**	2,346	+20%	+19%
Health & Beauty China & Asia Subtotal	**7,371**	6,603	+12%	+9%
Health & Beauty Western Europe	**5,788**	5,561	+4%	+2%
Health & Beauty Eastern Europe	**2,286**	2,048	+12%	+8%
Health & Beauty Europe Subtotal	**8,074**	7,609	+6%	+4%
Health & Beauty Subtotal	**15,445**	14,212	+9%	+6%
Other Retail [4]	**719**	586	+23%	+23%
Total Retail	**16,164**	14,798	+9%	+7%

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

The overall health and beauty subdivision, which represented 96% of the division's EBITDA, grew revenue and EBITDA by 10% and 9% respectively. The health and beauty subdivision continued to expand its portfolio with 860 net addition of stores. The quality of new store openings remains high with an average new store cash payback period within one year. The average capex per new store for the health and beauty subdivision was HK$0.9 million (2017: HK$0.9 million).

Segment Performance

Health and Beauty China

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currency
Total Revenue	**23,855**	21,783	+10%	+7%
EBITDA	**4,557**	4,257	+7%	+4%
EBITDA Margin %	***19%***	*20%*		
EBIT	**3,846**	3,674	+5%	+2%
EBIT Margin %	***16%***	*17%*		
Store Numbers	**3,608**	3,271	+10%	
Comparable Stores Sales Growth (%)	**-1.6%**	-4.3%		
Comparable Stores Sales Growth (%) (adjusted to include loyalty members' sales recovered in proximate new stores) [5]	**+2.1%**	+0.3%		

Note 5: 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 10% with a 10% increase in store numbers, partly offset by a negative 1.6% comparable stores sales decline in mature stores. With various initiatives, including store refits and re-layout and integration of online and offline services to enhance customer experiences, comparable store sales decline has improved from a negative 4.3% for 2017 to negative 1.6% for 2018. Through continuous expansion of store portfolio which also follows closely with shifts of trade zones and customer demographics, sales declines in mature stores during 2018 were fully recovered in new stores opened in the proximity of such mature stores. Taking into account the CRM sales recovery, the comparable stores sales is a positive growth of 2.1% for 2018.

EBITDA and EBIT increased by 4% and 2% in local currency respectively in 2018. 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 19%.

Health and Beauty China increased its total number of stores by 337 during the year and had more than 3,600 stores operating in 474 cities in the Mainland as at year end.

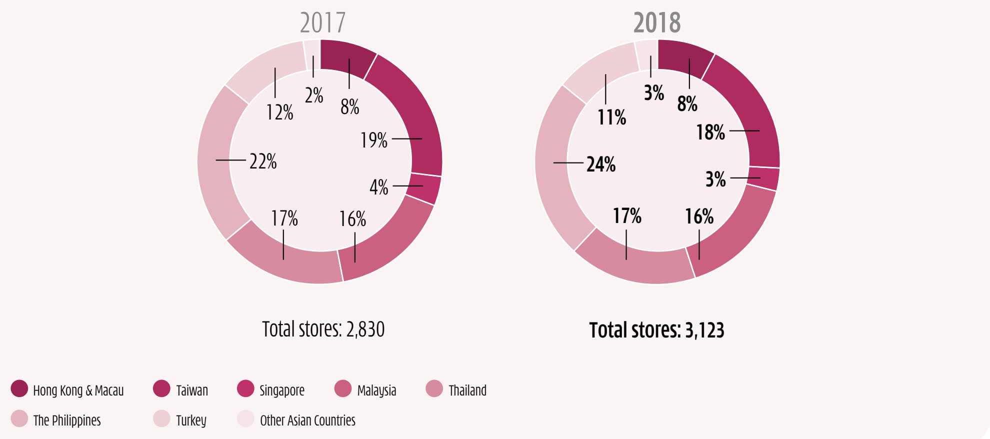
Health and Beauty Asia

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**28,999**	25,154	+15%	+16%
EBITDA	**2,814**	2,346	+20%	+19%
EBITDA Margin %	***10%***	*9%*		
EBIT	**2,364**	1,955	+21%	+19%
EBIT Margin %	***8%***	*8%*		
Store Numbers	**3,123**	2,830	+10%	
Comparable Stores Sales Growth (%)	**+7.1%**	+3.8%		

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, particularly Watsons Thailand, Malaysia, Philippines and Hong Kong, with double digit increment in both EBITDA and EBIT.

Health and Beauty Asia increased its total number of stores by 293 during the year. The subdivision had more than 3,100 stores operating in 9 markets in 2018.

Health and Beauty Asia (+10%)
Number of Retail Stores by Market



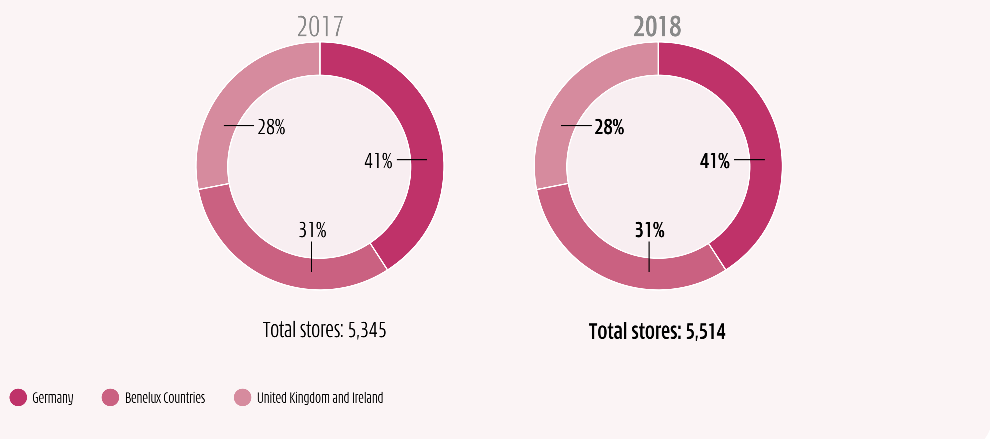
Health and Beauty Western Europe

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**69,658**	64,523	+8%	+4%
EBITDA	**5,788**	5,561	+4%	+2%
EBITDA Margin %	***8%***	*9%*		
EBIT	**4,634**	4,543	+2%	–
EBIT Margin %	***7%***	*7%*		
Store Numbers	**5,514**	5,345	+3%	
Comparable Stores Sales Growth (%)	**+1.3%**	+2.1%		

Health and Beauty Western Europe reported a steady revenue growth in both reported and local currencies during the year despite aggressive price competition within the Benelux countries and lower consumer sentiment on luxury cosmetic products in the region which reported a milder comparable stores sales growth rate.

Health and Beauty Western Europe added 169 stores and operated more than 5,500 stores in 2018.

Health and Beauty Western Europe (+3%)
Number of Retail Stores by Market



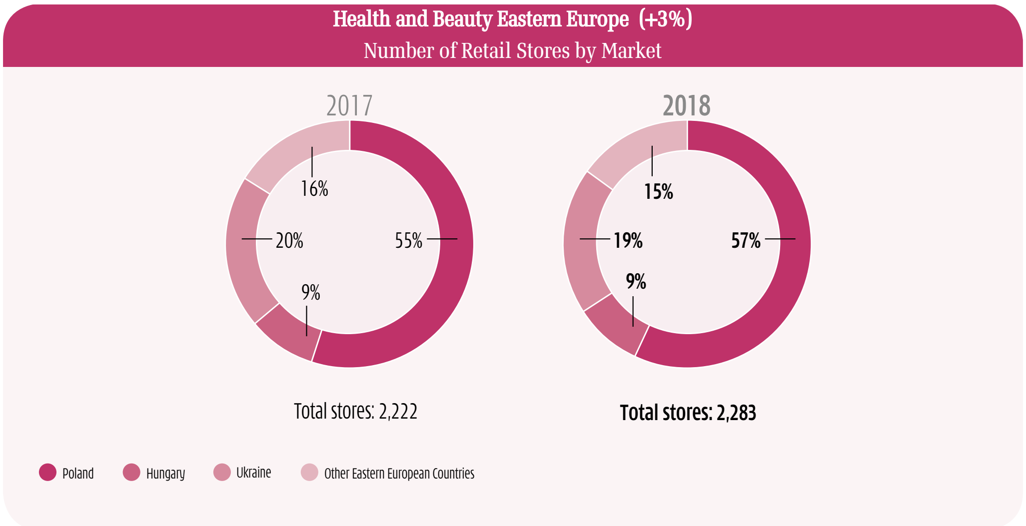
Segment Performance (continued)

Health and Beauty Eastern Europe

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**16,475**	14,866	+11%	+7%
EBITDA	**2,286**	2,048	+12%	+8%
EBITDA Margin %	***14%***	*14%*		
EBIT	**1,968**	1,785	+10%	+7%
EBIT Margin %	***12%***	*12%*		
Store Numbers	**2,283**	2,222	+3%	
Comparable Stores Sales Growth (%)	**+2.9%**	+4.4%		

Health and Beauty Eastern Europe continued to report healthy growth during the year. The growth in both EBITDA and EBIT was mainly attributable to strong sales of the Rossmann joint venture in Poland.

Health and Beauty Eastern Europe added 61 stores and operated more than 2,200 stores in 7 markets in 2018.

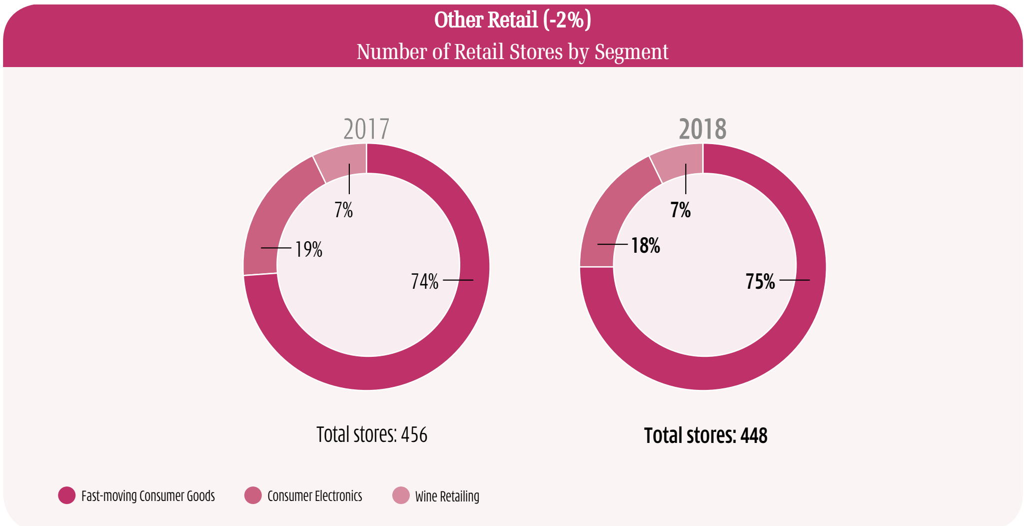


Other Retail

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**30,004**	29,837	+1%	–
EBITDA	**719**	586	+23%	+23%
EBITDA Margin %	***2%***	*2%*		
EBIT	**266**	131	+103%	+104%
EBIT Margin %	***1%***	*1%*		
Store Numbers	**448**	456	-2%	
Comparable Stores Sales Growth (%)	**+1.4%**	-2.3%		

Other Retail subdivision, which only represented 4% of the division's EBITDA, reported a positive growth in total revenue, EBITDA and EBIT of 1%, 23% and 103% respectively, mainly due to continued focus on better cost management in the supermarket business and improved performance in Fortress operation. Other Retail currently operates over 440 retail stores in 3 markets, as well as manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

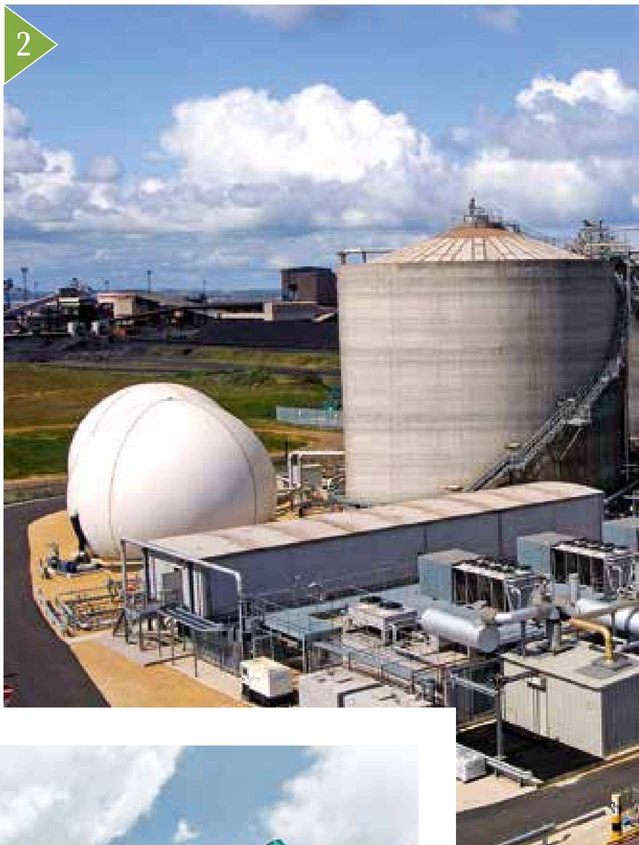
During the year, ASW announced to form a joint venture with Yonghui Superstores Co. Limited ("Yonghui") and Tencent Holdings Limited ("Tencent") to create the largest grocery retail business in Guangdong, China. The joint venture will combine the current PARKnSHOP China supermarket asset with Yonghui's portfolio in Guangdong and leverage Tecent's big data analytical capabilities, to give a store network of over 70 stores and deliver quality and personalised customer experiences to 2.2 million loyalty members. The joint venture is expected to be formed by first half of 2019.



Dutch Enviro Energy-owned AVR operates five waste treatment plants in Netherlands. Total energy-from-waste capacity reaches 2,300 kilotonnes per year.

Infrastructure


1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3


4

5

1. Recognised as a safety and efficiency leader in Australia's National Electricity Market, SA Power Networks is ranked as the most efficient distributor on a state-wide basis in Australia.

2. Northumbrian Water is named "Water Company of the Year" at the Water Industry Achievement Awards in the UK.

3. HK Electric completes the steam drum lifting for one of its new gas-fired units at Lamma Power Station in Hong Kong.

4. CitiPower, a company under Victoria Power Networks, is ranked as the most efficient electricity distribution network national wide by the Australian Energy Regulator.

5. UK Rails' rolling stock portfolio includes 22 different passenger fleets of trains comprising around 3,500 passenger vehicles.

The infrastructure division comprises the Group's 75.67%[1] interest in CK Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure assets.

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue [2]	**64,724**	57,369	+13%	+11%
- CKI	**53,274**	46,597	+14%	+13%
- Co-owned infrastructure assets	**11,450**	10,772	+6%	+1%
EBITDA [2]	**35,422**	33,033	+7%	+5%
- CKI	**29,406**	26,416	+11%	+10%
- Co-owned infrastructure assets	**6,016**	6,617	-9%	-13%
EBIT [2]	**24,038**	23,449	+3%	–
- CKI	**20,076**	18,836	+7%	+5%
- Co-owned infrastructure assets	**3,962**	4,613	-14%	-18%
CKI Reported Net Profit	**10,443**	10,256	+2%	

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 assets with CKI after the divestment of 90% of the direct economic benefits in October 2018.

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 recorded net profit attributable to shareholders of HK$10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

Profit contribution from Power Assets, a company listed on the SEHK and in which CKI holds a 38.01% interest as of 31 December 2018, was HK$2,903 million as compared to HK$3,214 million in 2017. Taking out the one-off disposal gains recorded in 2017 and adjusting for certain treasury items, profit contribution increased by 9% as compared with last year. Hongkong Electric, in which Power Assets holds a 33.37% stake, has entered into a new Scheme of Control in Hong Kong for a 15-year period with effect from 1 January 2019. This framework is set to provide stability and predictability of profit contribution in the coming years.

In January 2019, CKI completed the disposal of 2.05% interest in Power Assets for approximately HK$2.3 billion with the shareholding reduced to 35.96%.

Co-owned infrastructure assets

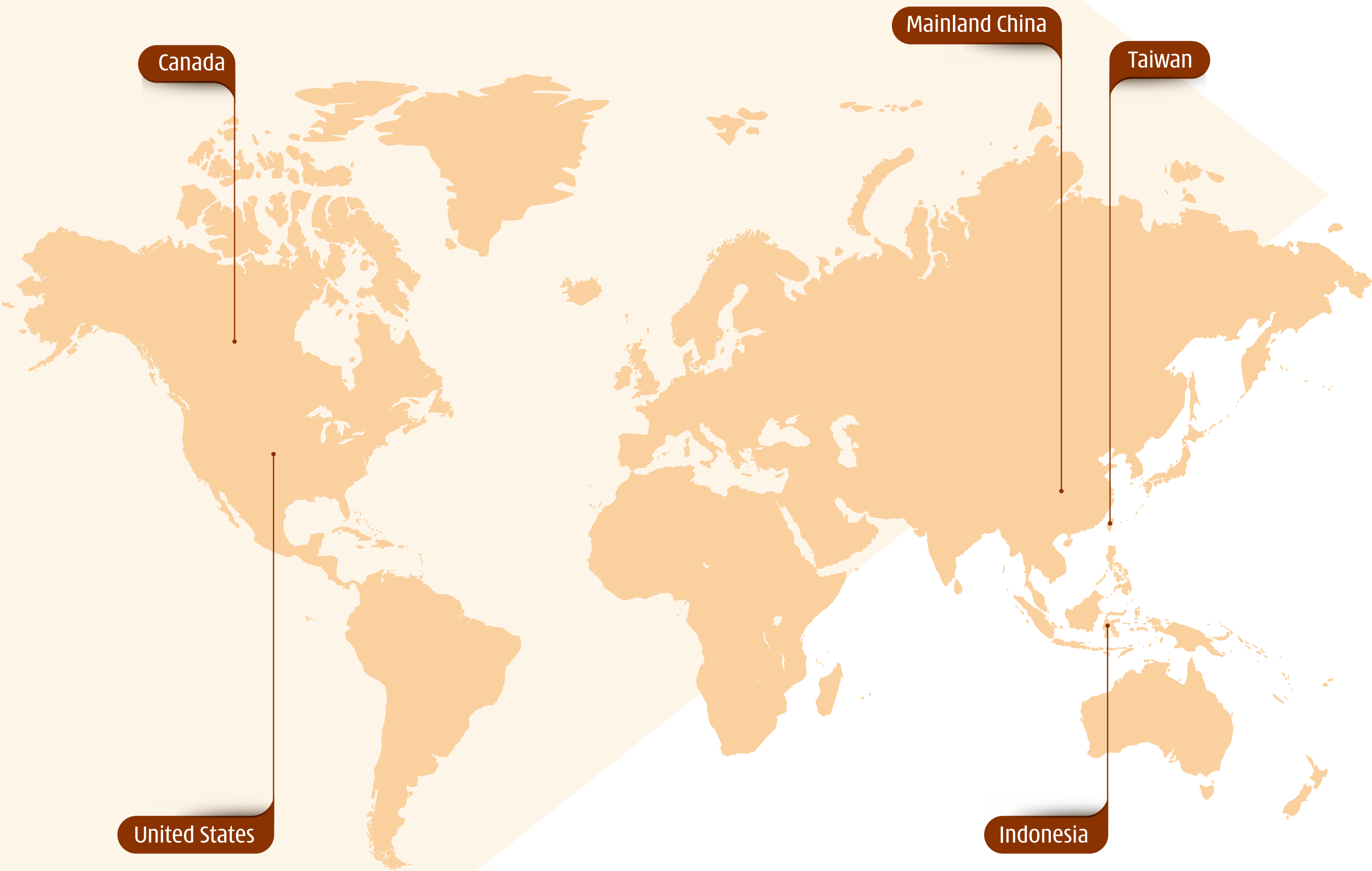
The Group's direct interests in six co-owned infrastructure assets include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails and have contributed revenue, EBITDA and EBIT of HK$11,450 million, HK$6,016 million and HK$3,962 million respectively in the year.

In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure assets for a cash consideration of HK$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets, and resulted in a lower profit contribution when compared against 2017. The divesture has resulted in a loss on disposal of approximately HK$3,626 million at EBITDA and EBIT level and has been included under the Finance & Investments and Others segment.

The Group has approved a plan to streamline the direct ownership in the six co-owned infrastructure assets. As such, these six co-owned infrastructure assets were reclassified for accounting purposes as disposal group held for sale as at 31 December 2018. The plan is subject to obtaining relevant regulatory approvals.

Husky Energy has drilled a successful exploration well on Block 15/33 in the South China Sea.

Energy

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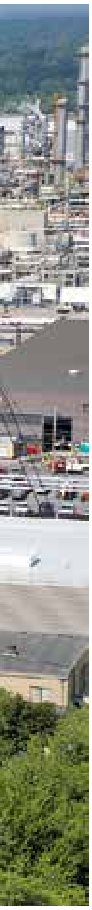


1. Lima Refinery in the U.S. is now able to process up to 175,000 barrels per day ("bbls/day"), an increase from 165,000 bbls/day.

2. The first slip form for the concrete gravity structure for the West White Rose platform located in Newfoundland and Labrador, Canada is completed.

3. The Gaolan Gas Terminal connects directly to the Guangdong Natural Gas Grid. It extracts condensates and natural gas liquids, and compresses and moves the Liwan gas to commercial markets.

4. Tucker Thermal Project in Northern Alberta, Canada reaches its design capacity production of 30,000 bbls/day.

5. The Liwan Gas Project offshore China and the liquids-rich BD Project offshore Indonesia in the Madura Strait achieve record gas production.

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.

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**54,251**	44,948	+21%	+20%
EBITDA	**12,106**	8,992	+35%	+34%
EBIT	**5,742**	2,703	+112%	+113%
Production (mboe/day)	**299.2**	322.9	-7%	

Husky announced net earnings of C$1,457 million in 2018, 85% higher than 2017 net earnings of C$786 million.

After translation into Hong Kong dollars and including consolidation adjustments, the Group's share of EBITDA and EBIT increased 35% and 112% against 2017 respectively, which reflect the aforementioned improvement of underlying performance during 2018.

Production and Reserves

Husky reported a 7% decrease of average production in 2018, from 322,900 barrels of oil equivalent per day ("boe/day") in 2017 to 299,200 boe/day in 2018.

Crude oil and natural gas liquids ("NGL") production

Crude oil and NGL production decreased by 18.3 thousand barrels per day ("mbbls/day"), or 8%, in 2018 compared to 2017. The decrease was primarily due to lower production in the Atlantic region due to the suspension of operations on the SeaRose FPSO vessel in January and November 2018, a high water cut well at North Amethyst combined with natural well declines, a reduction of heavy crude oil production due to natural declines and reduced optimisation activities in Husky's non-thermal developments, lower crude oil production in Asia Pacific due to the expiry of Husky's participation in the Wenchang oilfield PSC in late 2017, and lower production in Western Canada as a result of the disposition of select legacy assets in 2017. The decreases were partially offset by increased bitumen production from Husky's thermal projects, combined with increased NGL production in Asia Pacific and Western Canada.

Natural gas production

Natural gas production decreased by 32.1 million cubic feet per day ("mmcf/day"), or 6%, in 2018 compared to 2017. In Western Canada, natural gas production decreased by 87.2 mmcf/day, primarily due to the disposition of select legacy assets in 2017. In Asia Pacific, natural gas production increased by 55.1 mmcf/day, primarily due to Liwan Gas Project and the BD Project in Indonesia.

Oil and Gas Reserves

At 31 December 2018, Husky's proved oil and gas reserves were 1,471 million barrels of oil equivalent ("mmboe"), compared to 1,301 mmboe at the end of 2017. Probable reserves were 1,070 mmboe compared to 1,136 mmboe at the end of 2017. Husky's 2018 reserves replacement ratio was 260% excluding economic revisions (255% including economic revisions). The proved reserves additions were mainly related to two newly sanctioned Lloyd thermal bitumen projects and improved performance in the existing projects, the booking of provided reserves for the Liuhua project in Asia Pacific, and future development opportunities added in Sunrise, Lloyd thermal bitumen projects and other fields.

Operation milestones

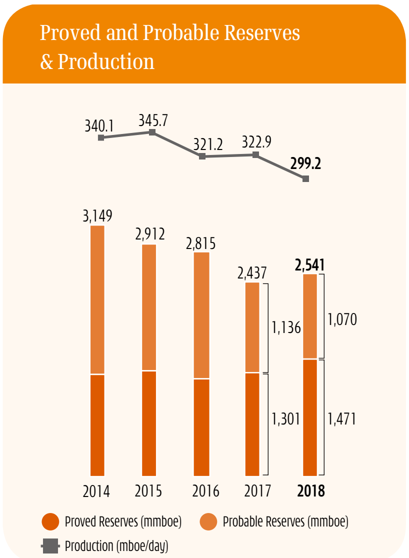
Integrated corridor (Integrated Canada-US Upstream and Downstream Corridor)

- Increased annual average production from Lloyd thermal bitumen projects, Tucker and Sunrise to 124,200 barrels per day ("bbls/day"), compared to 119,100 bbls/day in 2017
- First oil ahead of schedule at the 10,000 bbls/day Rush Lake 2 thermal project
- Commenced construction of the 10,000 bbls/day thermal projects at Dee Valley and Spruce Lake Central; completed site clearing at Spruce Lake North
- Sanctioned the new 10,000 bbls/day Spruce Lake East thermal project, with first production targeted around the end of 2021
- The Sunrise Energy Project reached and surpassed targeted 60,000 bbls/day (30,000 bbls/day Husky working interest)
- Record throughput of 75,600 bbls/day at the Lloydminster Upgrader

Offshore (Atlantic and Asia Pacific)

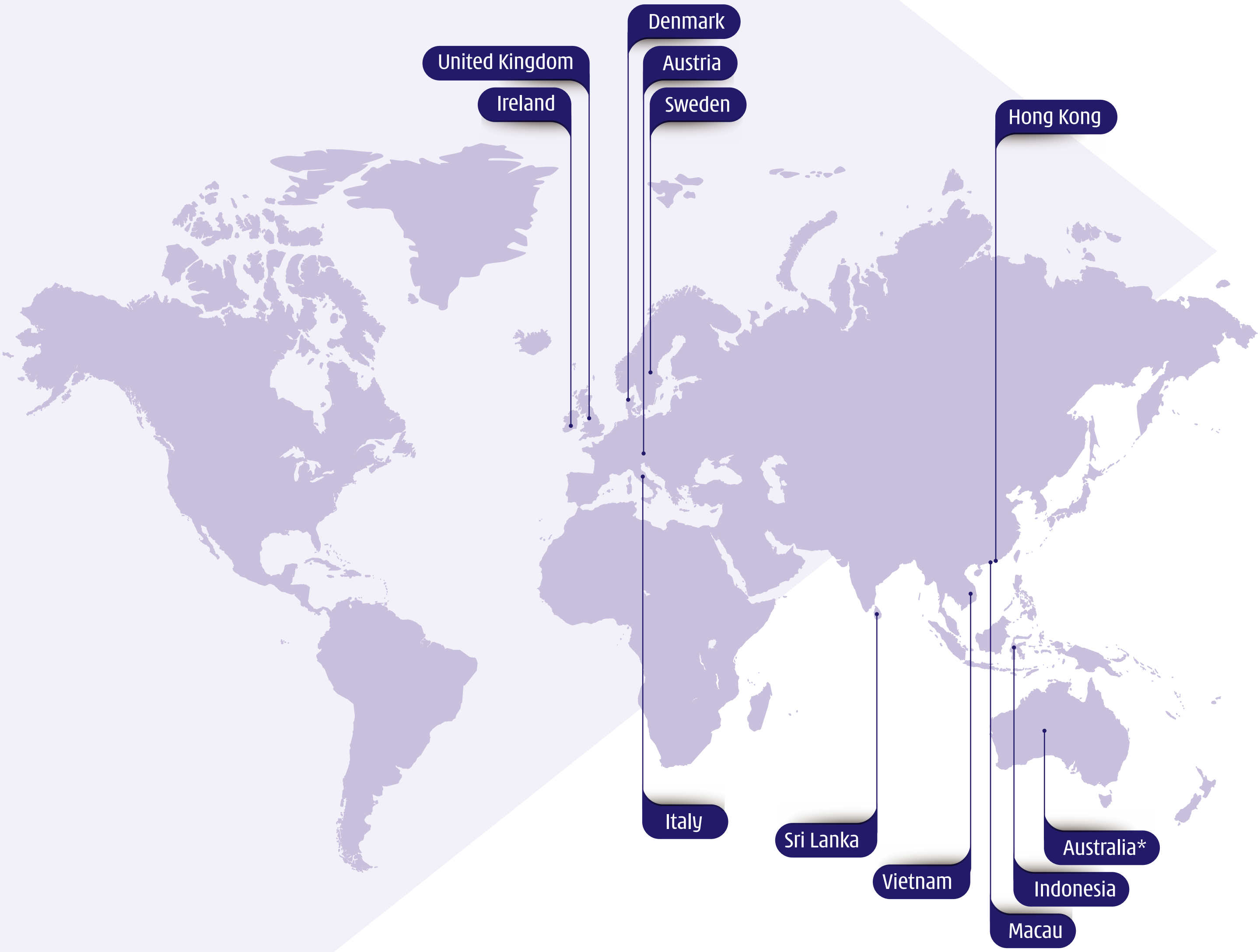
- Successful oil exploration discoveries in both the Asia Pacific and Atlantic regions
- Completed slip-forming on the West White Rose fixed wellhead platform
- Record sales gas production from the Liwan and BD projects
- Increased working interest at Liuhua 29-1 from 49% to 75%
- Signed Production Sharing Contracts for two exploration blocks offshore China in the Beibu Gulf

Husky expects to continue to optimise its portfolio in 2019 with the strategic review and potential sale of non-core Downstream assets, along with other actions and investments aimed at further reducing its break-even oil price.



3 UK is voted "UK's Best Network for Data 2018".

Telecommunications



* Hutchison Telecommunications (Australia) Limited ("HTAL"), share of results of Vodafone Hutchison Australia Pty Limited ("VHA"), was included in Finance & Investments and Others division.

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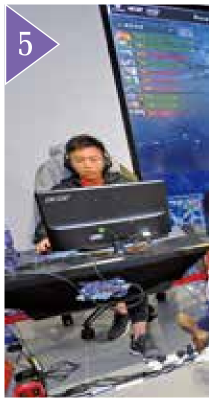

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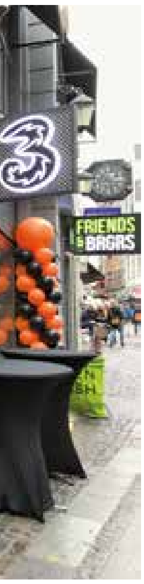


1. **3** Sweden opens its new headquarters in Stockholm.

2. CK Hutchison acquires 100% ownership of Wind Tre and becomes sole owner of Italy's leading mobile operator.

3. **3** Indonesia brings mobile lifestyle experience powered by 4G LTE to over 9,300 villages in more than 300 cities.

4. **3** Denmark opens its flagship store in the middle of Stroget in Copenhagen – one of the world's longest pedestrian shopping streets.

5. The two-storey 3LIVE flagship store in Hong Kong accommodates a variety of performances and activities such as eSports competitions, mini concerts and festive events.

6. **3** Ireland is the country's second largest mobile operator with 98% LTE coverage nationwide.

The Group's telecommunications division consists of the **3** Group businesses in Europe ("**3** Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, and Hutchison Asia Telecommunications ("HAT"). **3** Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, with the fixed operation fully disposed of in October 2017. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

Group Performance

3 Group Europe

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**78,411**	70,734	+11%	+7%
- Net customer service revenue	**61,813**	56,002	+10%	+7%
- Handset revenue	**12,282**	11,295	+9%	
- Other revenue	**4,316**	3,437	+26%	
Net Customer Service Margin [1]	**50,558**	46,756	+8%	+5%
Net customer service margin %	***82%***	*84%*		
Other Margin	**2,903**	1,646	+76%	
Total CACs	**(15,813)**	(16,296)	+3%	
Less: Handset revenue	**12,282**	11,295	+9%	
Total CACs (net of handset revenue)	**(3,531)**	(5,001)	+29%	
Operating Expenses	**(21,169)**	(19,064)	-11%	
Opex as a % of net customer service margin	***42%***	*41%*		
EBITDA	**28,761**	24,337	+18%	+14%
EBITDA Margin % [2]	***43%***	*41%*		
Depreciation & Amortisation	**(11,098)**	(7,770)	-43%	
EBIT	**17,663**	16,567	+7%	+3%

Note 1: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 2: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

The Group successfully executed the acquisition of the remaining 50% interest of Wind Tre in September 2018. Wind Tre has been contributing accretively as a wholly-owned subsidiary for four months in 2018. As a result, net customer service revenue and net customer service margin in local currencies for the **3** Group Europe increased by 7% and 5% respectively compared to last year. Operationally, active customer growth in 2018 was hindered by aggressive competition in Italy with the entry of a new competitor in the market during the year. Other operations in Europe continued to grow their active customer bases while customer numbers remained stable in the UK. The proportion of contract customers as a percentage of registered customers increased slightly from 39% in 2017 to 40% at 31 December 2018. Margin generated by contract customers accounted for approximately 67% of overall net customer service margin, an increase from 66% in 2017. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base improved from 1.6% in 2017 to 1.4% for the year.

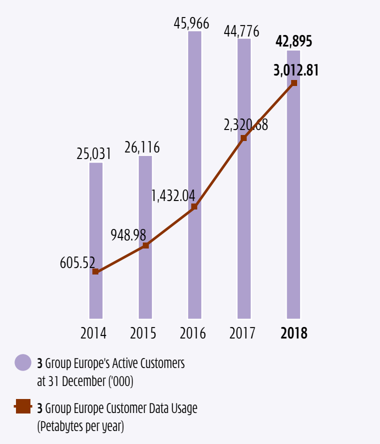
3 Group Europe's net ARPU and net AMPU both decreased by 8% to €14.06 and €11.88 respectively compared to 2017, primarily due to the increased proportion of Wind Tre customers which have a lower net ARPU and net AMPU, as well as keen competition in all markets.

Total data usage increased 30% compared to last year to approximately 3,013 petabytes in 2018. Data usage per active customer was approximately 71.9 gigabytes per user in 2018 compared to 53.8 gigabytes per user in 2017.

Total CACs, net of handset revenue in contract bundled plans, totalled HK$3,531 million in 2018, 29% lower than 2017, while operating expenses increased 11% to HK$21,169 million due to the additional 50% share acquired in Wind Tre and increased spending on network and IT transformation projects.

The EBITDA and EBIT growth was due to the accretive contribution from additional share of Wind Tre, improved net customer service margins and disciplined spending on customer acquisition costs, partly offset by increased spending on network and IT transformation projects to build a more agile, flexible and sustainable operating model to cater for the future.

3 Group Europe's Active Customers and Data Usage



3 Group Europe - Results by operations

In million	UK GBP 2018	UK GBP 2017	Italy (3) EURO 2018 Wind Tre (50% /100%)	Italy (3) EURO 2017 Wind Tre (50%)	Sweden SEK 2018	Sweden SEK 2017	Denmark DKK 2018	Denmark DKK 2017	Austria EURO 2018	Austria EURO 2017	Ireland EURO 2018	Ireland EURO 2017	3 Group Europe (3) HK$ 2018	3 Group Europe (3) HK$ 2017
Total Revenue	**2,439**	2,425	**3,271**	2,734	**7,113**	7,508	**2,186**	2,246	**881**	812	**591**	603	**78,411**	70,734
% change	***+1%***		***+20%***		***-5%***		***-3%***		***+8%***		***-2%***		***+11%***	
											Local currencies growth %		***+7%***	
- Net Customer Service Revenue	**1,647**	1,636	**2,982**	2,590	**4,699**	4,868	**1,875**	1,936	**692**	655	**443**	465	**61,813**	56,002
% change	***+1%***		***+15%***		***-3%***		***-3%***		***+6%***		***-5%***		***+10%***	
											Local currencies growth %		***+7%***	
- Handset Revenue	**675**	622	**137**	105	**2,198**	2,396	**120**	126	**125**	120	**77**	74	**12,282**	11,295
- Other Revenue	**117**	167	**152**	39	**216**	244	**191**	184	**64**	37	**71**	64	**4,316**	3,437
Net Customer Service Margin (4)	**1,429**	1,427	**2,276**	2,061	**3,982**	4,149	**1,567**	1,613	**589**	553	**389**	401	**50,558**	46,756
% change	**–**		***+10%***		***-4%***		***-3%***		***+7%***		***-3%***		***+8%***	
											Local currencies growth %		***+5%***	
Net Customer Service Margin %	***87%***	*87%*	***76%***	*80%*	***85%***	*85%*	***84%***	*83%*	***85%***	*84%*	***88%***	*86%*	***82%***	*84%*
Other margin	**62**	52	**140**	32	**109**	124	**133**	135	**30**	22	**51**	43	**2,903**	1,646
TOTAL CACs (8)	**(840)**	(848)	**(227)**	(217)	**(2,745)**	(3,187)	**(285)**	(350)	**(141)**	(159)	**(90)**	(118)	**(15,813)**	(16,296)
Less: Handset Revenue	**675**	622	**137**	105	**2,198**	2,396	**120**	126	**125**	120	**77**	74	**12,282**	11,295
Total CACs (net of handset revenue)	**(165)**	(226)	**(90)**	(112)	**(547)**	(791)	**(165)**	(224)	**(16)**	(39)	**(13)**	(44)	**(3,531)**	(5,001)
Operating Expenses	**(574)**	(551)	**(954)**	(876)	**(1,263)**	(1,332)	**(807)**	(716)	**(228)**	(194)	**(227)**	(231)	**(21,169)**	(19,064)
Opex as a % of net customer service margin	***40%***	*39%*	***42%***	*43%*	***32%***	*32%*	***51%***	*44%*	***39%***	*35%*	***58%***	*58%*	***42%***	*41%*
EBITDA	**752**	702	**1,372**	1,105	**2,281**	2,150	**728**	808	**375**	342	**200**	169	**28,761**	24,337
% change	***+7%***		***+24%***		***+6%***		***-10%***		***+10%***		***+18%***		***+18%***	
HKD equivalent	***7,860***	*7,087*	***12,601***	*9,793*	***2,066***	*1,968*	***906***	*961*	***3,475***	3,025	***1,853***	*1,503*	***28,761***	*24,337*
											Local currencies growth %		***+14%***	
EBITDA margin % (5)	***43%***	*39%*	***44%***	*42%*	***46%***	*42%*	***35%***	*38%*	***50%***	*49%*	***39%***	*32%*	***43%***	*41%*
Depreciation & Amortisation (8)	**(311)**	(265)	**(472)**	(298)	**(843)**	(595)	**(318)**	(289)	**(146)**	(100)	**(105)**	(79)	**(11,098)**	(7,770)
EBIT	**441**	437	**900**	807	**1,438**	1,555	**410**	519	**229**	242	**95**	90	**17,663**	16,567
% change	***+1%***		***+12%***		***-8%***		***-21%***		***-5%***		***+6%***		***+7%***	
											Local currencies growth %		***+3%***	
			Wind Tre (100%)	Wind Tre (100%)										
Capex (excluding licence) (6)	**(462)**	(459)	**(968)**	(975)	**(1,254)**	(836)	**(225)**	(201)	**(123)**	(115)	**(118)**	(109)		
EBITDA less Capex (6)	**290**	243	**1,040**	1,235	**1,027**	1,314	**503**	607	**252**	227	**82**	60		
Licence (7)	**(166)**	(2)	**(517)**	–	**–**	–	**–**	–	**–**	–	**(1)**	(19)		

Note 3: **3** Group Europe 2018 includes 50% share of Wind Tre's results from January to August 2018 and 100% share from September to December 2018, of which Wind Tre's fixed line business revenue was €675 million and EBITDA was €226 million. 2017 includes 50% share of Wind Tre's results, of which fixed line business revenue was €542 million and EBITDA was €193 million. Capex (excluding licence), EBITDA less Capex and Licence represent 100% of Wind Tre's results for both 2018 and 2017 for comparability purposes.

Note 4: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 5: EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

Note 6: 2017 excludes **3** UK's acquisition of UKB for £300 million and **3** Austria's acquisition of Tele2 for €100 million.

Note 7: Licence cost for UK represents investment for 4 x 5 MHz of 3.4 GHz spectrum acquired in April 2018 and incidental costs to acquire licence in 2017. Licence cost for Wind Tre in 2018 represents investment for 20 MHz of 3.6 - 3.8 GHz and 200 MHz of 26.5 - 27.5 GHz spectrums in October 2018, whereas the cost for Ireland in 2017 relates to investment for 100MHz of 3.6 GHz licence.

Note 8: 2018 included the effect under the adoption of HKFRS 15 of HK$858 million capitalisation impact on Total CACs and HK$912 million amortisation impact on Depreciation & Amortisation. Net impact to **3** Group Europe was a reduction in EBIT of HK$54 million.

	UK 2018	UK 2017	Italy (9) 2018	Italy (9) 2017	Sweden 2018	Sweden 2017	Denmark 2018	Denmark 2017	Austria 2018	Austria 2017	Ireland 2018	Ireland 2017	3 Group Europe 2018	3 Group Europe 2017
Total registered customer base (million)	**13.2**	12.6	**27.1**	29.5	**2.0**	2.0	**1.4**	**1.3**	**3.7**	3.6	**3.6**	3.2	**51.0**	52.3
Total active customer base (million)	**10.0**	10.1	**24.5**	26.6	**2.0**	1.9	**1.3**	**1.3**	**2.9**	2.9	**2.2**	2.1	**42.9**	44.8
Contract customers as a % of the total registered customer base	**53%**	55%	**27%**	25%	**75%**	82%	**60%**	**61%**	**69%**	69%	**38%**	38%	**40%**	39%
Contract customers' contribution to the net customer service margin (%) (10)	**88%**	87%	**37%**	32%	**90%**	93%	**71%**	**74%**	**92%**	91%	**63%**	64%	**67%**	66%
Average monthly churn rate of the total contract registered customer base (%)	**1.2%**	1.3%	**2.0%**	2.2%	**1.8%**	2.0%	**1.9%**	**2.2%**	**0.2%**	0.2%	**1.1%**	1.9%	**1.4%**	1.6%
Active contract customers as a % of the total contract registered customer base	**98%**	98%	**92%**	94%	**100%**	100%	**100%**	**100%**	**100%**	100%	**98%**	98%	**97%**	97%
Active customers as a % of the total registered customer base	**76%**	80%	**90%**	90%	**96%**	96%	**97%**	**97%**	**80%**	80%	**62%**	64%	**84%**	86%
LTE coverage by population (%)	**94%**	94%	**97%**	95%	**86%**	84%	**98%**	**98%**	**99%**	99%	**98%**	94%	**–**	–
Full year data usage per active customer (Gigabyte)													**71.9**	53.8

Note 9: Italy KBIs were calculated based on 100% of Wind Tre's figures, except for contract customers' contribution to net customer service margin (%), which was calculated based on 50% contribution from Wind Tre for January to August 2018 and on 100% contribution from September 2018 onwards.

Note 10: **3** Group Europe contract customers' contribution to net customer service margin in 2018 was calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 was calculated based on 50% contribution from Wind Tre.

Key Business Indicators

	Registered Customer Base			Registered Customer Base		
	Registered Customers at 31 December 2018 ('000)			Registered Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	6,243	7,007	**13,250**	+10%	+1%	**+5%**
Italy [12]	19,796	7,266	**27,062**	-11%	–	**-8%**
Sweden	519	1,517	**2,036**	+46%	-7%	**+3%**
Denmark	551	820	**1,371**	+8%	+3%	**+5%**
Austria	1,126	2,548	**3,674**	–	+1%	**+1%**
Ireland	2,223	1,342	**3,565**	+11%	+12%	**+12%**
3 Group Europe Total	30,458	20,500	**50,958**	-5%	+1%	**-3%**

	Active [11] Customer Base			Active [11] Customer Base		
	Active Customers at 31 December 2018 ('000)			Active Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	3,129	6,897	**10,026**	-4%	+1%	**–**
Italy [12]	17,760	6,696	**24,456**	-10%	-2%	**-8%**
Sweden	438	1,517	**1,955**	+60%	-7%	**+3%**
Denmark	511	820	**1,331**	+8%	+3%	**+4%**
Austria	387	2,542	**2,929**	-2%	+1%	**+1%**
Ireland	880	1,318	**2,198**	–	+12%	**+7%**
3 Group Europe Total	23,105	19,790	**42,895**	-8%	–	**-4%**

Note 11: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 12: Italy's customer base as at 31 December 2018 and 31 December 2017 were calculated based on 100% of Wind Tre. In addition to the above, Wind Tre's has 2.7 million fixed line customers.

12-month Trailing Average Revenue per Active User (13) ("ARPU") to 31 December 2018

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2017
United Kingdom	£5.00	£24.51	**£18.23**	+1%
Italy (16)	€10.32	€14.54	**€11.44**	-9%
Sweden	SEK117.26	SEK342.66	**SEK300.66**	+1%
Denmark	DKK89.31	DKK152.39	**DKK128.42**	-8%
Austria	€10.63	€22.71	**€21.09**	-3%
Ireland	€15.35	€23.23	**€20.00**	-8%
3 Group Europe Average (17)	€9.60	€23.55	**€16.52**	-8%

12-month Trailing Net Average Revenue per Active User (14) ("Net ARPU") to 31 December 2018

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2017
United Kingdom	£5.00	£17.67	**£13.59**	-2%
Italy (16)	€10.32	€14.54	**€11.44**	-9%
Sweden	SEK117.26	SEK223.18	**SEK203.44**	-2%
Denmark	DKK89.31	DKK139.00	**DKK120.11**	-8%
Austria	€10.63	€18.74	**€17.65**	-4%
Ireland	€15.35	€18.75	**€17.36**	-8%
3 Group Europe Average (17)	€9.79	€18.41	**€14.06**	-8%

12-month Trailing Net Average Margin per Active User (15) ("Net AMPU") to 31 December 2018

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2017
United Kingdom	£4.34	£15.33	**£11.79**	-2%
Italy (16)	€8.12	€12.54	**€9.29**	-11%
Sweden	SEK93.41	SEK190.46	**SEK172.38**	-3%
Denmark	DKK75.63	DKK115.42	**DKK100.30**	-7%
Austria	€9.34	€16.42	**€15.47**	-1%
Ireland	€13.73	€16.32	**€15.26**	-7%
3 Group Europe Average (17)	€7.91	€15.92	**€11.88**	-8%

Note 13: 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 14: 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 15: 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 16: Italy's ARPU, Net ARPU and Net AMPU for 2018 and 2017 were calculated based on Wind Tre's figures.

Note 17: **3** Group Europe ARPU, Net ARPU and Net AMPU in 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 were calculated based on 50% contribution from Wind Tre.

Operations Review – Telecommunications

United Kingdom

EBITDA increased by 7% in local currency compared to 2017 mainly driven by more stringent CACs and operating costs control, as well as higher other margin through various initiatives, partly offset by higher costs incurred for network and IT transformation projects. The 1% increase in EBIT in local currency was due to additional depreciation on a higher asset base and accelerated depreciation charges on certain network assets to be replaced under the network and IT transformation projects.

Italy

In Italy, EBITDA and EBIT in local currency grew by 24% and 12% respectively over 2017, reflecting the accretive contribution from the acquisition of the additional 50% share in Wind Tre during the year.

Wind Tre is the leading mobile operator in Italy with approximately 27.1 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2018. Wind Tre's mobile active customer base decreased 8% when compared to 2017 mainly due to a new market entrant intensifying price competition targeting low value customers. Encouragingly, the decline in customer base stabilised in the fourth quarter of 2018 and average monthly churn reduced to 2.7% from 3.3% in the third quarter.

Sweden

Sweden, where the Group has a 60% interest, reported 6% EBITDA growth in local currency compared to last year, mainly due to lower operating costs from stringent cost control, partly offset by lower net customer service margin driven by 3% lower net AMPU from keen market competition. However, EBIT decreased 8% in local currency from last year primarily due to higher depreciation and amortisation from an enlarged asset base.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 10% and 21% decrease in EBITDA and EBIT in local currency respectively compared to last year, mainly due to lower net customer service margin as VAT reclaim was not recognised from August 2017 onwards. Underlying EBITDA, without the VAT reclaim benefit in 2017, would be flat against last year while EBIT would be 6% lower in local currency due to higher depreciation and amortisation from an enlarged asset base and full year impact from new licence recognised in mid-2017.

Austria

EBITDA grew by 10% in local currency compared to 2017, mainly due to higher contribution from the newly acquired fixed operation, Tele2, in November 2017. EBIT decreased by 5% in local currency to €229 million in 2018 as a result of higher depreciation and amortisation from an enlarged asset base.

Ireland

EBITDA and EBIT in local currency were 18% and 6% respectively higher than 2017 due to lower operating cost from disciplined spending and the inclusion of receivables write-off relating to voluntarily churned customers in 2017. Favourable tariff changes were offset by keen market competition and the adverse impact of the EU roaming regulation. **3** Ireland continued to realise synergies during the year and have now substantially achieved the operating expense synergy run rate of €103 million targeted at the time of the acquisition of O_2 Ireland in 2014.

Hutchison Telecommunications Hong Kong Holdings

	2018 HK$ million	2017 HK$ million	Change
Total Revenue	**7,912**	9,685	-18%
- Mobile operation - service	**3,662**	3,831	-4%
- Mobile operation - hardware	**4,250**	2,899	+47%
- Discontinued Fixed operation	**–**	2,955	
EBITDA	**1,371**	4,337	-68%
- Mobile operation	**1,371**	1,314	+4%
- Discontinued Fixed operation	**–**	989	
- Disposition gain	**–**	2,034	
EBIT	**553**	707	-22%
- Mobile operation	**553**	445	+24%
- Discontinued Fixed operation	**–**	410	
- Disposition gain and accelerated depreciation	**–**	(148)	
Total active customer base ('000)	**3,276**	3,328	-2%

HTHKH announced its 2018 profit attributable to shareholders of HK$404 million. EBITDA was 68% lower as compared to last year mainly due to the disposal of the fixed-line telecommunications business and the associated gain on disposal in October 2017. The adverse variance at EBIT level is lower at a 22% reduction against last year primarily due to the accelerated depreciation charges in 2017 which did not recur in 2018.

Hutchison Asia Telecommunications

	2018 HK$ million	2017 HK$ million	Change	Change in Local Currencies
Total Revenue	**8,220**	7,695	+7%	+13%
- Indonesia	**7,314**	7,049	+4%	+10%
- Vietnam	**561**	352	+59%	+59%
- Sri Lanka	**345**	294	+17%	+26%
EBITDA	**1,028**	558	+84%	+106%
- Indonesia	**1,636**	1,185	+38%	+48%
- Vietnam	**(494)**	(478)	-3%	-3%
- Sri Lanka	**36**	6	+500%	+533%
- Corporate costs	**(150)**	(155)	+3%	+3%
EBIT	**321**	226	+42%	+77%
- Indonesia	**1,067**	873	+22%	+31%
- Vietnam	**(613)**	(493)	-24%	-24%
- Sri Lanka	**18**	2	+800%	+800%
- Corporate costs	**(151)**	(156)	+3%	+3%
Total active customer base ('000)	**49,827**	74,959	-34%	

HAT had an active customer base of approximately 49.8 million at the end of 2018, which represents 34% decrease compared to last year, primarily due to 49% decrease in Indonesia's customer base as the government-imposed subscriber registration since April 2018 resulted in a significant number of forced disconnections of multi-SIM users. Indonesia and Vietnam represent 64% and 24% of the total active customer base respectively.

HAT reported revenue, EBITDA and EBIT of HK$8,220 million, HK$1,028 million and HK$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performance in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. The EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

In November 2018, the Group completed the acquisition of Etisalat Lanka and now holds 85% interest in the enlarged Sri Lanka telecommunication business.

AlipayHK is appointed the QR Code payment solution vendor at ticket gates of MTR, Hong Kong's mass transit system.

Finance & Investments

and Others

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 VHA.

	2018 HK$ million	2017 HK$ million	Change
Total Revenue	**35,546**	34,097	+4%
EBITDA	**5,336**	5,736	-7%
EBIT	**2,764**	3,632	-24%

Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK$144,703 million at 31 December 2018. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2018 annual results announcement.

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

EBITDA and EBIT decreased mainly due to disposal gain relating to a manufacturing plant in the Mainland in 2017 that did not recur in 2018.

Other Operations

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has 60.15% interest in Hutchison China MediTech Limited ("Chi-Med"), which is dual-listed on the AIM market of the London Stock Exchange in the UK and the Nasdaq Global Select Market ("Nasdaq") in the US. Chi-Med is an innovative biopharmaceutical company which researches, develops, manufactures and sells pharmaceuticals and healthcare products.

In March 2018, HWCL completed the acquisition of 21.2% interest in Gama Aviation Plc, a global business aviation services provider listed on the AIM Market of the London Stock Exchange in the UK, for a total consideration of £33.0 million and simultaneously completed the disposal of its entire 20% interest in China Aircraft Services Limited and 50% interest in Gama Aviation Hutchison Holdings Limited to a subsidiary of Gama Aviation Plc for an aggregated consideration of £14.2 million.

TOM Group

TOM, a 36.13% associate, is a technology and media company listed on SEHK. TOM has a technology platform with operations in e-commerce, social network and mobile internet, as well as investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments.

Marionnaud

Marionnaud currently operates approximately 950 stores in 11 European markets, 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 increased 3.6% to approximately 6.0 million (including MVNOs) at 31 December 2018. VHA's EBITDA increased 13.4% to A$1,102.2 million for the year and its loss attributable to shareholders was reduced from A$177.8 million in 2017 to A$124.4 million in 2018.

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"). The proposed merger is subject to various conditions including shareholder, court and regulatory approval and is expected to complete in 2019. 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 3.6 GHz 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$18,025 million, flat when compared to last year. The Group's weighted average cost of debt for 2018 was 2.4%, increased slightly from 2.3% in 2017, reflecting the overall increase in interest rates in 2018.

The Group recorded current and deferred tax charges totalling HK$8,078 million for the year, an increase of 33% mainly due to the share of tax benefits recognised in Husky Energy following the corporate tax rate reduction in the US in 2017 not recur in 2018, as well as improved profitability during the year.

Summary

The Group continued to deliver good growth in earnings in 2018 from well-executed strategic initiatives as well as solid underlying performances, while maintaining a healthy level of liquidity and a strong balance sheet.

The Group's fundamental objectives are to maintain a stable earnings growth through our diversified core businesses and prudent financial strategy. Cautious and selective expansion and stringent capital expenditure and cost controls will continue as the key strategic guidelines in the Group's capital allocation strategy. Barring adverse external developments in the sectors and geographies in which we operate, I have full confidence that these objectives will be achieved in 2019.

Fok Kin Ning, Canning
Group Co-Managing Director

Hong Kong, 21 March 2019

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	2018 Throughput (100% basis)
			(million TEU)
HPH Trust			
Hongkong International Terminals/ COSCO-HIT Terminals/ Asia Container Terminals	Hong Kong	30.07% / 15.03% / 12.03%	10.9
Yantian International Container Terminals – Phase I and II/ Phase III/ West Port	Mainland China	16.96% / 15.53% / 15.53%	13.2
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% / 23.35%	N/A

Name	Location	Hutchison Ports' Effective Interest [1]	2018 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]/ Shantou International Container Terminal [3]/ Huizhou Port Industrial Corporation/ Xiamen International Container Terminals/ Xiamen Haicang International Container Terminals	Mainland China	50% / 50% / 70% / 33.59% / 49% / 49%	1.9

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.

Note 3: The Group's 70% interest in Shantou International Container Terminals was disposed of in November 2018.

Additional Information

Ports and Related Services (continued)

Name	Location	Hutchison Ports' Effective Interest [1]	2018 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%	9.0
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 [4]	Sweden	100%	0.1

Note 4: The Group holds the right to operate Container Terminal Frihamnen in Sweden.

Name	Location	Hutchison Ports' Effective Interest [1]	2018 Throughput (100% basis)
Asia, Australia and Others			
Westports Malaysia	Malaysia	23.55%	9.5
Panama Ports Company	Panama	90%	3.4
Hutchison Korea Terminals/Korea International Terminals	South Korea	100% / 88.9%	2.8
Hutchison Laemchabang Terminal/Thai Laemchabang Terminal	Thailand	80% / 87.5%	2.9
Jakarta International Container Terminal/Koja Terminal	Indonesia	49% / 45.09%	2.9
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%	1.9
Karachi International Container Terminal/South Asia Pakistan Terminals	Pakistan	100% / 90%	1.6
International Ports Services	Saudi Arabia	51%	1.1
Freeport Container Port	The Bahamas	51%	1.1
Oman International Container Terminal	Oman	65%	0.8
Alexandria International Container Terminals	Egypt	80.33%	0.8
Tanzania International Container Terminal Services	Tanzania	66.5%	0.6
Sydney International Container Terminals	Australia	100%	0.4
Buenos Aires Container Terminal Services	Argentina	100%	0.3
Hutchison Ajman International Terminals	United Arab Emirates	100%	0.2
Myanmar International Terminals Thilawa	Myanmar	100%	0.2
Brisbane Container Terminals	Australia	100%	0.2
Hutchison Ports RAK	United Arab Emirates	60%	–
Hutchison Ports UAQ	United Arab Emirates	60%	–
Hutchison Ports Basra	Iraq	51%	–
Saigon International Terminals Vietnam	Vietnam	70%	–

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, Watson's Wine, Watsons Water, Mr Juicy
Malaysia	Watsons
The Netherlands	ICI PARIS XL, Kruidvat, Trekpleister
The Philippines	Watsons
Poland	Rossmann
Russia	Watsons (1)
Singapore	Watsons
Taiwan	Watsons
Thailand	Watsons
Turkey	Watsons
United Kingdom	The Perfume Shop, Superdrug, Savers
Ukraine	Watsons
Vietnam	Watsons (2)

Note 1: ASW rebrands its retail chain in Russia from Spektr to Watsons during the year.

Note 2: 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: 50%[1]; CKI: 50%
	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: 38.01%[2]
	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 Gitic 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: 35%[1]; CKI: 35%; Power Assets: 20%
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: 40%[1]; CKI: 40%
	Northern Gas Networks Limited	Gas Distribution	CKI: 47.06%; Power Assets: 41.29%
	Wales & West Utilities Limited	Gas Distribution	CKHH: 30%[1]; CKI: 30%; Power Assets: 30%
	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: 50%[1]; CKI: 50%

Note 1: CKHH's economic interest in these projects as at 31 December 2018 reduced to 10% of the figures as stated above following the divesture of its aggregated 90% economic benefits in each of these directly owned interests during 2018.

Note 2: CKI's interest in Power Assets reduced to 35.96% following the disposal of its 2.05% interest in January 2019.

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	First Oil in October 2018	100%
	Dee Valley	Q4 2019	100%
	Spruce Lake Central	2020	100%
	Spruce Lake North	Around the end of 2020	100%
	Spruce Lake East	Around the 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	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	Around the end of 2020	49%
	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	2020 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	In production	100%
	Toledo Refinery, Ohio, USA	In production	50%
	Superior Refinery, Wisconsin, USA	In production	100%
	Lloydminster Upgrader, Saskatchewan	In production	100%
	Lloydminster Asphalt Refinery, Alberta	In production	100%
	Prince George Refinery, British Columbia	In production	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 December 2018	35%

Additional Information

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
	1800 MHz	3.3 MHz	1	Paired	6.6 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3.4 GHz	5 MHz	4	Unpaired	20 MHz
	3.5 GHz	20 MHz	2	Unpaired	40 MHz
	3.6 GHz	80 MHz	1	Unpaired	80 MHz
	3.9 GHz	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
	900 MHz [(1)]	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	1800 MHz [(1)]	5 MHz	1	Paired	10 MHz
	2000 MHz	5 MHz	2	Unpaired	10 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz [(1)]	5 MHz	2	Paired	20 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 [(2)]	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	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

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
Hong Kong	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz (3)	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz (3)	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 (4)	5 MHz	1	Paired	10 MHz
	2600 MHz (4)	15 MHz	1	Paired	30 MHz
Macau	900 MHz	7.8 MHz	1	Paired	15.6 MHz
	1800 MHz	4.4 MHz	1	Paired	8.8 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
	900 MHz (5)	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
Vietnam	900 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz (6)	15 MHz	1	Paired	30 MHz
Australia (7)	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
	3.6 GHz (8)	5 MHz	2	Unpaired	60 MHz

Note 1: For divestment to Iliad under the remedy taker contract.

Note 2: Spectrum acquired in March 2019.

Note 3: 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 4: Spectrum held by 50/50 joint venture with PCCW.

Note 5: Spectrum will be returned to Telecommunications Regulatory Commission of Sri Lanka.

Note 6: Spectrum shared with Viettel Mobile.

Note 7: VHA's spectrum holdings vary across different locations, hence the above reflects spectrum allocated in Sydney and Melbourne only.

Note 8: Spectrum held by VHA's 50/50 joint venture with TPG.