Notes to the Financial Statements

1 Basis of preparation and presentation

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

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

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

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

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

2 Revenue

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

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

2 Revenue (continued)

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

(i) By segments *

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

	Revenue from contracts with customers			Revenue	
	recognised at a point in time	recognised over time	Subtotal	from other sources	2018 Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	–	26,425	26,425	162	26,587
Retail	133,371	204	133,575	–	133,575
Infrastructure	3,834	10,600	14,434	6,192	20,626
Husky Energy	–	–	–	–	–
CKH Group Telecom					
3 Group Europe	*12,534*	*50,321*	*62,855*	–	*62,855*
Hutchison Telecommunications Hong Kong Holdings	*4,250*	*3,662*	*7,912*	–	*7,912*
Corporate and Others	–	*18*	*18*	*264*	*282*
	16,784	54,001	70,785	264	71,049
Hutchison Asia Telecommunications	–	8,220	8,220	–	8,220
Finance & Investments and Others	13,404	746	14,150	2,922	17,072
	167,393	100,196	267,589	9,540	277,129

* Previously reported figures in respect of "Finance & Investments and Others" for 2018 have been reclassified to conform with the presentation of segmental information adopted in the current year (see note 3(a)). These amendments and reclassifications have no impact on the revenue and profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

2 Revenue (continued)

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

(ii) By geographical locations *

	Revenue from contracts with customers				
	recognised at a point in time	**recognised over time**	**Subtotal**	**Revenue from other sources**	**2019 Total**
	HK$ million	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**
Hong Kong	**30,836**	**3,499**	**34,335**	**698**	**35,033**
Mainland China	**30,036**	**424**	**30,460**	**10**	**30,470**
Europe	**64,251**	**93,672**	**157,923**	**5,323**	**163,246**
Canada	**–**	**400**	**400**	**229**	**629**
Asia, Australia and Others	**27,001**	**25,127**	**52,128**	**828**	**52,956**
Finance & Investments and Others	**13,279**	**267**	**13,546**	**3,141**	**16,687**
	165,403	**123,389**	**288,792**	**10,229**	**299,021**

	Revenue from contracts with customers				
	recognised at a point in time	recognised over time	Subtotal	Revenue from other sources	2018 Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Hong Kong	35,404	3,537	38,941	248	39,189
Mainland China	31,669	570	32,239	5	32,244
Europe	63,108	71,156	134,264	5,118	139,382
Canada	–	392	392	231	623
Asia, Australia and Others	23,808	23,795	47,603	1,016	48,619
Finance & Investments and Others	13,404	746	14,150	2,922	17,072
	167,393	100,196	267,589	9,540	277,129

* Previously reported figures in respect of "Finance & Investments and Others" for 2018 have been reclassified to conform with the presentation of segmental information adopted in the current year (see note 3(a)). These amendments and reclassifications have no impact on the revenue and profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

2 Revenue (continued)

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

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

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

	2019 **HK$ million**	2018 HK$ million
Trade receivables (see note 22)	**16,863**	19,255
Contract assets (see notes 19 and 22)	**7,385**	6,943
Contract liabilities (see notes 25 and 29)	**(6,188)**	(5,883)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2019, HK$1,587 million (2018 – HK$1,569 million) was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. In 2019, HK$1,042 million (2018 – HK$853 million) was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$5,106 million (2018 – HK$3,224 million) was recognised as revenue in 2019 that was included in the contract liability balance at the beginning of the year.

(d) Transaction price allocated to the remaining performance obligations

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

	2019 **HK$ million**	2018 HK$ million
Within one year	**17,293**	17,591
More than one year	**7,534**	7,732
	24,827	25,323

3 Operating segment information

(a) Description of segments and principal activities

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

Ports and Related Services:

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

Retail:

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

Infrastructure:

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

Husky Energy:

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

Telecommunications:

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

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

3 Operating segment information (continued)

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

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

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

(b) Segment results, assets and liabilities

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

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

3 Operating segment information (continued)

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

(i) An analysis of revenue by segments

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

3 Operating segment information (continued)

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

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) [xiii]							
	Company and Subsidiaries	**Associates and JV**	**2019 Total**		Company and Subsidiaries	Associates and JV	2018 Total	
	HK$ million	**HK$ million**	**HK$ million**	%	HK$ million	HK$ million	HK$ million	%
Ports and Related Services	**9,806**	**3,599**	**13,405**	**12%**	9,683	3,709	13,392	12%
Retail	**13,676**	**3,215**	**16,891**	**15%**	12,874	3,290	16,164	14%
Infrastructure	**7,437**	**21,051**	**28,488**	**25%**	11,234	24,188	35,422	31%
Husky Energy [xv]	**–**	**3,139**	**3,139**	**3%**	–	12,106	12,106	11%
CKH Group Telecom								
3 Group Europe	***33,510***	***1***	***33,511***	***30%***	*22,787*	*5,974*	*28,761*	*26%*
Hutchison Telecommunications Hong Kong Holdings	***1,320***	***69***	***1,389***	***1%***	*1,298*	*73*	*1,371*	*1%*
Corporate and Others	***458***	***(17)***	***441***	***1%***	*225*	*–*	*225*	*–*
	35,288	**53**	**35,341**	**32%**	24,310	6,047	30,357	27%
Hutchison Asia Telecommunications	**2,167**	**–**	**2,167**	**2%**	1,028	–	1,028	1%
Finance & Investments and Others	**8,768**	**3,869**	**12,637**	**11%**	5,913	(802)	5,111	4%
EBITDA	**77,142**	**34,926**	**112,068**	**100%**	65,042	48,538	113,580	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	**–**	**756**	**756**		–	752	752	
EBITDA	**77,142^**	**35,682^**	**112,824^**		65,042	49,290	114,332	
Depreciation and amortisation	**(23,097)**	**(18,136)**	**(41,233)**		(19,351)	(21,615)	(40,966)	
Interest expenses and other finance costs	**(9,269)**	**(6,388)**	**(15,657)**		(9,562)	(8,463)	(18,025)	
Current tax	**(4,612)**	**(3,202)**	**(7,814)**		(3,982)	(3,813)	(7,795)	
Deferred tax credit (charge)	**(1,122)**	**1,235**	**113**		1,369	(1,652)	(283)	
Non-controlling interests	**(7,865)**	**(480)**	**(8,345)**		(7,563)	(700)	(8,263)	
	31,177	**8,711**	**39,888**		25,953	13,047	39,000	
HKFRS 16 impact								
EBITDA	**20,644^**	**3,337^**	**23,981^**					
Depreciation and amortisation	**(16,873)**	**(2,872)**	**(19,745)**					
Interest expenses and other finance costs	**(3,623)**	**(837)**	**(4,460)**					
Current tax	**(20)**	**–**	**(20)**					
Deferred tax	**65**	**37**	**102**					
Non-controlling interests	**84**	**–**	**84**					
	31,454	**8,376**	**39,830**					
^ Reconciliation to Post-HKFRS 16 basis EBITDA:								
Pre-HKFRS 16 basis EBITDA per above	**77,142**	**35,682**	**112,824**					
HKFRS 16 impact per above	**20,644**	**3,337**	**23,981**					
Post-HKFRS 16 basis EBITDA (see note 32(a)(i))	**97,786**	**39,019**	**136,805**					

3 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

	EBIT (LBIT) (xiv)							
	Company and Subsidiaries	Associates and JV	2019 Total		Company and Subsidiaries	Associates and JV	2018 Total	
	HK$ million	HK$ million	HK$ million	%	HK$ million	HK$ million	HK$ million	%
Ports and Related Services	6,827	2,234	9,061	13%	6,470	2,256	8,726	12%
Retail	11,164	2,507	13,671	19%	10,506	2,572	13,078	18%
Infrastructure	5,320	13,900	19,220	27%	7,825	16,213	24,038	33%
Husky Energy (xv)	–	(3,004)	(3,004)	-4%	–	5,742	5,742	8%
CKH Group Telecom								
3 Group Europe								
EBITDA before the following non-cash items:	33,510	1	33,511		22,787	5,974	28,761	
Depreciation	(9,139)	–	(9,139)		(5,064)	(950)	(6,014)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(4,260)	–	(4,260)		(3,626)	(1,458)	(5,084)	
EBIT - 3 Group Europe	20,111	1	20,112	28%	14,097	3,566	17,663	24%
Hutchison Telecommunications Hong Kong Holdings	559	22	581	1%	530	23	553	1%
Corporate and Others	455	(17)	438	1%	193	–	193	–
	21,125	6	21,131	30%	14,820	3,589	18,409	25%
Hutchison Asia Telecommunications	1,055	–	1,055	1%	321	–	321	–
Finance & Investments and Others	8,554	1,420	9,974	14%	5,749	(3,178)	2,571	4%
EBIT	54,045	17,063	71,108	100%	45,691	27,194	72,885	100%
Portion attributable to:								
Non-controlling interests of HPH Trust	–	483	483		–	481	481	
EBIT	54,045 ^	17,546 ^	71,591 ^		45,691	27,675	73,366	
Interest expenses and other finance costs	(9,269)	(6,388)	(15,657)		(9,562)	(8,463)	(18,025)	
Current tax	(4,612)	(3,202)	(7,814)		(3,982)	(3,813)	(7,795)	
Deferred tax credit (charge)	(1,122)	1,235	113		1,369	(1,652)	(283)	
Non-controlling interests	(7,865)	(480)	(8,345)		(7,563)	(700)	(8,263)	
	31,177	8,711	39,888		25,953	13,047	39,000	
HKFRS 16 impact								
EBIT	3,771 ^	465 ^	4,236 ^					
Interest expenses and other finance costs	(3,623)	(837)	(4,460)					
Current tax	(20)	–	(20)					
Deferred tax	65	37	102					
Non-controlling interests	84	–	84					
	31,454	8,376	39,830					
^ Reconciliation to Post-HKFRS 16 basis EBIT:								
Pre-HKFRS 16 basis EBIT per above	54,045	17,546	71,591					
HKFRS 16 impact per above	3,771	465	4,236					
Post-HKFRS 16 basis EBIT	57,816	18,011	75,827					

3 Operating segment information (continued)

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

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

	Depreciation and amortisation					
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2019 Total HK$ million**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total HK$ million
Ports and Related Services	**2,979**	**1,365**	**4,344**	3,213	1,453	4,666
Retail	**2,512**	**708**	**3,220**	2,368	718	3,086
Infrastructure	**2,117**	**7,151**	**9,268**	3,409	7,975	11,384
Husky Energy	**–**	**6,143**	**6,143**	–	6,364	6,364
CKH Group Telecom						
3 Group Europe	***13,399***	**–**	***13,399***	*8,690*	*2,408*	*11,098*
Hutchison Telecommunications Hong Kong Holdings	***761***	***47***	***808***	*768*	*50*	*818*
Corporate and Others	***3***	**–**	***3***	*32*	–	*32*
	14,163	**47**	**14,210**	9,490	2,458	11,948
Hutchison Asia Telecommunications	**1,112**	**–**	**1,112**	707	–	707
Finance & Investments and Others	**214**	**2,449**	**2,663**	164	2,376	2,540
	23,097	**17,863**	**40,960**	19,351	21,344	40,695
Portion attributable to:						
Non-controlling interests of HPH Trust	**–**	**273**	**273**	–	271	271
	23,097	**18,136**	**41,233**	19,351	21,615	40,966
Divesture of infrastructure investments	**(1,841)**	**–**	**(1,841)**	388	99	487
	21,256	**18,136**	**39,392**	19,739	21,714	41,453
HKFRS 16 impact	**16,873**	**2,872**	**19,745**			
	38,129	**21,008**	**59,137**			

3 Operating segment information (continued)

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

(v) An analysis of capital expenditure by segments

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

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

3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	Total assets									
	Company and Subsidiaries					Company and Subsidiaries				
	Segment assets[xxi]	Deferred tax assets	Assets classified as held for sale[xxiii]	Investments in associated companies and interests in joint ventures	2019 Total assets	Segment assets[xxi]	Deferred tax assets	Assets classified as held for sale[xxiii]	Investments in associated companies and interests in joint ventures	2018 Total assets
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Ports and Related Services	74,648	189	–	20,250	95,087	74,366	243	–	20,728	95,337
Retail	200,111	908	–	14,338	215,357	199,151	1,059	–	13,771	213,981
Infrastructure	60,929	4	–	169,167	230,100	54,963	12	114,843	145,913	315,731
Husky Energy	–	–	–	61,706	61,706	–	–	–	64,297	64,297
CKH Group Telecom										
3 Group Europe	*304,498*	*17,342*	*149*	*9*	*321,998*	*309,333*	*18,659*	*2,352*	*10*	*330,354*
Hutchison Telecommunications Hong Kong Holdings	*15,345*	*168*	–	*335*	*15,848*	*19,469*	*258*	–	*396*	*20,123*
Corporate and Others	*15,516*	–	–	*28*	*15,544*	*13,446*	–	–	–	*13,446*
	335,359	17,510	149	372	353,390	342,248	18,917	2,352	406	363,923
Hutchison Asia Telecommunications	15,782	–	–	–	15,782	11,333	–	–	–	11,333
Finance & Investments and Others	141,436	29	–	23,550	165,015	155,044	29	–	12,569	167,642
	828,265	18,640	149	289,383	1,136,437	837,105	20,260	117,195	257,684	1,232,244
HKFRS 16 impact	73,903	1,713	–	(1,077)	74,539					
	902,168	20,353	149	288,306	1,210,976					

3 Operating segment information (continued)

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

(vii) An analysis of total liabilities by segments

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

3 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

	Revenue (xx)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total HK$ million	%
Hong Kong	35,033	4,498	39,531	9%	39,189	4,752	43,941	10%
Mainland China	30,470	8,059	38,529	9%	32,244	7,517	39,761	9%
Europe	155,782	56,566	212,348	48%	138,307	76,821	215,128	47%
Canada (xxiv)	448	47,280	47,728	11%	596	53,651	54,247	12%
Asia, Australia and Others	52,956	14,818	67,774	15%	48,617	16,400	65,017	14%
Finance & Investments and Others	16,687	17,259	33,946	8%	17,072	18,064	35,136	8%
	256,343	143,982	400,325	91%	236,836	172,453	409,289	90%
	291,376	148,480	439,856 **	100%	276,025	177,205	453,230 **	100%
HKFRS 16 impact	–	–	–					
	291,376	148,480	439,856 **					

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

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) (xiii)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total HK$ million	%
Hong Kong	1,811	1,861	3,672	3%	1,698	1,983	3,681	3%
Mainland China	5,988	4,526	10,514	10%	6,184	4,924	11,108	10%
Europe	47,409	14,358	61,767	55%	40,563	22,468	63,031	55%
Canada (xxiv)	347	1,555	1,902	2%	410	10,364	10,774	10%
Asia, Australia and Others	12,819	8,757	21,576	19%	10,274	9,601	19,875	18%
Finance & Investments and Others	8,768	3,869	12,637	11%	5,913	(802)	5,111	4%
	77,142	34,926	112,068 ##	100%	65,042	48,538	113,580 ##	100%
HKFRS 16 impact	20,644	3,337	23,981					
	97,786	38,263	136,049 ##					

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

3 Operating segment information (continued)

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

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) (xiv)							
	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2019 Total HK$ million	%	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2018 Total HK$ million	%
Hong Kong	706	861	1,567	2%	561	929	1,490	2%
Mainland China	4,947	3,068	8,015	11%	5,208	3,397	8,605	12%
Europe	30,370	10,306	40,676	57%	26,897	15,458	42,355	58%
Canada (xiv)	324	(4,206)	(3,882)	-5%	390	4,508	4,898	6%
Asia, Australia and Others	9,144	5,614	14,758	21%	6,886	6,080	12,966	18%
Finance & Investments and Others	8,554	1,420	9,974	14%	5,749	(3,178)	2,571	4%
	54,045	17,063	71,108 @@	100%	45,691	27,194	72,885 @@	100%
HKFRS 16 Impact	3,771	465	4,236					
	57,816	17,528	75,344 @@					

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

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure (xxv)								
	Fixed assets @ HK$ million	Telecom-munications licences @ HK$ million	Brand names and other rights @ HK$ million	Assets classified as held for sale HK$ million	2019 Total HK$ million	Fixed assets and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2018 Total HK$ million
Hong Kong	1,295	203	–	–	1,498	1,316	–	–	1,316
Mainland China	958	–	–	–	958	1,147	–	–	1,147
Europe	17,072	1,026	2,738	6,711	27,547	18,626	6,384	1,341	26,351
Canada	–	–	–	33	33	14	–	37	51
Asia, Australia and Others	5,896	57	75	–	6,028	6,200	2,143	100	8,443
Finance & Investments and Others	318	–	4	–	322	237	–	1	238
	25,539	1,286	2,817	6,744	36,386	27,540	8,527	1,479	37,546
HKFRS 16 impact	(93)	–	–	–	(93)				
	25,446	1,286	2,817	6,744	36,293				

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

3 Operating segment information (continued)

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

(xii) An analysis of total assets by geographical locations

	Total assets									
	Company and Subsidiaries			Investments in associated companies		Company and Subsidiaries			Investments in associated companies	
	Segment assets (xxi)	Deferred tax assets	Assets classified as held for sale (xxiii)	and interests in joint ventures	2019 Total assets	Segment assets (xxi)	Deferred tax assets	Assets classified as held for sale (xxiii)	and interests in joint ventures	2018 Total assets
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Hong Kong	51,207	211	–	10,417	61,835	55,494	306	–	14,233	70,033
Mainland China	43,132	466	–	23,077	66,675	47,989	681	–	23,735	72,405
Europe	463,304	17,575	149	115,288	596,316	466,226	18,914	114,559	87,437	687,136
Canada (xxiv)	3,430	4	–	62,883	66,317	3,638	6	2,558	63,027	69,229
Asia, Australia and Others	125,756	355	–	54,168	180,279	108,714	324	78	56,683	165,799
Finance & Investments and Others	141,436	29	–	23,550	165,015	155,044	29	–	12,569	167,642
	828,265	18,640	149	289,383	1,136,437	837,105	20,260	117,195	257,684	1,232,244
HKFRS 16 impact	73,903	1,713	–	(1,077)	74,539					
	902,168	20,353	149	288,306	1,210,976					

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

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

3 Operating segment information (continued)

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

(xv) The Group's 40.19% owned listed associated company, Husky Energy recognised non-cash asset impairments and other charges aggregating C$2.3 billion (after tax), primarily related to its upstream assets in North America, including the Sunrise Energy Project and the Atlantic and Western Canada segments, and were largely due to lower long-term commodity price assumptions and a reduction in future capital spending. The reduction in future capital spending has the effect of reducing reserves, which in turn reduces asset values. Other charges included exploration-related write-downs and asset de-recognition at the Lima Refinery associated with redundant equipment following the completion of the crude oil flexibility project. The Group's share of these charges, after consolidation adjustments, is HK$ 5,983 million at the EBITDA and EBIT levels, and is reported under "Husky Energy" in the segment results. The Group's share of these charges, after tax and consolidation adjustments, is HK$4,223 million and is included in "Share of profits less losses of associated companies" in the consolidated income statement.

(xvi) During 2019, the Group recognsied a one-off disposal gain arising from the de-consolidation of former subsidiary Chi-Med. The disposal gain is HK$6,885 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in this segment information note, and is included in the "Other operating expenses" in the consolidated income statement. Included in this amount is a HK$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in Chi-Med to its fair value at the date of de-consolidation.

(xvii) In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. The Group recognised one-off loss of HK$2,962 million attributable to ordinary shareholders for the year ended 31 December 2018. The amount of the loss was HK$3,626 million at the EBITDA and EBIT levels, and was reported under "Finance & Investments and Others" in the segment results and was included in "Other operating expenses" in the income statement for the year ended 31 December 2018.

(xviii) In September 2018, the Group completed the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. The Group recognised one-off re-measurement and other gains of HK$8,600 million for the year ended 31 December 2018. The amount of the gains were HK$8,600 million at the EBITDA and EBIT levels, and were reported under "Finance & Investments and Others" in the segment results and were included in "Other operating expenses" in the income statement for the year ended 31 December 2018.

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

(xx) The geographical location of customers is based on the location at which the services were provided or goods delivered. Hong Kong is the location of principal place of business of the Company.

3 Operating segment information (continued)

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

(xxi) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, right-of-use assets, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale. Segment liabilities comprise trade payables and other current liabilities, lease liabilities and pension obligations and exclude liabilities directly associated with assets classified as held for sale. The geographical location of the specified non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) is based on the physical location of the asset, in the case of property, plant and equipment and other operating assets, the location of the operation in which they are allocated, in the case of assets classified as held for sale, intangible assets and goodwill, and the location of operations, in the case of associated companies and interests in joint ventures. Geographical analysis of the Group's non-current assets (based on Post-HKFRS 16 basis) other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts is as follows:

	2019 HK$ million	2018 HK$ million
Hong Kong	**75,997**	73,511
Mainland China	**78,356**	85,882
Europe	**563,367**	463,580
Canada (xxiv)	**66,207**	66,500
Asia, Australia and Others	**174,976**	163,042
	882,906	779,004
	958,903	852,515

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

(xxiii) See note 23.

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

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

4 Directors' emoluments

	2019 HK$ million	2018 HK$ million
Directors' emoluments	581	561

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

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2018 – nil).

In 2019, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind of HK$4.86 million; provident fund contribution of HK$0.32 million and discretionary bonus of HK$29.19 million. In 2018, the five individuals whose emoluments were the highest for the year were five directors of the Company.

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

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

	2019					
Name of directors	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind HK$ million	Discretionary bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total emoluments HK$ million
Victor T K LI [8]						
Paid by the Company	0.28	4.89	78.87	–	–	84.04
Paid by CKI	0.08	–	33.24	–	–	33.32
	0.36	4.89	112.11	–	–	117.36
FOK Kin Ning, Canning [1]	0.22	11.56	215.09	1.04	–	227.91
Frank John SIXT [1]	0.22	8.65	67.58	0.75	–	77.20
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	11.21	–	–	13.05
Paid by CKI	0.08	1.80	12.07	–	–	13.95
	0.30	3.42	23.28	–	–	27.00
KAM Hing Lam						
Paid by the Company	0.22	2.42	10.43	–	–	13.07
Paid by CKI	0.08	4.20	12.07	–	–	16.35
	0.30	6.62	22.50	–	–	29.42
LAI Kai Ming, Dominic [1]	0.22	5.92	67.00	0.48	–	73.62
Edith SHIH [1]	0.22	4.44	20.36	0.32	–	25.34
CHOW Kun Chee, Roland [5]	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan [5]	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles [5]	0.22	–	–	–	–	0.22
LEUNG Siu Hon [5]	0.22	–	–	–	–	0.22
George Colin MAGNUS [5]						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley [6] [7]	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent [6] [7] [8]	0.41	–	–	–	–	0.41
Michael David KADOORIE [6]	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose [6]	0.22	–	–	–	–	0.22
William SHURNIAK [6] [7]	0.35	–	–	–	–	0.35
WONG Chung Hin [6] [7] [8]	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna [6] [8]	0.28	–	–	–	–	0.28
Total	5.26	45.50	527.92	2.59	–	581.27

4 Directors' emoluments (continued)

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

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

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

(2) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK$1,781. The amount of director's fee shown above is a result of rounding.

(3) Retired on 10 May 2018.

(4) Appointed as Member of the Remuneration Committee on 10 May 2018.

(5) Non-executive director.

(6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK$2.24 million (2018 - HK$2.24 million).

(7) Member of the Audit Committee.

(8) Member of the Remuneration Committee.

5 Interest expenses and other finance costs

	2019 HK$ million	2018 HK$ million
Bank loans and overdrafts	**2,257**	1,971
Other loans	**5**	172
Notes and bonds	**8,282**	8,403
Interest bearing loans from non-controlling shareholders	**241**	262
Other finance costs	**413**	230
	11,198	11,038
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**315**	235
Other non-cash interest adjustments [(a)]	**(631)**	(1,099)
	10,882	10,174
Less: interest capitalised [(b)]	**(219)**	(377)
Interest on lease liabilities	**3,642**	–
	14,305	9,797

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK$1,037 million (2018 – HK$1,522 million) net with HK$406 million (2018 – HK$423 million) notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 4.3% to 5.9% (2018 – 2.7% to 6.2%) per annum.

6 Tax

	2019 HK$ million	2018 HK$ million
Current tax charge		
Hong Kong	**308**	76
Outside Hong Kong	**4,583**	3,836
	4,891	3,912
Deferred tax charge (credit)		
Hong Kong	**72**	53
Outside Hong Kong	**1,057**	(1,347)
	1,129	(1,294)
	6,020	2,618

Hong Kong profits tax has been provided for at the rate of 16.5% (2018 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

6 Tax (continued)

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

	2019 HK$ million	2018 HK$ million
Tax calculated at the domestic rates applicable in the country concerned	**8,760**	6,305
Tax effect of:		
Tax losses not recognised	**1,638**	1,724
Income not subject to tax	**(1,311)**	(2,172)
Expenses not deductible for tax purposes	**1,363**	1,349
Recognition of previously unrecognised tax losses	**(214)**	(141)
Utilisation of previously unrecognised tax losses	**(894)**	(1,256)
Under (over) provision in prior years	**19**	(98)
Other temporary differences	**(3,522)**	(2,818)
Effect of change in tax rate	**181**	(275)
Total tax for the year	**6,020**	2,618

7 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK$39,830 million (2018 – HK$39,000 million) and 3,856,240,500 shares in issue in 2019 (2018 – weighted average number of shares, 3,857,216,697 shares outstanding).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2019 and 31 December 2018. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2019 and 2018 did not have a dilutive effect on earnings per share.

8 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2019 HK$ million	2018 HK$ million
Distribution paid on perpetual capital securities	**398**	1,006

(b) Dividends

	2019 HK$ million	2018 HK$ million
Interim dividend, paid of HK$0.87 per share (2018 – HK$0.87 per share)	**3,355**	3,356
Final dividend, proposed of HK$2.30 per share (2018 – HK$2.30 per share)	**8,870**	8,870
	12,225	12,226

In 2019, the calculation of the interim dividend and final dividend is based on 3,856,240,500 shares (2018 – 3,857,678,500 shares) and 3,856,240,500 shares (2018 – 3,856,240,500 shares) in issue respectively.

9 Fixed assets

	Land and buildings HK$ million	Telecom-munications network assets HK$ million	Other assets[a] HK$ million	Total HK$ million
Cost				
At 1 January 2018	27,249	32,953	128,150	188,352
Additions	1,983	3,691	21,866	27,540
Relating to subsidiaries acquired (see note 32(c))	16	14,905	3,248	18,169
Disposals	(10)	(551)	(1,462)	(2,023)
Relating to subsidiaries disposed (see note 32(d))	(281)	–	(125)	(406)
Transfer between categories	120	3,201	(3,086)	235
Exchange translation differences	(1,009)	(2,830)	(4,963)	(8,802)
Transfer to assets classified as held for sale (see note 23)	(1,787)	(148)	(79,906)	(81,841)
At 31 December 2018, as previously reported and 1 January 2019	**26,281**	**51,221**	**63,722**	**141,224**
Effect on adoption of HKFRS 16 (see note 41)	**(389)**	**(209)**	**(188)**	**(786)**
At 1 January 2019, as adjusted	**25,892**	**51,012**	**63,534**	**140,438**
Additions	**1,494**	**4,293**	**19,659**	**25,446**
Relating to subsidiaries acquired (see note 32(c))	**38**	**–**	**3**	**41**
Disposals	**(54)**	**(425)**	**(781)**	**(1,260)**
Relating to subsidiaries disposed (see note 32(d))	**(11)**	**–**	**(369)**	**(380)**
Transfer between categories	**21**	**10,798**	**(10,514)**	**305**
Exchange translation differences	**127**	**15**	**(455)**	**(313)**
Transfer to assets classified as held for sale (see note 23)	**–**	**(55)**	**–**	**(55)**
At 31 December 2019	**27,507**	**65,638**	**71,077**	**164,222**
Accumulated depreciation and impairment				
At 1 January 2018	2,403	7,893	19,267	29,563
Charge for the year	1,069	3,796	9,649	14,514
Disposals	(7)	(384)	(1,511)	(1,902)
Relating to subsidiaries disposed (see note 32(d))	(24)	–	(43)	(67)
Transfer between categories	18	181	36	235
Exchange translation differences	8	(517)	(831)	(1,340)
Transfer to assets classified as held for sale (see note 23)	(128)	–	(10,256)	(10,384)
At 31 December 2018, as previously reported and 1 January 2019	**3,339**	**10,969**	**16,311**	**30,619**
Effect of adoption of HKFRS 16 (see note 41)	**–**	**(132)**	**(94)**	**(226)**
At 1 January 2019, as adjusted	**3,339**	**10,837**	**16,217**	**30,393**
Charge for the year	**1,023**	**7,958**	**6,487**	**15,468**
Disposals	**(40)**	**(398)**	**(585)**	**(1,023)**
Relating to subsidiaries disposed (see note 32(d))	**(4)**	**–**	**(106)**	**(110)**
Transfer between categories	**–**	**306**	**(1)**	**305**
Exchange translation differences	**39**	**64**	**(45)**	**58**
At 31 December 2019	**4,357**	**18,767**	**21,967**	**45,091**
Net book value				
At 31 December 2019	**23,150**	**46,871**	**49,110**	**119,131**
At 31 December 2018	22,942	40,252	47,411	110,605
At 1 January 2018	24,846	25,060	108,883	158,789

9 Fixed assets (continued)

(a) Cost and net book value of other assets include HK$25,562 million (2018 – HK$24,249 million) and HK$18,665 million (2018 – HK$18,765 million) respectively relate to the business of Ports and Related Services, HK$24,264 million (2018 – HK$20,852 million) and HK$19,144 million (2018 – HK$17,671 million) respectively relate to the business of Telecommunications and HK$2,229 million (2018 – HK$2,025 million) and HK$1,503 million (2018 – HK$1,433 million) respectively relate to the business of Infrastructure.

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

	2019 **HK$ million**	2018 HK$ million
Within 1 year	**99**	111
Between 1 and 2 years	**23**	42
Between 2 and 3 years	**6**	14
Between 3 and 4 years	**3**	6
Between 4 and 5 years	**1**	2
After 5 years	**3**	5
	135	180

10 Leases

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

	31 December 2019 **HK$ million**	1 January 2019 HK$ million
Right-of-use assets		
Container terminals	**16,749**	17,430
Retail stores	**26,489**	28,033
Telecommunications network	**28,495**	25,108
Leasehold land	**7,209**	7,702
Other assets	**4,766**	4,884
	83,708	83,157
Lease liabilities		
Current	**18,079**	15,713
Non-current	**75,609**	76,417
	93,688	92,130

On leases that commenced during the year, the Group has recognised HK$17,918 million of right-of-use assets, and HK$17,851 million of lease liabilities.

10 Leases (continued)

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

	2019 HK$ million
Depreciation charge of right-of-use assets	
Container terminals	1,119
Retail stores	7,917
Telecommunications network	6,597
Leasehold land	374
Other assets	1,277
	17,284
Interest on lease liabilities (included in "Interest expenses and other finance costs")	3,642
Expenses relating to short-term leases (included in "other operating expenses")	1,077
Expense relating to leases of low-value assets that are not short term leases (included in "other operating expenses")	1,375
Expense relating to variable lease payments not included in lease liabilities (included in "other operating expenses")	3,107
	9,201
Total charges recognised in profit or loss for leases	26,485

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

	2019 HK$ million
Within operating cash flows	9,189
Within financing cash flows (see note 32(e))	15,969
Total cash outflows for leases	25,158

(d) Group as lessee – other lease disclosure

Variable lease payments

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 1% increase in sales across all stores / operations in the companies with leases containing variable lease payment terms that are linked to sales would increase total lease payments (see note (c)) by approximately 0.1% or HK$27 million.

(d) Group as lessee – other lease disclosure (continued)

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

Residual value guarantees

As at 31 December 2019, residual value guarantee of HK$9 million is expected to be payable and had been included in calculating the lease liabilities.

Leases not yet commenced to which the lessee is committed

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

Restriction or covenants imposed by leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as lessor

	2019 **HK$ million**
Income from subleasing right-of-use assets (included in "other operating expenses")	**261**

The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases from subleasing right-of-use assets is as follows:

	2019 **HK$ million**
Within 1 year	**169**
Between 1 and 2 years	**119**
Between 2 and 3 years	**82**
Between 3 and 4 years	**63**
Between 4 and 5 years	**35**
After 5 years	**189**
	657

In addition, the Group has recognised income of HK$152 million (2018 – HK$140 million) from leasing of fixed assets for the year ended 31 December 2019.

11 Leasehold land

	2019 HK$ million	2018 HK$ million
Net book value		
At 1 January	**7,702**	8,305
Effect on adoption of HKFRS 16 (see note 41)	**(7,702)**	–
At 1 January, as adjusted	**–**	8,305
Amortisation for the year	**–**	(424)
Relating to subsidiaries disposed (see note 32(d))	**–**	(68)
Exchange translation differences	**–**	(111)
At 31 December	**–**	7,702

Leasehold land are grouped as part of right-of-use assets with effect from 1 January 2019.

12 Telecommunications licences

	2019 HK$ million	2018 HK$ million
Net book value		
At 1 January	**64,221**	27,271
Additions	**1,286**	8,527
Relating to subsidiaries acquired (see note 32(c))	**–**	32,802
Amortisation for the year	**(1,311)**	(1,222)
Disposal	**(28)**	–
Exchange translation differences	**(781)**	(1,813)
Transfer to assets classified as held for sale (see note 23)	**–**	(1,344)
At 31 December	**63,387**	64,221
Cost	**68,022**	67,571
Accumulated amortisation and impairment	**(4,635)**	(3,350)
	63,387	64,221

The carrying amount of telecommunications licences primarily arises from the acquisition of Hutchison Whampoa Limited's ("HWL") businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018.

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life and their carrying amount at 31 December 2019 are £1,720 million and €3,947 million (2018 - £1,723 million and €3,947 million) respectively.

13 Brand names and other rights

	Brand names HK$ million	Other rights HK$ million	Total HK$ million
Net book value			
At 1 January 2018	62,785	13,200	75,985
Additions	–	1,479	1,479
Relating to subsidiaries acquired (see note 32(c))	7,652	15,327	22,979
Amortisation for the year	(12)	(2,379)	(2,391)
Exchange translation differences	(1,118)	(730)	(1,848)
Transfer to assets classified as held for sale (see note 23)	(270)	(7,173)	(7,443)
At 31 December 2018 and 1 January 2019	**69,037**	**19,724**	**88,761**
Additions	**–**	**2,817**	**2,817**
Amortisation for the year	**(12)**	**(2,483)**	**(2,495)**
Disposal	**–**	**(4)**	**(4)**
Relating to subsidiaries disposed (see note 32(d))	**(2)**	**–**	**(2)**
Exchange translation differences	**(560)**	**(242)**	**(802)**
At 31 December 2019	**68,463**	**19,812**	**88,275**
Cost	**68,514**	**26,485**	**94,999**
Accumulated amortisation	**(51)**	**(6,673)**	**(6,724)**
	68,463	**19,812**	**88,275**

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018. At 31 December 2019,

- brand names relate to Retail of approximately HK$50 billion (2018 – HK$50 billion) and Telecommunications of approximately HK$18 billion (2018 – HK$19 billion) are considered to have an indefinite useful life; and

- other rights, which include rights of use of telecommunications network infrastructure sites of HK$394 million (2018 – HK$547 million), operating and service content rights of HK$9,139 million (2018 – HK$7,954 million), resource consents and customer lists of HK$10,279 million (2018 – HK$11,223 million) are amortised over their finite useful lives.

14 Goodwill

	2019 HK$ million	2018 HK$ million
Cost		
At 1 January	**323,160**	255,334
Relating to subsidiaries acquired (see note 32(c))	**–**	97,602
Relating to subsidiaries disposed (see note 32(d))	**(10,438)**	–
Exchange translation differences	**(3,736)**	(4,090)
Transfer to assets classified as held for sale (see note 23)	**–**	(25,686)
At 31 December	**308,986**	323,160

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre in 2018. As at 31 December 2019, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK$114 billion (2018 – HK$114 billion), telecommunications of approximately HK$123 billion (2018 – HK$127 billion) and CKI of approximately HK$39 billion (2018 – HK$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 12, 13 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 1.1% to 9.7% (2018 – 3.3% to 9.3%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1.0% to 2.7% (2018 – 1.0% to 3.1%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2019 and 2018 indicated no impairment charge was necessary.

15 Associated companies

	2019 HK$ million	2018 HK$ million
Unlisted shares	**9,112**	8,812
Listed shares, Hong Kong	**61,070**	64,408
Listed shares, outside Hong Kong	**91,772**	78,444
Share of undistributed post acquisition reserves	**(20,893)**	(19,151)
	141,061	132,513
Amounts due from (net with amounts due to) associated companies [(a)]	**3,690**	3,774
	144,751	136,287

The market value of the above listed investments at 31 December 2019 was HK$97,118 million (2018 – HK$91,849 million), inclusive of HK$25,005 million (2018 – HK$33,001 million) and HK$43,747 million (2018 – HK$44,054 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 35.

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

	2019 HK$ million	2018 HK$ million
Amounts due from associated companies [(i)]		
Interest free	**719**	639
Interest bearing at fixed rates [(ii)]	**2,795**	2,946
Interest bearing at floating rates [(iii)]	**905**	906
	4,419	4,491
Amount due to an associated company [(iv)]		
Interest free	**729**	717
Amounts due from (net with amounts due to) associated companies	**3,690**	3,774

(i) At 31 December 2019 and 2018, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK$936 million which are repayable within one to two years (2018 – HK$884 million which are repayable within one to three years).

(ii) At 31 December 2019, HK$2,795 million (2018 – HK$2,946 million) bear interests at fixed rates ranging from approximately 4.7% to 11.2% (2018 – 10.9% to 11.2%) per annum.

(iii) At 31 December 2019, HK$905 million (2018 – HK$906 million) bear interests at floating rates ranging from approximately 1.7% to 3.8% (2018 – 1.8% to 3.3%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.

(iv) At 31 December 2019 and 2018, the amount due to an associated company is unsecured and has no fixed terms of repayment.

15 Associated companies (continued)

(b) Material associated companies

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

	2019		2018	
	Husky Energy HK$ million	Power Assets HK$ million	Husky Energy HK$ million	Power Assets HK$ million
Dividends received from associated companies	1,164	2,149	667	7,139
Gross amount of the following items of the associated companies [(i)]:				
Total revenue	118,473	1,348	135,440	1,555
EBITDA	8,658	18,270	30,118	19,418
EBIT (LBIT)	(7,399)	12,995	14,285	14,108
Other comprehensive income (losses)	1,145	804	(3,617)	(1,113)
Total comprehensive income (losses)	(3,586)	7,935	4,963	6,523
Current assets	29,332	5,015	34,517	5,475
Non-current assets	231,865	126,243	229,816	123,664
Current liabilities	27,538	4,324	29,015	4,072
Non-current liabilities	76,074	3,755	71,294	3,808
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	152,696	123,179	159,254	121,259
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	36.0%	40.2%	38.0%
Group's share of net assets	61,369	44,295	64,004	46,091
Amount due from associated company	300	–	293	–
Carrying amount	61,669	44,295	64,297	46,091

	2019				2018			
	Husky Energy HK$ million	Power Assets HK$ million	Other associated companies HK$ million	Total HK$ million	Husky Energy HK$ million	Power Assets HK$ million	Other associated companies HK$ million	Total HK$ million
Group's share of the following items of the associated companies [(i)]:								
Profits less losses after tax	(1,902)	2,564	862	1,524	3,448	2,902	(3,462)	2,888
Other comprehensive income (losses)	460	289	(409)	340	(1,454)	(424)	(733)	(2,611)
Total comprehensive income (losses)	(1,442)	2,853	453	1,864	1,994	2,478	(4,195)	277

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

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

16 Interests in joint ventures

	2019 HK$ million	2018 HK$ million
Unlisted shares	**101,422**	87,296
Share of undistributed post acquisition reserves	**197**	(823)
	101,619	86,473
Amounts due from (net with amounts due to) joint ventures [(a)]	**41,936**	34,924
	143,555	121,397

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 35.

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

	2019 HK$ million	2018 HK$ million
Amounts due from joint ventures [(i)]		
Interest free	**2,101**	2,070
Interest bearing at fixed rates [(ii)]	**21,345**	17,222
Interest bearing at floating rates [(iii)]	**18,896**	16,036
	42,342	35,328
Amounts due to joint ventures [(iv)]		
Interest free	**353**	361
Interest bearing at floating rates [(v)]	**53**	43
Amounts due from (net with amounts due to) joint ventures	**41,936**	34,924

(i) At 31 December 2019 and 2018, the amounts due from joint ventures are unsecured and have no fixed terms of repayment except for HK$448 million which are repayable within one to two years (2018 – HK$979 million which are repayable within one to two years).

(ii) At 31 December 2019, HK$21,345 million (2018 – HK$17,222 million) bear interests at fixed rates ranging from approximately 4.4% to 11.0% (2018 – 4.9% to 11.0%) per annum.

(iii) At 31 December 2019, HK$18,896 million (2018 – HK$16,036 million) bear interests at floating rates ranging from approximately 2.0% to 14.1% (2018 – 3.7% to 7.4%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime Rate and London Interbank Offered Rate, as applicable.

(iv) At 31 December 2019 and 2018, the amounts due to joint ventures are unsecured and have no fixed terms of repayment except for HK$53 million which are repayable within one year (2018 – HK$43 million which are repayable within one year).

(v) At 31 December 2019, HK$53 million (2018 – HK$43 million) bear interests at floating rates ranging from approximately 1.2% to 1.4% (2018 – 1.5% to 2.5%) per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

16 Interests in joint ventures (continued)

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

	2019 HK$ million	2018 HK$ million
Profits less losses after tax [(i)]	**7,404**	10,220
Other comprehensive income (losses)	**(68)**	(4,761)
Total comprehensive income	**7,336**	5,459
Capital commitments	**1,879**	2,692

(i) During the second half of 2012, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK$552 million (2018 – HK$61 million). This item is presented within the consolidated income statement line item titled other operating expenses.

Particulars regarding the principal joint ventures are set forth on pages 259 to 262.

17 Deferred tax

	2019 HK$ million	2018 HK$ million
Deferred tax assets	**20,353**	20,260
Deferred tax liabilities	**16,819**	19,261
Net deferred tax assets	**3,534**	999

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

	2019 HK$ million	2018 HK$ million
At 1 January	**999**	(5,388)
Effect on adoption of HKFRS 16 (see note 41)	**2,620**	–
Effect on adoption of HKFRS 9 and HKFRS 15	**–**	(304)
Relating to subsidiaries acquired (see note 32(c))	**–**	2
Relating to subsidiaries disposed (see note 32(d))	**24**	7
Transfer to current tax	**2**	29
Net credit (charge) to other comprehensive income	**136**	(162)
Net credit (charge) to the income statement		
Tax losses	**(1,153)**	669
Accelerated depreciation allowances	**217**	(240)
Fair value adjustments arising from acquisitions	**(211)**	(39)
Withholding tax on undistributed profits	**41**	(61)
Other temporary differences	**116**	965
Exchange translation differences	**743**	(318)
Transfer to assets classified as held for sale (see note 23)	**–**	(416)
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	**–**	6,255
At 31 December	**3,534**	999

17 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

	2019 HK$ million	2018 HK$ million
Tax losses	**16,778**	18,459
Accelerated depreciation allowances	**(4,018)**	(4,127)
Fair value adjustments arising from acquisitions	**(10,030)**	(10,501)
Revaluation of investment properties and other investments	**30**	126
Withholding tax on undistributed profits	**(400)**	(497)
Other temporary differences	**1,174**	(2,461)
	3,534	999

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

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

At 31 December 2019, the Group has recognised accumulated deferred tax assets amounting to HK$20,353 million (2018 – HK$20,260 million) of which HK$17,535 million (2018 – HK$18,659 million) relates to **3** Group Europe.

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

The Group has not recognised deferred tax assets of HK$27,876 million at 31 December 2019 (2018 – HK$28,880 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$115,009 million (2018 – HK$99,135 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$101,435 million (2018 – HK$76,257 million) can be carried forward indefinitely and the balances expire in the following years:

	2019 HK$ million	2018 HK$ million
In the first year	**5,015**	3,896
In the second year	**1,753**	5,606
In the third year	**2,586**	2,096
In the fourth year	**1,144**	2,667
After the fourth year	**3,076**	8,613
	13,574	22,878

18 Liquid funds and other listed investments

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

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

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

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

(a) At 31 December, liquid funds and other listed investments totalling HK$7,722 million (2018 – HK$9,292 million) are denominated in the following currencies:

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

18 Liquid funds and other listed investments (continued)

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

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

19 Other non-current assets

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

19 Other non-current assets (continued)

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the year was HK$1,571 million (2018 – HK$1,188 million) and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

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

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

20 Investment properties

Investment properties are included in "Other non-current assets" (see note 19) in the statement of financial position.

	2019 HK$ million	2018 HK$ million
Valuation		
At 1 January	**382**	360
Increase in fair value of investment properties	**16**	22
At 31 December	**398**	382

Investment properties have been fair valued as at 31 December 2019 and 31 December 2018 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2019 and 2018, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

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

As at 31 December 2019 and 2018, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

21 Cash and cash equivalents

	2019 HK$ million	2018 HK$ million
Cash at bank and in hand	**30,606**	32,253
Short term bank deposits	**106,521**	103,158
	137,127	135,411

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

22 Trade receivables and other current assets

	2019 HK$ million	2018 HK$ million
Trade receivables [(a)]	**18,673**	20,391
Less: loss allowance provision	**(1,810)**	(1,136)
	16,863	19,255
Other current assets		
Derivative financial instruments		
Fair value hedges – Interest rate swaps	**2**	–
Net investment hedges		
Forward foreign exchange contracts	**1,375**	567
Cross currency swaps	**77**	–
Contract assets [(b)]	**3,903**	4,217
Prepayments	**18,353**	21,105
Other receivables	**15,136**	18,682
	55,709	63,826

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

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

The Group's five largest customers contributed less than 6% of the Group's revenue for the year ended 31 December 2019 (2018 – less than 4%).

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

	2019 HK$ million	2018 HK$ million
Less than 31 days	**9,948**	11,830
Within 31 to 60 days	**2,183**	2,308
Within 61 to 90 days	**753**	994
Over 90 days	**5,789**	5,259
	18,673	20,391

22 Trade receivables and other current assets (continued)

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

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

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

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

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

23 Assets and liabilities classified as held for sale

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

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

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

(b) During the current year, the Group completed supplementary agreements with the counter-parties to the economic agreements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these co-owned investments. Upon completion of all supplementary agreements on 30 December 2019, the relevant assets and liabilities of these entities, together with the relevant amount of the financial liabilities recognised in respect of the cash consideration received under the economic benefits agreements, are de-recognised from the Group's statement of financial position. The de-recognition does not result in gain or loss in the Group's income statement for the year ended 31 December 2019. For the purpose of the Group's statement of cash flows, the de-recognition gave rise to a net cash outflow of HK$2,429 million, representing cash and cash equivalents de-recognised. Other than this cash flow, the de-recognition is a non-cash item for the purpose of the Group's statement of cash flows. During the current year, while classified as held for sales, these entities contributed HK$4,768 million to the Group's net operating cash flows, incurred HK$9,331 million outflow in respect of investing activities (inclusive of the aforementioned HK$2,429 million outflow), and contributed HK$978 million in respect of financing activities.

(c) The Group is no longer actively pursuing the plan to streamline the holdings of its direct interest in the co-owned infrastructure investment in Australian Gas Networks. At 31 December 2019, this direct interest ceased to be classified as held for sale and has been reclassified from "Assets classified as held for sale" to "Interests in joint ventures" in the Group's statement of financial position. The reclassification has no impact on the profit for the current and comparative years and the total equity as at 31 December 2019 and 2018. As required by the applicable accounting standard, the reclassification has been applied retrospectively and the Group's financial statements for the year ended 31 December 2018 has been amended accordingly.

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

(d) The major classes of assets and liabilities classified as held for sale at the reporting date are as follows:

	2019 HK$ million	2018 HK$ million
Assets		
Fixed assets	–	71,309
Brand names and other rights	–	7,443
Goodwill	–	25,686
Interests in joint ventures	–	3,879
Deferred tax assets	–	416
Other non-current assets	–	304
Cash and cash equivalents	–	3,585
Inventories	–	56
Trade receivables and other current assets	–	2,165
Assets classified as held for sale	–	114,843
Liabilities		
Bank and other debts	–	57,707
Current tax liabilities	–	134
Trade payables and other current liabilities	–	4,453
Interest bearing loans from non-controlling shareholders	–	2,071
Deferred tax liabilities	–	6,255
Pension obligations	–	1,113
Other non-current liabilities	–	5,867
Liabilities directly associated with assets classified as held for sale	–	77,600
Net assets directly associated with disposal group	–	37,243
Non-controlling interests	–	3,021
Net assets and non-controlling interests directly associated with disposal group	–	34,222

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

(e) In 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites and frequencies to an external third party. The transfer was expected to be completed within a year from the reporting date and the associated assets were consequently reclassified for accounting purposes and presented as held for sale in the Company's consolidated financial statements for the year ended 31 December 2018. There was no gain or loss recognised on reclassification in the income statement for the year ended 31 December 2018.

During 2019, Wind Tre finalised the transfer of the telecommunications frequencies to the external third party. The current year balance in the table below represents the carrying amount at 31 December 2019 of the remaining sites to be transferred to the external third party in 2020.

The major classes of assets classified as held for sale at the reporting date are as follows:

	2019 **HK$ million**	2018 HK$ million
Fixed assets	**149**	477
Telecommunications licences	**–**	1,875
	149	2,352

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

(f) The cumulative income or expense recognised in other comprehensive income relating to non-current assets (or disposal group) classified as held for sale as at 31 December 2019 were nil (31 December 2018 – losses of HK$5,949 million).

24 Bank and other debts

	2019			2018		
	Current portion **HK$ million**	**Non-current portion** **HK$ million**	**Total** **HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Principal amounts						
Bank loans	**32,565**	**96,392**	**128,957**	5,943	111,235	117,178
Other loans	**4**	**255**	**259**	38	410	448
Notes and bonds	**9,100**	**204,642**	**213,742**	19,710	209,582	229,292
	41,669	**301,289**	**342,958**	25,691	321,227	346,918
Unamortised fair value adjustments arising from acquisitions	**–**	**4,539**	**4,539**	553	5,197	5,750
Subtotal before the following items	**41,669**	**305,828**	**347,497**	26,244	326,424	352,668
Unamortised loan facilities fees and premiums or discounts related to debts	**(1,675)**	**(1,230)**	**(2,905)**	(1)	(656)	(657)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	**1**	**(33)**	**(32)**	(257)	(198)	(455)
	39,995	**304,565**	**344,560**	25,986	325,570	351,556

24 Bank and other debts (continued)

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

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans	**32,565**	**96,392**	**128,957**	5,943	111,235	117,178
Other loans	**4**	**255**	**259**	38	410	448
Notes and bonds						
HK$500 million notes, 4.3% due 2020	**500**	**–**	**500**	–	500	500
HK$500 million notes, 4.35% due 2020	**500**	**–**	**500**	–	500	500
HK$300 million notes, 3.9% due 2020	**300**	**–**	**300**	–	300	300
HK$400 million notes, 3.45% due 2021	**–**	**400**	**400**	–	400	400
HK$300 million notes, 3.35% due 2021	**–**	**300**	**300**	–	300	300
HK$260 million notes, 4% due 2027	**–**	**260**	**260**	–	260	260
US$1,000 million notes, 5.75% due 2019	**–**	**–**	**–**	7,800	–	7,800
US$1,500 million notes, 7.625% due 2019	**–**	**–**	**–**	11,700	–	11,700
US$1,000 million notes, 2.25% due 2020	**7,800**	**–**	**7,800**	–	7,800	7,800
US$750 million notes, 1.875% due 2021	**–**	**5,850**	**5,850**	–	5,850	5,850
US$1,500 million notes, 4.625% due 2022	**–**	**11,700**	**11,700**	–	11,700	11,700
US$1,000 million notes, 2.875% due 2022	**–**	**7,800**	**7,800**	–	7,800	7,800
US$500 million notes, 3.25% due 2022	**–**	**3,900**	**3,900**	–	3,900	3,900
US$750 million notes, 2.75% due 2023	**–**	**5,850**	**5,850**	–	5,850	5,850
US$750 million notes, 3.25% due 2024	**–**	**5,850**	**5,850**	–	–	–
US$1,500 million notes, 3.625% due 2024	**–**	**11,700**	**11,700**	–	11,700	11,700
US$500 million notes, 2.75% due 2026	**–**	**3,900**	**3,900**	–	3,900	3,900
US$1,843 million notes, 5% due 2026	**–**	**–**	**–**	–	14,375	14,375
US$309 million notes - Series C, 7.5% due 2027	**–**	**2,410**	**2,410**	–	2,410	2,410
US$500 million notes, 3.25% due 2027	**–**	**3,900**	**3,900**	–	3,900	3,900
US$800 million notes, 3.5% due 2027	**–**	**6,240**	**6,240**	–	6,240	6,240
US$500 million notes, 2.75% due 2029	**–**	**3,900**	**3,900**	–	–	–
US$750 million notes, 3.625% due 2029	**–**	**5,850**	**5,850**	–	–	–
US$1,039 million notes, 7.45% due 2033	**–**	**8,107**	**8,107**	–	8,107	8,107
US$25 million notes - Series D, 6.988% due 2037	**–**	**196**	**196**	–	196	196
US$750 million notes, 3.375% due 2049	**–**	**5,850**	**5,850**	–	–	–
EUR1,500 million notes, 1.375% due 2021	**–**	**13,005**	**13,005**	–	13,425	13,425
EUR750 million notes, 3.625% due 2022	**–**	**6,502**	**6,502**	–	6,712	6,712
EUR1,350 million notes, 1.25% due 2023	**–**	**11,705**	**11,705**	–	12,083	12,083
EUR1,500 million notes, 0.375% due 2023	**–**	**13,005**	**13,005**	–	–	–
EUR1,537 million notes, 2.625% due 2023	**–**	**–**	**–**	–	13,756	13,756
EUR600 million bonds, 1% due 2024	**–**	**5,202**	**5,202**	–	5,370	5,370
EUR1,000 million notes, 0.875% due 2024	**–**	**8,670**	**8,670**	–	8,950	8,950
EUR2,026 million notes, EURIBOR^ + 2.75% due 2024	**–**	**–**	**–**	–	18,133	18,133
EUR750 million notes, 1.25% due 2025	**–**	**6,503**	**6,503**	–	6,712	6,712
EUR1,576 million notes, 3.125% due 2025	**–**	**–**	**–**	–	14,105	14,105
EUR1,000 million notes, 0.75% due 2026	**–**	**8,670**	**8,670**	–	–	–
EUR650 million notes, 2% due 2028	**–**	**5,635**	**5,635**	–	5,818	5,818
EUR1,000 million notes, 1.125% due 2028	**–**	**8,670**	**8,670**	–	–	–

24 Bank and other debts (continued)

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

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

^ EURIBOR represents the Euro Interbank Offered Rate

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

(a) By year of repayment

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

24 Bank and other debts (continued)

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

(b) By secured and unsecured borrowings

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

(c) By borrowings at fixed and floating interest rate

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

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

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

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

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

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

24 Bank and other debts (continued)

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

(e) By currency

	2019			2018		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	9%	32%	41%	6%	38%	44%
Euro	–	42%	42%	–	42%	42%
HK dollars	1%	3%	4%	–	3%	3%
British Pounds	2%	3%	5%	–	3%	3%
Other currencies	1%	7%	8%	1%	7%	8%
	13%	87%	100%	7%	93%	100%

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

	2019			2018		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	4%	27%	31%	6%	27%	33%
Euro	5%	47%	52%	–	53%	53%
HK dollars	1%	3%	4%	–	3%	3%
British Pounds	2%	3%	5%	–	3%	3%
Other currencies	1%	7%	8%	1%	7%	8%
	13%	87%	100%	7%	93%	100%

As at 31 December 2019, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$36,660 million (2018 – HK$38,610 million) (see note 43(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

25 Trade payables and other current liabilities

	2019 HK$ million	2018 HK$ million
Trade payables [(a)]	**27,539**	29,233
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	**–**	8
Cross currency interest rate swaps	**318**	–
Forward foreign exchange contracts	**–**	2
Other contracts	**51**	–
Net investment hedges – Forward foreign exchange contracts	**345**	6
Other derivative financial instruments	**364**	–
Interest free loans from non-controlling shareholders	**380**	385
Contract liabilities	**6,188**	5,880
Provisions (see note 26)	**2,637**	4,514
Other payables and accruals	**61,536**	76,244
	99,358	116,272

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

	2019 HK$ million	2018 HK$ million
Less than 31 days	**19,932**	19,764
Within 31 to 60 days	**3,444**	4,095
Within 61 to 90 days	**1,742**	2,392
Over 90 days	**2,421**	2,982
	27,539	29,233

(b) The Group's five largest suppliers accounted for less than 21% of the Group's cost of purchases for the year ended 31 December 2019 (2018 – less than 16%).

26 Provisions

	Provision for commitments, onerous contracts and other guarantees HK$ million	Closure obligation HK$ million	Assets retirement obligation HK$ million	Others HK$ million	Total HK$ million
At 1 January 2018	27,320	183	692	831	29,026
Additions	–	15	237	161	413
Interest accretion	–	6	17	–	23
Utilisations	(8,371)	(86)	(58)	(31)	(8,546)
Write back	–	(29)	–	(86)	(115)
Relating to subsidiaries acquired	12,774	–	926	601	14,301
Exchange translation differences	(535)	(10)	(40)	(14)	(599)
At 31 December 2018 and 1 January 2019	**31,188**	**79**	**1,774**	**1,462**	**34,503**
Additions	**–**	**206**	**472**	**493**	**1,171**
Interest accretion	**–**	**1**	**23**	**–**	**24**
Utilisations	**(2,645)**	**(17)**	**(296)**	**(673)**	**(3,631)**
Write back	**–**	**(27)**	**–**	**(93)**	**(120)**
Exchange translation differences	**(485)**	**(16)**	**12**	**(31)**	**(520)**
At 31 December 2019	**28,058**	**226**	**1,985**	**1,158**	**31,427**

Provisions are analysed as:

	2019 HK$ million	2018 HK$ million
Current portion (see note 25)	**2,637**	4,514
Non-current portion (see note 29)	**28,790**	29,989
	31,427	34,503

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

27 Interest bearing loans from non-controlling shareholders

	2019 **HK$ million**	2018 HK$ million
Interest bearing loans from non-controlling shareholders	**728**	752

At 31 December 2019, these loans bear interest at rates at EURIBOR+2.0% (2018 – 2.3%) per annum. The carrying amounts of the borrowings approximate their fair values.

28 Pension plans

	2019 **HK$ million**	2018 HK$ million
Defined benefit assets (see note 19)	**101**	–
Defined benefit liabilities	**3,123**	2,443
Net defined benefit liabilities	**3,022**	2,443

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

(a) Defined benefit plans

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

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

	2019	2018
Discount rates	**0.58% - 2.0%**	0.4% - 3.0%
Future salary increases	**1.4% - 4.0%**	1.0% - 4.0%
Interest credited on two principal plans in Hong Kong	**5.0% - 6.0%**	5.0% - 6.0%

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

	2019 **HK$ million**	2018 HK$ million
Present value of defined benefit obligations	**21,431**	18,337
Fair value of plan assets	**18,412**	15,897
	3,019	2,440
Restrictions on assets recognised	**3**	3
Net defined benefit liabilities	**3,022**	2,443

28 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2019	18,337	(15,897)	3	2,443
Net charge (credit) to the income statement				
Current service cost	509	25	–	534
Interest cost (income)	454	(401)	–	53
	963	(376)	–	587
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	71	–	–	71
Actuarial loss arising from change in financial assumptions	2,751	–	–	2,751
Actuarial gain arising from experience adjustment	(37)	–	–	(37)
Return on plan assets excluding interest income	–	(2,027)	–	(2,027)
Exchange translation differences	44	(39)	–	5
	2,829	(2,066)	–	763
Contributions paid by the employer	–	(779)	–	(779)
Contributions paid by the employee	106	(106)	–	–
Benefits paid	(694)	694	–	–
Relating to subsidiaries disposed (see note 32(d))	(25)	24	–	(1)
Transfer from (to) other liabilities	(85)	94	–	9
At 31 December 2019	21,431	(18,412)	3	3,022

28 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2018	31,528	(27,761)	3	3,770
Net charge (credit) to the income statement				
Current service cost	710	51	–	761
Past service cost and gains and losses on settlements	67	–	–	67
Interest cost (income)	704	(616)	–	88
	1,481	(565)	–	916
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(113)	–	–	(113)
Actuarial gain arising from change in financial assumptions	(1,514)	–	–	(1,514)
Actuarial loss arising from experience adjustment	24	–	–	24
Return on plan assets excluding interest income	–	1,002	–	1,002
Exchange translation differences	(1,350)	1,208	–	(142)
	(2,953)	2,210	–	(743)
Contributions paid by the employer	–	(993)	–	(993)
Contributions paid by the employee	111	(111)	–	–
Benefits paid	(1,371)	1,371	–	–
Relating to subsidiaries acquired (see note 32(c))	594	–	–	594
Transfer to liabilities directly associated with assets classified as held for sale (see note 23)	(11,070)	9,957	–	(1,113)
Transfer from (to) other liabilities	17	(5)	–	12
At 31 December 2018	18,337	(15,897)	3	2,443

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

28 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2019, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$20 million (2018 – HK$19 million) were used to reduce the current year's level of contributions and HK$2 million forfeited contribution was available at 31 December 2019 (2018 – HK$2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2018 reported a funding level of 89% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million in 2019 and agreed to make additional contributions of GBP8.5 million in 2020 and further aggregate additional contributions of GBP33.7 million until 31 January 2024 to eliminate the shortfall by 31 January 2024. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rate of 5.3% per annum; post-retirement discount rate of 2.3% per annum; pensionable earnings increases of 2.65% per annum; Retail Price Index ("RPI") inflation of 3.4% per annum; Consumer Price Index ("CPI") inflation of 2.4% per annum; and pension increases of 1.9% to 3.3% per annum. The valuation was prepared by Rhidian Williams FIA, a Fellow of the Institute and Faculty of Actuaries, of Quantum Advisory.

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

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2018 reported a funding level of 79% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP20.5 million (included GBP2.0 million additional voluntary contribution) in 2019 (2018 – GBP16 million (included GBP5.5 million additional voluntary contribution)). A schedule of contributions was agreed with GBP18.5 million to pay in 2019 and 2020, and GBP2.7 million in 2021 to eliminate the shortfall by February 2021. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.08% to 4.44% per annum and pension increases of 1.28% to 3.68% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

28 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2019 Percentage	2018 Percentage
Equity instruments		
Consumer markets and manufacturing	**7%**	7%
Energy and utilities	**2%**	3%
Financial institutions and insurance	**6%**	5%
Telecommunications and information technology	**6%**	5%
Units trust and equity instrument funds	**6%**	6%
Others	**8%**	7%
	35%	33%
Debt instruments		
Government and government guaranteed notes	**13%**	17%
Financial institutions notes	**5%**	1%
Others	**6%**	7%
	24%	25%
Qualifying insurance policies	**36%**	22%
Properties	**3%**	6%
Other assets	**2%**	14%
	100%	100%

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

	2019 Percentage	2018 Percentage
Aaa / AAA	**9%**	4%
Aa1 / AA+	**15%**	3%
Aa2 / AA	**37%**	73%
Aa3 / AA-	**2%**	1%
A1 / A+	**5%**	1%
A2 / A	**5%**	6%
Other investment grades	**24%**	11%
No investment grades	**3%**	1%
	100%	100%

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

Fair value of plan assets of HK$18,412 million (2018 - HK$15,897 million) includes investments in the Company's shares with a fair value of HK$26 million (2018 - HK$28 million).

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

28 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2019 is 18 years (2018 – 18 years).

The Group expects to make contributions of HK$848 million (2018 – HK$1,071 million) to the defined benefit plans next year.

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

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

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

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.9% or increase by 3.1% respectively (2018 – decrease by 3.6% or increase by 3.8% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.6% or decrease by 0.5% respectively (2018 – increase by 0.3% or decrease by 0.3% respectively).

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

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$1,407 million (2018 – HK$1,363 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$15 million (2018 – HK$16 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2019 (2018 – nil) to reduce future years' contributions.

29 Other non-current liabilities

	2019 HK$ million	2018 HK$ million
Contract liabilities	–	3
Derivative financial instruments		
Fair value hedges – Interest rate swaps	–	116
Cash flow hedges		
Interest rate swaps	328	373
Cross currency interest rate swaps	–	928
Net investment hedges		
Forward foreign exchange contracts	24	–
Cross currency swaps	26	45
Other derivative financial instruments	171	481
Obligations for telecommunications licences and other rights	10,001	9,613
Other non-current liabilities [(a)]	12,362	15,610
Liabilities relating to the economic benefits agreements [(b)]	2,166	14,308
Provisions (see note 26)	28,790	29,989
	53,868	71,466

(a) Includes equipment purchase payables of HK6,149 million (2018 – HK$10,906 million).

(b) In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group. In December 2019, upon completion of supplementary agreements entered with counter-parties to the economic benefits agreements, the Group is no longer required to return the consideration received from the economic benefits agreements in respect of its direct interest in five infrastructure investments co-owned with CKI including interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities.

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

(a) Share capital and share premium

	Number of shares	Share capital HK$ million	Share premium HK$ million	Total HK$ million
Authorised:				
Ordinary shares of HK$1 each	**8,000,000,000**	**8,000**	**–**	**8,000**
Issued and fully paid:				
Ordinary shares				
At 1 January 2018	3,857,678,500	3,858	244,505	248,363
Buy-back and cancellation of issued shares (i)	(1,438,000)	(2)	(128)	(130)
At 31 December 2018, 1 January and 31 December 2019	**3,856,240,500**	**3,856**	**244,377**	**248,233**

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

(b) Perpetual capital securities

	2019 HK$ million	2018 HK$ million
US$1,000 million issued in 2017	**7,842**	7,842
EUR500 million issued in 2018	**4,568**	4,484
	12,410	12,326

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

During the year ended 31 December 2018, the Group had redeemed (i) US$425.3 million (approximately HK$3,296 million) of the remaining outstanding US$500 million (approximately HK$3,875 million) nominal amount of perpetual capital securities that were originally issued in January 2013 and (ii) EUR1,750 million (approximately HK$17,879 million) nominal amount of perpetual capital securities that were originally issued in May 2013.

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

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

(c) Capital management

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

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

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

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

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

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

31 Reserves

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

31 Reserves (continued)

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

31 Reserves (continued)

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

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

	2019		
	Before-tax amount HK$ million	**Tax effect HK$ million**	**Net-of-tax amount HK$ million**
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	**(323)**	**–**	**(323)**
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	**104**	**–**	**104**
Valuation losses previously in reserves recognised in income statement	**29**	**–**	**29**
Remeasurement of defined benefit obligations recognised directly in reserves	**(899)**	**170**	**(729)**
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	**(808)**	**103**	**(705)**
Losses on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	**(547)**	**–**	**(547)**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(813)**	**–**	**(813)**
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	**4,535**	**–**	**4,535**
Share of other comprehensive income of associated companies	**340**	**–**	**340**
Share of other comprehensive income (losses) of joint ventures	**(68)**	**–**	**(68)**
	1,550	**273**	**1,823**

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

32 Notes to consolidated statement of cash flows

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

	2019 HK$ million	2018 HK$ million
Profit after tax	**47,777**	46,580
Less: share of profits less losses of		
Associated companies	**(1,524)**	(2,888)
Joint ventures	**(7,404)**	(10,220)
	38,849	33,472
Adjustments for:		
Current tax charge	**4,891**	3,912
Deferred tax charge (credit)	**1,129**	(1,294)
Interest expenses and other finance costs	**14,305**	9,797
Depreciation and amortisation	**38,129**	19,739
Others	**552**	61
EBITDA of Company and subsidiaries (i)	**97,855**	65,687
Loss on disposal of fixed assets	**170**	22
Dividends received from associated companies and joint ventures	**9,097**	14,519
Profit on disposal of subsidiaries, associated companies and joint ventures	**(7,293)**	(2,641)
Other items		
Customer acquisition and retention costs capitalised in the year	**(3,045)**	(1,680)
Others	**(1,493)**	(3,317)
	95,291	72,590

32 Notes to consolidated statement of cash flows (continued)

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

(i) Reconciliation of EBITDA:

	2019 HK$ million	2018 HK$ million
EBITDA of Company and subsidiaries	**97,855**	65,687
Divesture of infrastructure investments	**(69)**	(645)
	97,786	65,042
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	**1,524**	2,888
Joint ventures	**7,404**	10,220
Adjustments for:		
Depreciation and amortisation	**21,008**	21,615
Interest expenses and other finance costs	**7,225**	8,463
Current tax charge	**3,202**	3,813
Deferred tax charge (credit)	**(1,272)**	1,652
Non-controlling interests	**480**	700
Others	**(552)**	(61)
	39,019	49,290
EBITDA (see notes 3(b)(ii) and 3(b)(xiii))	**136,805**	114,332

(b) Changes in working capital

	2019 HK$ million	2018 HK$ million
Increase in inventories	**(1,252)**	(2,433)
Increase in trade receivables and other current assets	**(202)**	(2,166)
Increase (decrease) in trade payables and other current liabilities	**(4,810)**	5,224
Other non-cash items	**687**	(2,236)
	(5,577)	(1,611)

32 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

During the comparative year ended 31 December 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	2019 **HK$ million**	2018 HK$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	**41**	21,782
Deferred consideration	**–**	11
Non-cash consideration	**16**	498
Fair value of investments held by the Company prior to acquisition	**–**	39,620
	57	61,911
Fair value		
Fixed assets	**41**	18,169
Telecommunications licences	**–**	32,802
Brand names and other rights	**–**	22,979
Deferred tax assets	**–**	2
Other non-current assets	**–**	20
Cash and cash equivalents	**11**	7,459
Trade receivables and other current assets	**9**	15,141
Contract assets	**–**	1,863
Inventories	**5**	711
Assets held for sale	**–**	2,007
Trade payables and other current liabilities and current tax liabilities	**(9)**	(30,665)
Contract liabilities	**–**	(1,776)
Bank and other debts	**–**	(93,856)
Pension obligations	**–**	(594)
Other non-current liabilities	**–**	(9,909)
Net identifiable assets (liabilities) acquired	**57**	(35,647)
Non-controlling interests	**–**	(44)
	57	(35,691)
Goodwill	**–**	97,602
Total consideration	**57**	61,911
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	**41**	21,782
Cash and cash equivalents acquired	**(11)**	(7,459)
Total net cash outflow	**30**	14,323

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

For the year ended 31 December 2019, acquisition related costs were immaterial while for the comparative year ended 31 December 2018, acquisition related costs of HK$145 million had been charged to income statement and included in the line item titled other operating expenses.

For the year ended 31 December 2019, the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the year since the respective date of acquisition were not material.

For the comparative year ended 31 December 2018, the subsidiaries acquired during the year contributed HK$14,566 million to the Group's revenue and HK$3,773 million to the Group's profit before tax since the respective date of acquisition.

32 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2019 HK$ million	2018 HK$ million
Consideration received or receivable		
Cash and cash equivalents	223	1,628
Investments retained subsequent to disposal	13,565	–
Total disposal consideration	13,788	1,628
Carrying amount of net assets disposed	(6,254)	(644)
Cumulative exchange losses in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	(16)	(70)
Gain on disposal*	7,518	914
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	223	1,628
Less: Cash and cash equivalents disposed	(1,745)	(507)
Total net cash consideration	(1,522)	1,121
Analysis of assets and liabilities over which control was lost		
Fixed assets	270	339
Right-of-use assets	743	–
Leasehold land	–	68
Goodwill	10,438	–
Brand names and other rights	2	–
Interests in joint ventures	1,129	–
Deferred tax assets	9	–
Trade receivables and other current assets	584	28
Inventories	331	11
Trade payables and other current liabilities and current tax liabilities	(1,542)	(19)
Loans from non-controlling shareholders	(5)	–
Lease liabilities	(930)	–
Deferred tax liabilities	(33)	(7)
Pension obligations	(1)	–
Non-controlling interests	(6,486)	(283)
Net assets (excluding cash and cash equivalents) disposed	4,509	137
Cash and cash equivalents disposed	1,745	507
Net assets disposed	6,254	644

* The gains on disposal for the year ended 31 December 2019 and 2018 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

Disposal of subsidiary companies mainly comprise the disposal of former subsidiary, Chi-Med (see note 3(b)(xvi)).

The effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2019 and 2018.

32 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

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

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

* via transfer from liquid funds and other listed investments

33 Share-based payments

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

34 Pledge of assets

At 31 December 2019, assets of the Group totalling HK$1,260 million (2018 – HK$111,017 million) were pledged as security for bank and other debts. The decrease is mainly attributable to repayment of secured loans during the year.

35 Contingent liabilities and guarantees

At 31 December 2019, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK$6,960 million (2018 – HK$4,138 million).

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

	2019 **HK$ million**	2018 HK$ million
To associated companies	**3,050**	2,777
To joint ventures	**3,008**	728

At 31 December 2019, the Group had provided performance and other guarantees of HK$2,817 million (2018 – HK$2,885 million).

36 Commitments

The Group's outstanding commitments contracted for at 31 December 2019, where material, not provided for in the financial statements at 31 December 2019 are as follows:

Capital commitments

(a) Ports and Related Services – HK$150 million (2018 – HK$214 million)
(b) **3** Group Europe – HK$8,955 million (2018 – HK$6,441 million)
(c) Telecommunications, Hong Kong and Asia – HK$4,251million (2018 – HK$2,092 million)
(d) Other fixed assets – HK$399 million (2018 – HK$276 million)

As at 31 December 2018, the operating lease commitments were as follows:

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

(a) In the first year – HK$13,517 million
(b) In the second to fifth years inclusive – HK$23,516 million
(c) After the fifth year – HK$45,133 million

Operating lease commitments – future aggregate minimum lease payments for other assets

(a) In the first year – HK$1,850 million
(b) In the second to fifth years inclusive – HK$3,870 million
(c) After the fifth year – HK$698 million

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases. See note 10 for further infromation.

37 Related parties transactions

Saves as disclosed elsewhere in these financial statements, transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 15 and 16. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

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

38 Legal proceedings

As at 31 December 2019, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

39 Profit before tax

Profit before tax is shown after charging (crediting) the following items:

		2019 **HK$ million**	2018 HK$ million
Cost of goods sold			
included in "cost of inventories sold"		**105,959**	109,564
included in "expensed customer acquisition and retention costs"		**11,579**	11,909
Following items are included in "other operating expenses"			
Cost of providing services [(a)]		**26,034**	20,247
Office and general administrative expenses		**8,523**	7,375
Legal and professional fees		**1,559**	1,843
Divesture loss		**–**	3,626
Re-measurement and other gains		**–**	(8,600)
Gain on disposal of subsidiary companies		**(7,518)**	(914)
Operating lease expenses [(b)]			
Properties		**–**	18,896
Hire of plant and machinery		**–**	2,105
Auditors' remuneration			
Audit and audit related work	– PricewaterhouseCoopers	**246**	201
	– other auditors	**23**	22
Non-audit work [(c)]	– PricewaterhouseCoopers	**26**	41
	– other auditors	**66**	48

(a) Include telecommunication network related costs of HK$14,873 million (2018 - HK$11,957 million), repair and maintenance of HK$5,199 million (2018 - HK$2,289 million) and others of HK$5,962 million (2018 - HK$6,001 million).

(b) The Group has adopted HKFRS 16 "Leases" with effect from 1 January 2019. Please see note 10 for details of amounts recognised in the income statement relating to the right-of-use assets and lease liabilities recognised under HKFRS 16, of which HK$5,559 million are included under "other operating expenses" for the current year. Prior to 1 January 2019, the Group accounted for leases under HKAS 17 and the operating lease expenses were included under "other operating expenses".

(c) Non-audit work include tax compliance and other tax services, and financial due diligence services.

40 Significant accounting policies

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

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2019 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

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

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

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

(b) Associated companies

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

(c) Joint arrangement

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

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

40 Significant accounting policies (continued)

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

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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

(e) Fixed assets

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

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

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 $^1/_3$ – 20%
Container terminal equipment	3 – 20%
Telecommunications equipment	2.5 – 20%
Rolling stock and other railway assets	2.5 – 5%
Water and sewerage infrastructure assets	0.5 – 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

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

40 Significant accounting policies (continued)

(f) Leases

(i) Policy applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and certain IT-equipment.

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

40 Significant accounting policies (continued)

(f) Leases (continued)

(i) Policy applied from 1 January 2019 (continued)

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(ii) Policy applied prior to 1 January 2019

Until the 2018 financial year, leases were classified as either operating leases or finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

(g) Investment properties

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

(h) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land prior to 1 January 2019 and are grouped as part of right-of-use assets with effect from 1 January 2019. Leasehold land are expensed in the income statement on a straight-line basis over the period of the lease.

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

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

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

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

(j) Customer acquisition and retention costs

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

(k) Goodwill

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

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

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

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

(l) Contractual customer relationships

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

(m) Deferred tax

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

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

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

(i) Measurement

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

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

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

Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

40 Significant accounting policies (continued)

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

(i) Measurement (continued)

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(ii) Impairment

Under the expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model under HKFRS 9 applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

(o) Derivative financial instruments and hedging activities

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

- Hedges of a net investment in a foreign operation (net investment hedges).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 43(i). Movements in the hedging reserve in shareholders' equity are shown in note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(o) Derivative financial instruments and hedging activities (continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ("EIR") method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

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

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

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

Hedge of net investments in foreign operations

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

(p) Trade and other receivables, and contract assets

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

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

40 Significant accounting policies (continued)

(p) Trade and other receivables, and contract assets (continued)

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

(q) Inventories

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

(r) Cash and cash equivalents

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

(s) Borrowings and borrowing costs

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

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

(t) Trade and other payables, and contract liabilities

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

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

(u) Customer loyalty credits

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

(v) Share capital

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

(w) Provisions

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

(x) Asset impairment

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

(y) Pension plans

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

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

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

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

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

(z) Share-based payments

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

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

40 Significant accounting policies (continued)

(aa) Foreign exchange

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

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

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

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

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ending after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions during the reporting period and non-monetary balances at the end of the reporting period of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 283 in December 2019 (2018 -183) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

40 Significant accounting policies (continued)

(ab) Business combinations

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

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

(ac) Revenue recognition

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

Ports and Related Services

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

Retail

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

40 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Infrastructure

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

Contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, and other contributions to capital investment, most significantly mains and sewer diversions, the contributions are recognised in full in the income statement upon completion of the investment, which are typically the point at which the associated asset is brought into use.

Revenue from the provision of waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations is recognised when a performance obligation is satisfied, which is recognised at a point of time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Energy

Revenue is recognised when the performance obligations are satisfied and revenue can be reliably measured. Performance obligations associated with the sale of crude oil, crude oil equivalents, and refined products are satisfied at the point in time when the products are delivered to and title passes to the customer. Performance obligations associated with processing services, transportation, blending and storage, and marketing services are satisfied at the point in time when the services are provided.

Telecommunications services

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

(ac) Revenue recognition (continued)

Telecommunications services (continued)

For bundled transactions under contract comprising the provision of telecommunications services and sale of a device (e.g. handsets), the elements are accounted for separately if they are distinct. A product or service is distinct if they are separately identifiable from other items in the bundled package and if the customer can benefit from it. The revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided.

Other service income is recognised when the service is rendered. Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income. Total revenue arising from telecommunications services comprises of service revenue, sale of device revenue and other service income.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(ad) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Hong Kong dollars unless otherwise stated.

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2020, but not yet effective and have not been early adopted by the Group:

HKAS 1 and HKAS 8 (Amendments) (i)	Definition of Material
HKFRS 3 (Amendments) (i)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) (i)	Interest Rate Benchmark Reform
HKFRS 10 and HKAS 28 (Amendments) (ii)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(i) Effective for the Group for annual periods beginning on or after 1 January 2020.

(ii) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group there are no new standards or amendments to standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

41 Changes in significant accounting policies

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting HKFRS 16. The effect on adoption of this standard is summarised below. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019.

(a) HKFRS 16

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

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new lease standard requires lessees to account for all leases in a similar way to finance leases under the principles of precedent lease accounting standard HKAS 17. At the commencement date of the lease the lessee recognises and measures a lease liability at the present value of the minimum future lease payments and recognises a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability and depreciation charge on the right-of-use asset.

Under the new lease standard, total interest and depreciation over the entire term of a lease equals total rental expense under HKAS 17, but total lease expense on an individual lease basis is front loaded as interest is higher in the beginning of the term where rental expense under the HKAS 17 basis is recognised on a straight-line basis.

HKFRS 16 has no impact on:

- cash.
- the Group's underlying business economics.
- how the Group operates the businesses.

HKFRS 16 has a significant impact on the Group's financial statements. Impacts include:

- statement of financial position is "grossed up", as substantially all leases are brought on balance sheet, including lease renewals where management is "reasonably certain".
- increase in EBITDA and EBIT (no longer operating lease expense, now interest and depreciation).
- negative net earnings and EPS impact earlier in the lease term on an individual lease basis.
- nil cumulative net earnings and EPS impact over the term of the lease.
- change in classification of amounts on the statement of cash flows and statement of financial position.

In applying HKFRS 16 for the first time, the Group has applied the following recognition exemptions and practical expedients permitted by the standard:

- grandfather the definition of a lease for existing contracts at the date of initial application.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous.
- the use of recognition exemption to leases with a remaining lease term of less than 12 months at 1 January 2019.
- the use of recognition exemption to leases for which the underlying asset is of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining lease term at the date of initial application.

41 Changes in significant accounting policies (continued)

(b) How the Group's leasing activities are accounted for

Until the 2018 financial year, leases were classified as either operating leases or finance leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and certain IT-equipment.

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

41 Changes in significant accounting policies (continued)

(c) Reconciliation from lease commitments to lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019:

	HK$ million
Operating lease commitments disclosed at 31 December 2018	88,584
Discounted using the Group's weighted average incremental borrowing rate of 3.7%	59,457
Add: finance lease liabilities recognised as at 31 December 2018	174
Less: leases end within 12 months from the date of initial application	(361)
Less: low-value leases recognised on a straight-line basis as expense	(94)
Less: non lease components	(1,492)
Add: adjustments as a result of a different treatment of contractual and expected lease periods including extension options	33,825
Add: adjustments relating to changes in the index or rate affecting variable payments	428
Others (mainly prepaid and accrued lease expenses)	193
Lease liability recognised at 1 January 2019	92,130
Of which are:	
Current lease liabilities	15,713
Non-current lease liabilities	76,417
	92,130

(d) Effect on adoption of HKFRS 16

The Group has initially applied HKFRS 16 with effect from 1 January 2019. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of precedent lease accounting standard HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities on 1 January 2019 was 3.7%. For leases previously classified as finance leases under HKAS 17, the Group transferred the carrying amounts (immediately before transition) of the underlying assets and obligations, previously grouped for financial statements presentation purposes under Fixed assets and Other debts, to Right-of-use assets and Lease liability at 1 January 2019. In addition, leasehold land previously presented as a separate item on the statement of financial position is grouped as part of right-of-use assets with effect from 1 January 2019.

The Group has applied the modified retrospective approach to adopt HKFRS 16. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening equity at 1 January 2019, and with no restatement of the comparative period. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019. The adoption has resulted in a HK$15,699 million decrease in the opening balance of total equity on 1 January 2019. The impact is mainly attributable to the recognition of Right-of-use assets and Lease liabilities of lease contracts, as explained further below.

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(i) Opening consolidated statement of financial position on 1 January 2019

As explained above, HKFRS 16 was adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies for leases are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 January 2019.

	31 December 2018 Restated* HK$ million	Effect on adoption of HKFRS 16 HK$ million	1 January 2019 As adjusted HK$ million
Non-current assets			
Fixed assets	110,605	(560)	110,045
Right-of-use assets	–	83,157	83,157
Leasehold land	7,702	(7,702)	–
Telecommunications licences	64,221	–	64,221
Brand names and other rights	88,761	–	88,761
Goodwill	323,160	–	323,160
Associated companies	136,287	(36)	136,251
Interests in joint ventures	121,397	(709)	120,688
Deferred tax assets	20,260	1,632	21,892
Liquid funds and other listed investments	9,292	–	9,292
Other non-current assets	10,717	315	11,032
	892,402	76,097	968,499
Current assets			
Cash and cash equivalents	135,411	–	135,411
Inventories	23,410	–	23,410
Trade receivables and other current assets	63,826	(2,829)	60,997
	222,647	(2,829)	219,818
Assets classified as held for sale	117,195	342	117,537
	339,842	(2,487)	337,355
Current liabilities			
Bank and other debts	25,986	(34)	25,952
Current tax liabilities	2,071	–	2,071
Lease liabilities	–	15,713	15,713
Trade payables and other current liabilities	116,272	(2,027)	114,245
	144,329	13,652	157,981
Liabilities directly associated with assets classified as held for sale	77,600	368	77,968
	221,929	14,020	235,949
Net current assets	117,913	(16,507)	101,406
Total assets less current liabilities	1,010,315	59,590	1,069,905
Non-current liabilities			
Bank and other debts	325,570	(140)	325,430
Interest bearing loans from non-controlling shareholders	752	–	752
Lease liabilities	–	76,417	76,417
Deferred tax liabilities	19,261	(988)	18,273
Pension obligations	2,443	–	2,443
Other non-current liabilities	71,466	–	71,466
	419,492	75,289	494,781
Net assets	590,823	(15,699)	575,124
Capital and reserves			
Share capital	3,856	–	3,856
Share premium	244,377	–	244,377
Reserves	197,918	(11,812)	186,106
Total ordinary shareholders' funds	446,151	(11,812)	434,339
Perpetual capital securities	12,326	–	12,326
Non-controlling interests	132,346	(3,887)	128,459
Total equity	590,823	(15,699)	575,124

* See note 23(c).

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(ii) Consolidated income statement for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of HKFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Revenue	299,021	–	299,021
Cost of inventories sold	(105,983)	24	(105,959)
Staff costs	(37,958)	–	(37,958)
Expensed customer acquisition and retention costs	(18,247)	492	(17,755)
Depreciation and amortisation	(21,256)	(16,873)	(38,129)
Other operating expenses	(60,174)	20,128	(40,046)
Share of profits less losses of:			
Associated companies	1,579	(55)	1,524
Joint ventures	7,684	(280)	7,404
	64,666	3,436	68,102
Interest expenses and other finance costs	(10,682)	(3,623)	(14,305)
Profit before tax	53,984	(187)	53,797
Current tax	(4,871)	(20)	(4,891)
Deferred tax credit (charge)	(1,194)	65	(1,129)
Profit after tax	47,919	(142)	47,777
Profit attributable to non-controlling interests and holders of perpetual capital securities	(8,031)	84	(7,947)
Profit attributable to ordinary shareholders	39,888	(58)	39,830
Earnings per share for profit attributable to ordinary shareholders	HK$ 10.34	(HK$0.01)	HK$10.33

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(iii) Consolidated statement of comprehensive income for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of HKFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Profit after tax	47,919	(142)	47,777
Other comprehensive income (losses)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations recognised directly in reserves	(899)	–	(899)
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(323)	–	(323)
Share of other comprehensive income of associated companies	300	–	300
Share of other comprehensive income of joint ventures	564	–	564
Tax relating to items that will not be reclassified to profit or loss	170	–	170
	(188)	–	(188)
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Debt securities at FVOCI			
Valuation gains (losses) recognised directly in reserves	104	–	104
Valuation losses previously in reserves recognised in income statement	29	–	29
Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains (losses) recognised directly in reserves	(808)	–	(808)
Gains (losses) on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised directly in reserves	(547)	–	(547)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(663)	(150)	(813)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,534	1	4,535
Share of other comprehensive income (losses) of associated companies	40	–	40
Share of other comprehensive income (losses) of joint ventures	(635)	3	(632)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	103	–	103
	2,157	(146)	2,011
Other comprehensive income (losses), net of tax	1,969	(146)	1,823
Total comprehensive income	49,888	(288)	49,600
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(7,941)	147	(7,794)
Total comprehensive income attributable to ordinary shareholders	41,947	(141)	41,806

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(iv) Consolidated statement of financial position on 31 December 2019

	As at 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of HKFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Non-current assets			
Fixed assets	119,835	(704)	119,131
Right-of-use assets	–	83,708	83,708
Leasehold land	7,209	(7,209)	–
Telecommunications licences	63,387	–	63,387
Brand names and other rights	88,275	–	88,275
Goodwill	308,986	–	308,986
Associated companies	144,842	(91)	144,751
Interests in joint ventures	144,541	(986)	143,555
Deferred tax assets	18,640	1,713	20,353
Liquid funds and other listed investments	7,722	–	7,722
Other non-current assets	14,031	245	14,276
	917,468	76,676	994,144
Current assets			
Cash and cash equivalents	137,127	–	137,127
Inventories	23,847	–	23,847
Trade receivables and other current assets	57,846	(2,137)	55,709
	218,820	(2,137)	216,683
Assets classified as held for sale	149	–	149
	218,969	(2,137)	216,832
Current liabilities			
Bank and other debts	40,054	(59)	39,995
Current tax liabilities	1,870	(1)	1,869
Lease liabilities	–	18,079	18,079
Trade payables and other current liabilities	101,237	(1,879)	99,358
	143,161	16,140	159,301
Net current assets	75,808	(18,277)	57,531
Total assets less current liabilities	993,276	58,399	1,051,675
Non-current liabilities			
Bank and other debts	304,735	(170)	304,565
Interest bearing loans from non-controlling shareholders	728	–	728
Lease liabilities	–	75,609	75,609
Deferred tax liabilities	17,872	(1,053)	16,819
Pension obligations	3,123	–	3,123
Other non-current liabilities	53,868	–	53,868
	380,326	74,386	454,712
Net assets	612,950	(15,987)	596,963
Capital and reserves			
Share capital	3,856	–	3,856
Share premium	244,377	–	244,377
Reserves	228,005	(11,953)	216,052
Total ordinary shareholders' funds	476,238	(11,953)	464,285
Perpetual capital securities	12,410	–	12,410
Non-controlling interests	124,302	(4,034)	120,268
Total equity	612,950	(15,987)	596,963

41 Changes in significant accounting policies (continued)

(d) Effect on adoption of HKFRS 16 (continued)

(v) Consolidated statement of cash flows for the year ended 31 December 2019

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of HKFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
	(A)		(B)
Operating activities			
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	74,740	20,551	95,291
Interest expenses and other finance costs paid (net of capitalisation)	(10,998)	(3,623)	(14,621)
Tax paid	(5,823)	–	(5,823)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	57,919	16,928	74,847
Changes in working capital	(4,583)	(994)	(5,577)
Net cash from operating activities	53,336	15,934	69,270
Investing activities			
Purchase of fixed assets	(32,283)	93	(32,190)
Additions to telecommunications licences	(1,286)	–	(1,286)
Additions to brand names and other rights	(2,817)	–	(2,817)
Purchase of subsidiary companies, net of cash acquired	(30)	–	(30)
Additions to other unlisted investments	(17)	–	(17)
Repayments of loans from associated companies and joint ventures	641	–	641
Purchase of and advances to associated companies and joint ventures	(885)	–	(885)
Proceeds from disposal of fixed assets	150	–	150
Proceeds from disposal of subsidiary companies, net of cash disposed	(1,522)	–	(1,522)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	(2,429)	–	(2,429)
Proceeds from partial disposal / disposal of associated companies and joint ventures	2,388	–	2,388
Proceeds from disposal of other unlisted investments	130	–	130
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(37,960)	93	(37,867)
Disposal of liquid funds and other listed investments	503	–	503
Additions to liquid funds and other listed investments	(55)	–	(55)
Cash flows used in investing activities	(37,512)	93	(37,419)
Net cash inflow before financing activities	15,824	16,027	31,851
Financing activities			
New borrowings	211,526	–	211,526
Repayment of borrowings	(211,397)	(58)	(211,455)
Payment of lease liabilities	–	(15,969)	(15,969)
Net loans to non-controlling shareholders	(2)	–	(2)
Issue of equity securities by subsidiary companies to non-controlling shareholders / capital redemption by non-controlling shareholders	(10)	–	(10)
Payment to acquire additional interests in subsidiary companies	(478)	–	(478)
Proceeds from partial disposal of subsidiary companies	2,201	–	2,201
Dividends paid to ordinary shareholders	(12,225)	–	(12,225)
Dividends paid to non-controlling interests	(6,910)	–	(6,910)
Distribution paid on perpetual capital securities	(398)	–	(398)
Cash flows used in financing activities	(17,693)	(16,027)	(33,720)
Decrease in cash and cash equivalents	(1,869)	–	(1,869)
Cash and cash equivalents at 1 January	138,996	–	138,996
Cash and cash equivalents at 31 December	137,127	–	137,127
Analysis of cash, liquid funds and other listed investments			
Cash and cash equivalents, as above	137,127	–	137,127
Less: cash and cash equivalents included in assets classified as held for sale	–	–	–
Cash and cash equivalents	137,127	–	137,127
Liquid funds and other listed investments	7,722	–	7,722
Total cash, liquid funds and other listed investments	144,849	–	144,849
Total principal amount of bank and other debts and unamortised fair value adjustment arising from acquisitions	347,726	(229)	347,497
Interest bearing loans from non-controlling shareholders	728	–	728
Net debt	203,605	(229)	203,376
Interest bearing loans from non-controlling shareholders	(728)	–	(728)
Net debt (excluding interest bearing loans from non-controlling sharehodlers)	202,877	(229)	202,648

41 Changes in significant accounting policies (continued)

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

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2020 and earlier application is permitted. However, the Group has not early adopted these new standards or amendments to standards in preparing these financial statements. The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group there are no new standards or amendments to standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

42 Critical accounting estimates and judgements

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

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

(a) Basis of consolidation

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

(b) Long-lived assets

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

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

42 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation

(i) Fixed assets

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

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

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

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

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

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

(iii) Customer acquisition and retention costs

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

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

(d) Goodwill

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

42 Critical accounting estimates and judgements (continued)

(e) Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

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

(f) Business combinations and goodwill

As disclosed in note 40(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

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

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

42 Critical accounting estimates and judgements (continued)

(h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

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

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

(i) Leases

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

The following factors are normally the most relevant:

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

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

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

42 Critical accounting estimates and judgements (continued)

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

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

43 Financial risk management

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

43 Financial risk management (continued)

(a) Cash management and funding

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

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$144,849 million at 31 December 2019 (2018 – HK$144,703 million), mainly reflecting cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, offset by dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings and capital expenditure and investment spending. Liquid assets were denominated as to 21% in HK dollars, 51% in US dollars, 5% in Renminbi, 9% in Euro, 5% in British Pounds and 9% in other currencies (2018 – 25% were denominated in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies).

Cash and cash equivalents represented 95% (2018 – 94%) of the liquid assets, US Treasury notes and listed / traded debt securities 3% (2018 – 4%) and listed equity securities 2% (2018 – 2%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 70% (2018 – 56%), government and government guaranteed notes of 20% (2018 – 17%), notes issued by the Group's associated company, Husky Energy of nil (2018 – 4%), notes issued by financial institutions of 1% (2018 – nil), and others of 9% (2018 – 23%). Of these US Treasury notes and listed / traded debt securities, 99% (2018 – 80%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.3 years (2018 – 2.2 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

At 31 December 2019, approximately 38% (2018 – approximately 39%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 62% (2018 – approximately 61%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$6,760 million (2018 – approximately HK$9,100 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$23,718 million (2018 – HK$50,613 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 33% (2018 – approximately 27%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 67% (2018 – approximately 73%) were at fixed rates at 31 December 2019. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

43 Financial risk management (continued)

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2019, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK$50,433 million (2018 – HK$50,537 million).

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

As at 31 December 2019, the Group's total principal amount of bank and other debts are denominated as follows: 41% in US dollars, 42% in Euro, 4% in HK dollars,5% in British Pounds and 8% in other currencies (2018 – 44% in US dollars, 42% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$36,660 million (2018 – HK$38,610 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 31% in US dollars, 52% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies (2018 – 33% in US dollars, 53% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies).

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 5% (2018 – approximately 6%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

43 Financial risk management (continued)

(f) Market risks sensitivity analyses

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

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

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair values (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

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

- cash and cash equivalents (see note 21)
- some of the listed debt securities and managed funds (see note 18) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 18) that bear interest at floating rate
- some of the bank and other debts (see note 24) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 27)

Under these assumptions, the impact of a hypothetical 100 basis points (2018 – 100 basis points) increase in market interest rate at 31 December 2019, with all other variables held constant:

– profit for the year would increase by HK$723 million due to increase in interest income (2018 – HK$398 million);
– total equity would increase by HK$723 million due to increase in interest income (2018 – HK$398 million); and
– total equity would increase by HK$644 million due to change in fair value of derivative financial instruments (2018 –HK$1,828 million).

(ii) Foreign currency exchange rate sensitivity analysis

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

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

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

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 21)
- some of the liquid funds and other listed investments (see note 18)
- some of the bank and other debts (see note 24)

43 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

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

	2019		2018	
	Hypothetical increase (decrease) in profit after tax	**Hypothetical increase (decrease) in total equity**	Hypothetical increase (decrease) in profit after tax	Hypothetical increase (decrease) in total equity
	HK$ million	**HK$ million**	HK$ million	HK$ million
Euro	**145**	**(377)**	11	(473)
British Pounds	**144**	**(1,009)**	47	(1,106)
Australian dollars	**64**	**(385)**	63	(386)
Renminbi	**14**	**41**	14	14
US dollars	**2,290**	**2,290**	1,523	1,523
Japanese Yen	**(108)**	**(108)**	(106)	(106)

(iii) Other price sensitivity analysis

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

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

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

- FVOCI (see note 18)
- financial assets at fair value through profit or loss (see note 18)

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

– profit for the year would increase by HK$2 million (2018 – HK$5 million) due to increase in gains on financial assets at fair value through profit or loss;
– total equity would increase by HK$2 million (2018 – HK$5 million) due to increase in gains on financial assets at fair value through profit or loss; and
– total equity would increase by HK$382 million (2018 – HK$456 million) due to increase in gains on FVOCI which are recognised in other comprehensive income.

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2019						
Trade payables	27,539	–	–	27,539	–	27,539
Other payables and accruals	61,536	–	–	61,536	–	61,536
Interest free loans from non-controlling shareholders	380	–	–	380	–	380
Lease liabilities	19,950	48,082	52,573	120,605	(26,917)	93,688
Bank loans	32,565	96,392	–	128,957	(739)	128,218
Other loans	4	182	73	259	–	259
Notes and bonds	9,100	111,439	93,203	213,742	2,341	216,083
Interest bearing loans from non-controlling shareholders	728	–	–	728	–	728
Obligations for telecommunications licences and other rights	1,644	7,724	1,978	11,346	(1,345)	10,001
	153,446	263,819	147,827	565,092	(26,660)	538,432

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$7,368 million in "within 1 year" maturity band, HK$19,016 million in "after 1 year, but within 5 years" maturity band, and HK$16,558 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million
At 31 December 2019				
Cash flow hedges				
Interest rate swaps				
Net outflow	**(84)**	**(253)**	**(6)**	**(343)**
Cross currency interest rate swaps				
Net outflow	**(302)**	**–**	**–**	**(302)**
Other contracts				
Net outflow	**(43)**	**–**	**–**	**(43)**
Net investment hedges				
Forward foreign exchange contracts				
Inflow	**15,871**	**630**	**–**	**16,501**
Outflow	**(16,056)**	**(564)**	**–**	**(16,620)**
Cross currency swaps				
Inflow	**–**	**–**	**5,355**	**5,355**
Outflow	**(44)**	**(174)**	**(5,024)**	**(5,242)**
Other derivative financial instruments				
Net outflow	**(139)**	**(55)**	**–**	**(194)**

Non-derivative financial liabilities:

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

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

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

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year 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)

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

	2019 HK$ million	2018 HK$ million
Dividends from equity securities at FVOCI –		
related to investments held at the end of the reporting period	**523**	103
Interest from debt securities at FVOCI	**99**	157
Interest from assets held at amortised cost	**2,762**	2,475
Fair value losses on equity securities at FVPL	**(7)**	(2)
Fair value losses on debt securities at FVPL	**(6)**	(17)
Net impairment expense recognised on trade receivables	**(1,577)**	(1,560)
Gains (losses) arising on derivatives in a designated fair value hedge	**169**	(115)
Gains (losses) arising on adjustment for hedged items in a designated fair value hedge	**(169)**	115

(i) Hedge accounting

(i) Fair value hedges

	2019							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK$ million	Other current assets HK$ million	Other non-current assets HK$ million	Other current liabilities HK$ million	Other non-current liabilities HK$ million
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.91%	HK$1,300	1,300	2	–	–	–
2022	4.63%	5.28%	US$700	5,460	–	46	–	–
				6,760	2	46	–	–

	2019		
Hedged items	Carrying amount of the hedged item HK$ million	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item HK$ million	Line item in the statement of financial position in which the hedged item is included
USD Fixed rate debts	5,636	46	Bank and other debts
HKD Fixed rate debts	1,302	2	Bank and other debts

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(i) Fair value hedges (continued)

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

Hedged items	2018 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

(i) Hedge accounting (continued)

(ii) Cash flow hedges

Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK$ million	Carrying amount of derivatives included in: Other current assets HK$ million	Other non-current assets HK$ million	Other current liabilities HK$ million	Other non-current liabilities HK$ million
	2019							
Interest rate swaps								
– receive floating and pay fixed maturing in								
2022	1.31%	2.39%	GBP 300	3,048	–	–	–	(95)
2022	1.86%	2.07%	NZD 150	771	–	–	–	(4)
2025	1.71%	3.56%	AUD 509	2,739	–	–	–	(229)
				6,558	–	–	–	(328)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in 2020	1.41%	0.05%	US$ 2,200	17,160	–	–	(318)	–
– receive fixed and pay fixed maturing in 2021 – 2023	2.54%	0.00%	US$ 2,500	19,500	–	523	–	–
				36,660	–	523	(318)	–

Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
	2019		
Interest rate risk	147	339	–
Cross currency interest rate risk	(1,133)	(100)	–

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

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

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

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

	2018		
Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
Interest rate risk	2	220	–
Cross currency interest rate risk	(1,485)	567	–
Foreign exchange risk	(1)	1	–

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

	2019						
				Carrying amount of derivatives included in			
Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK$ million	Other current assets HK$ million	Other non-current assets HK$ million	Other current liabilities HK$ million	Other non-current liabilities HK$ million
Forward foreign exchange contracts maturing in							
2020	5.96	CAD 177	1,049	–	–	(3)	–
2020	5.34	AUD 159	857	–	–	(22)	–
2020	5.09	NZD 280	1,439	–	–	(46)	–
2020-2022	10.97	GBP 2,337	23,748	1,344	498	(274)	–
2020-2022	9.53	EUR 135	1,170	31	–	–	(24)
			28,263	1,375	498	(345)	(24)
Cross currency swaps maturing in							
2020-2024	9.23	EUR 1,030	8,930	64	448	–	–
2020-2025	6.12	CAD 947	5,628	13	159	–	–
2027	5.86	AUD 1,415	7,612	–	2	–	(26)
			22,170	77	609	–	(26)

	2019		
Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve / exchange reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve / exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
Foreign investments	547	(5,695)	(716)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

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

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

43 Financial risk management (continued)

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

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

	Note	Classification under HKFRS 9 *	2019 Carrying amount HK$ million	2019 Fair values HK$ million	2018 Carrying amount HK$ million	2018 Fair values HK$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	18	Amortised cost	**42**	**42**	66	66
Listed equity securities, Hong Kong	18	FVOCI	**2,293**	**2,293**	2,909	2,909
Listed equity securities, outside Hong Kong	18	FVOCI	**213**	**213**	208	208
Listed equity securities (included in Managed funds)	18	FVOCI	**202**	**202**	154	154
Listed debt securities (included in Managed funds)	18	FVOCI	**4,933**	**4,933**	4,770	4,770
Listed / traded debt securities, outside Hong Kong	18	FVOCI	**–**	**–**	1,089	1,089
Financial assets at fair value through profit or loss	18	FVPL	**39**	**39**	96	96
Unlisted investments						
Unlisted debt securities	19	Amortised cost	**174**	**174**	170	170
Unlisted equity securities	19	FVOCI	**1,825**	**1,825**	1,953	1,953
Unlisted equity securities	19	FVPL	**3,042**	**3,042**	641	641
Unlisted debt securities	19	FVPL	**304**	**304**	318	318
Derivative financial instruments						
Fair value hedges – Interest rate swaps	19 & 22	Fair value – hedges	**48**	**48**	19	19
Cash flow hedges						
Cross currency interest rate swaps	19	Fair value – hedges	**523**	**523**	317	317
Net investment hedges						
Forward foreign exchange contracts	19 & 22	Fair value – hedges	**1,873**	**1,873**	2,588	2,588
Cross currency swaps	19 & 22	Fair value – hedges	**686**	**686**	427	427
Other derivative financial instruments	19	FVPL	**44**	**44**	167	167
Cash and cash equivalents	21	Amortised cost	**137,127**	**137,127**	135,411	135,411
Trade receivables	22	Amortised cost	**16,863**	**16,863**	19,255	19,255
Other receivables	22	Amortised cost	**15,136**	**15,136**	18,682	18,682
			185,367	**185,367**	189,240	189,240

43 Financial risk management (continued)

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

	Note	Classification under HKFRS 9 *	2019 Carrying amount HK$ million	2019 Fair values HK$ million	2018 Carrying amount HK$ million	2018 Fair values HK$ million
Financial liabilities						
Bank and other debts [(i)]	24	Amortised cost	**344,560**	**350,125**	351,556	343,527
Trade payables	25	Amortised cost	**27,539**	**27,539**	29,233	29,233
Derivative financial instruments						
Fair value hedges – Interest rate swaps	29	Fair value – hedges	**–**	**–**	116	116
Cash flow hedges						
Interest rate swaps	25 & 29	Fair value – hedges	**328**	**328**	381	381
Cross currency interest rate swaps	25 & 29	Fair value – hedges	**318**	**318**	928	928
Forward foreign exchange contracts	25	Fair value – hedges	**–**	**–**	2	2
Other contracts	25	Fair value – hedges	**51**	**51**	–	–
Net investment hedges						
Forward foreign exchange contracts	25 & 29	Fair value – hedges	**369**	**369**	6	6
Cross currency swaps	29	Fair value – hedges	**26**	**26**	45	45
Other derivative financial instruments	25 & 29	FVPL	**535**	**535**	481	481
Interest free loans from non-controlling shareholders	25	Amortised cost	**380**	**380**	385	385
Other payables and accruals	25	Amortised cost	**61,536**	**61,536**	76,244	76,244
Interest bearing loans from non-controlling shareholders	27	Amortised cost	**728**	**728**	752	752
Obligations for telecommunications licences and other rights	29	Amortised cost	**10,001**	**10,001**	9,613	9,613
Liabilities relating to the economic benefits agreements	29	Amortised cost	**2,166**	**2,166**	14,308	14,308
			448,537	**454,102**	484,050	476,021

* see note 40(n).

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

43 Financial risk management (continued)

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

	2019		2018	
	Carrying amount HK$ million	**Fair values HK$ million**	Carrying amount HK$ million	Fair values HK$ million
Representing:				
Financial assets measured at				
Amortised cost	**169,342**	**169,342**	173,584	173,584
FVOCI	**9,466**	**9,466**	11,083	11,083
FVPL	**3,429**	**3,429**	1,222	1,222
Fair value – hedges	**3,130**	**3,130**	3,351	3,351
	185,367	**185,367**	189,240	189,240
Financial liabilities measured at				
Amortised cost	**446,910**	**452,475**	482,091	474,062
FVPL	**535**	**535**	481	481
Fair value – hedges	**1,092**	**1,092**	1,478	1,478
	448,537	**454,102**	484,050	476,021

(k) Fair value measurements

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

43 Financial risk management (continued)

(k) Fair value measurements (continued)

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

Fair value hierarchy (continued)

		2019				2018			
	Note	**Level 1 HK$ million**	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	18	**2,293**	**–**	**–**	**2,293**	2,909	–	–	2,909
Listed equity securities, outside Hong Kong	18	**213**	**–**	**–**	**213**	208	–	–	208
Listed equity securities (included in Managed funds)	18	**202**	**–**	**–**	**202**	154	–	–	154
Listed debt securities (included in Managed funds)	18	**4,933**	**–**	**–**	**4,933**	4,770	–	–	4,770
Listed / traded debt securities, outside Hong Kong	18	**–**	**–**	**–**	**–**	201	888	–	1,089
Financial assets at fair value through profit or loss	18	**39**	**–**	**–**	**39**	96	–	–	96
Unlisted investments									
Unlisted equity securities - FVOCI	19	**–**	**–**	**1,825**	**1,825**	–	–	1,953	1,953
Unlisted equity securities - FVPL	19	**–**	**2,387**	**655**	**3,042**	–	46	595	641
Unlisted debt securities	19	**–**	**137**	**167**	**304**	–	143	175	318
Derivative financial instruments									
Fair value hedges - Interest rate swaps	19 & 22	**–**	**48**	**–**	**48**	–	19	–	19
Cash flow hedges									
Cross currency interest rate swaps	19	**–**	**523**	**–**	**523**	–	317	–	317
Net investment hedges									
Forward foreign exchange contracts	19 & 22	**–**	**1,873**	**–**	**1,873**	–	2,588	–	2,588
Cross currency swaps	19 & 22	**–**	**686**	**–**	**686**	–	427	–	427
Other derivative financial instruments	19	**–**	**44**	**–**	**44**	–	167	–	167
		7,680	**5,698**	**2,647**	**16,025**	8,338	4,595	2,723	15,656
Financial liabilities									
Derivative financial instruments									
Fair value hedges - Interest rate swaps	29	**–**	**–**	**–**	**–**	–	116	–	116
Cash flow hedges									
Interest rate swaps	25 & 29	**–**	**328**	**–**	**328**	–	381	–	381
Cross currency interest rate swaps	25 & 29	**–**	**318**	**–**	**318**	–	928	–	928
Forward foreign exchange contracts	25	**–**	**–**	**–**	**–**	–	2	–	2
Other contracts	25	**–**	**51**	**–**	**51**	–	–	–	–
Net investment hedges									
Forward foreign exchange contracts	25 & 29	**–**	**369**	**–**	**369**	–	6	–	6
Cross currency swaps	29	**–**	**26**	**–**	**26**	–	45	–	45
Other derivative financial instruments	25 & 29	**–**	**535**	**–**	**535**	–	481	–	481
		–	**1,627**	**–**	**1,627**	–	1,959	–	1,959

43 Financial risk management (continued)

(k) Fair value measurements (continued)

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

Fair value hierarchy (continued)

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

During the year ended 31 December 2019 and 2018, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

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

	2019 HK$ million	2018 HK$ million
At 1 January	**2,723**	2,649
Total gains (losses) recognised in		
Income statement	**49**	29
Other comprehensive income	**(16)**	(510)
Additions	**17**	598
Relating to subsidiaries acquired	**–**	20
Disposals	**(130)**	(22)
Exchange translation differences	**4**	(41)
At 31 December	**2,647**	2,723
Total gains recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**49**	29

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

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

43 Financial risk management (continued)

(k) Fair value measurements (continued)

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

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

Fair value hierarchy

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

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
At 31 December 2019				
Bank and other debts	**214,284**	**135,841**	**–**	**350,125**
At 31 December 2018				
Bank and other debts	217,197	126,330	–	343,527

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

43 Financial risk management (continued)

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

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

(1) are offset in the Group's consolidated statement of financial position; or

(2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2019						
Financial assets						
Trade receivables	264	(71)	193	(19)	–	174
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	1,793	–	1,793	(211)	–	1,582
Cross currency swaps	337	–	337	(26)	–	311
Other derivative financial instruments	26	–	26	(3)	–	23
Other receivables and prepayments	536	(187)	349	–	–	349
	2,956	(258)	2,698	(259)	–	2,439
Financial liabilities						
Trade payables	(453)	71	(382)	–	–	(382)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(211)	–	(211)	211	–	–
Cross currency swaps	(26)	–	(26)	26	–	–
Other derivative financial instruments	(3)	–	(3)	3	–	–
Other payables and accruals	(206)	187	(19)	19	–	–
	(899)	258	(641)	259	–	(382)
At 31 December 2018						
Financial assets						
Trade receivables	172	(127)	45	(25)	–	20
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	965	–	965	(6)	–	959
Other derivative financial instruments	159	–	159	(4)	–	155
Other receivables and prepayments	602	(406)	196	–	–	196
	1,898	(533)	1,365	(35)	–	1,330
Financial liabilities						
Trade payables	(1,165)	278	(887)	–	–	(887)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(6)	–	(6)	6	–	–
Other derivative financial instruments	(4)	–	(4)	4	–	–
Other payables and accruals	(3,471)	255	(3,216)	25	–	(3,191)
	(4,646)	533	(4,113)	35	–	(4,078)

44 Statement of financial position of the Company, as at 31 December 2019

	2019 HK$ million	2018 HK$ million
Non-current assets		
Subsidiary companies – Unlisted shares [a]	**355,164**	355,164
Current assets		
Amounts due from subsidiary companies [b]	**8,960**	9,382
Other receivables	**432**	20
Cash	**7**	7
Current liabilities		
Other payables and accruals	**71**	60
Net current assets	**9,328**	9,349
Net assets	**364,492**	364,513
Capital and reserves		
Share capital (see note 30(a))	**3,856**	3,856
Share premium (see note 30(a))	**244,377**	244,377
Reserves – Retained profit [c]	**116,259**	116,280
Shareholders' funds	**364,492**	364,513

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

44 Statement of financial position of the Company, as at 31 December 2019 (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 259 to 262.

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

(c) Reserves – Retained profit

	HK$ million
At 1 January 2018	116,228
Profit for the year	11,394
Buy-back and cancellation of issued shares (see note 30(a)(i))	(1)
Dividends paid relating to 2017	(7,985)
Dividends paid relating to 2018	(3,356)
At 31 December 2018	**116,280**
Profit for the year	**12,204**
Dividends paid relating to 2018	**(8,870)**
Dividends paid relating to 2019	**(3,355)**
At 31 December 2019	**116,259**

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

(e) The net profit of the Company is HK$12,204 million (2018 – HK$11,394 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2019, the Company's share premium and retained profit amounted to HK$244,377 million (2018 – HK$244,377 million) and HK$116,259 million (2018 – HK$116,280 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

45 Subsequent events

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

46 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation into US dollars (US$) of these financial statements as of, and for the year ended, 31 December 2019, is for convenience only and has been made at the rate of HK$7.8 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

47 Approval of financial statements

The financial statements set out on pages 134 to 262 were approved and authorised for issue by the Board of Directors on 19 March 2020.