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 Report.

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