

Notes to the Financial Statements

1 General information

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

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

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

2 Use of judgements, assumptions and estimates

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

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

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

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

3 Basis of preparation

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

The Annual Financial Statements have been prepared on a historical cost basis, except that defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) are measured at fair values, and non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. In these financial statements, non-current assets classified as held for sale and assets of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Liabilities directly associated with non-current assets classified as held for sale and liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. Major classes of assets classified as held for sale and liabilities directly associated with these assets are disclosed separately in note 25.

The Annual Financial Statements have been prepared in accordance with HKFRS and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2020. In addition, the Group has early adopted Amendment to HKFRS 16: COVID-19-Related Rent Concessions ahead of its effective date. These changes did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. Other than these changes, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the Company's consolidated financial statements for the year ended 31 December 2019. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 41.

4 Revenue

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

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

Notes to the Financial Statements

4 Revenue (continued)

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

(i) By segments

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

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2019 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	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
Energy	–	–	–	–	–
CK Hutchison Group Telecom					
3 Group Europe	14,137	73,368	87,505	–	87,505
Hutchison Telecommunications Hong Kong Holdings	1,969	3,613	5,582	–	5,582
Corporate and Others	–	39	39	253	292
	16,106	77,020	93,126	253	93,379
Hutchison Asia Telecommunications	–	8,984	8,984	–	8,984
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

4 Revenue (continued)

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

(ii) By geographical locations

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

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2019 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Hong Kong	30,836	3,499	34,335	698	35,033
Mainland China	30,036	424	30,460	10	30,470
The People's Republic of China	60,872	3,923	64,795	708	65,503
Europe	64,251	93,672	157,923	5,323	163,246
Canada	–	400	400	229	629
Asia, Australia and Others	27,001	25,127	52,128	828	52,956
	91,252	119,199	210,451	6,380	216,831
	152,124	123,122	275,246	7,088	282,334
Finance & Investments and Others	13,279	267	13,546	3,141	16,687
	165,403	123,389	288,792	10,229	299,021

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

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

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4 Revenue (continued)

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

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

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

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2020, HK\$1,577 million (2019: HK\$1,587 million) was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. In 2020, HK\$1,024 million (2019: HK\$1,042 million) was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK\$5,028 million (2019: HK\$5,106 million) was recognised as revenue in 2020 that was included in the contract liability balance at the beginning of the year.

- (d) Transaction price allocated to the remaining performance obligations

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

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

5 Operating segment information

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

In 2019, the Group has adopted the HKFRS 16 “Leases” accounting standard (which relates to accounting for leases) for its statutory reporting but its management reporting has remained on the precedent lease accounting standard Hong Kong Accounting Standard 17 “Leases” (“HKAS 17”). The Group believes that the HKAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis (“Post-HKFRS 16 basis”), better reflect management’s view of the Group’s underlying operational performances. HKAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. Accordingly, segmental information is presented on a HKAS 17 basis (“Pre-HKFRS 16 basis”), except where indicated otherwise, together with reconciliations to the total under the Post-HKFRS 16 basis. In addition, section (c) of this note sets out reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics for the Group’s consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flows for the current and comparative years, and the Group’s consolidated statement of financial position as at 31 December 2020 and 2019.

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

Ports and Related Services:

This division is the world’s leading port network, and has interests in 52 ports comprising 283 operational berths in 26 countries as at 31 December 2020. This division operates container terminals in six of the 10 busiest container ports in the world. The division comprises the Group’s 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust (“HPH Trust”). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group’s effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A. S. Watson (“ASW”) group of companies, the world’s largest international health and beauty retailer with a 139 million loyalty member base. ASW operated 12 retail brands with 16,167 stores in 27 markets worldwide as at 31 December 2020.

Infrastructure:

The Infrastructure division comprises the Group’s 75.67% interest in CK Infrastructure Holdings Limited (“CKI”), a subsidiary company listed on the Stock Exchange as well as 10% of the economic benefits derived from the Group’s direct holdings in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park’N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in these six co-owned infrastructure investments. In December 2019, the Group completed supplementary agreements with the counter-parties to the economic arrangements in respect of its direct interests in Northumbrian Water, Park’N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group’s direct interests in these five co-owned infrastructure investments. Results of these co-owned infrastructure investments following the divestiture are included in the segment results on a net of divestiture basis.

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5 Operating segment information (continued)

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

Energy:

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

Telecommunications:

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

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

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position. Finance & Investments and Others covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 25.05% interest in a listed associated company TPG Telecom Limited ("TPG") (formerly known as Vodafone Hutchison Australia ("VHA")), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated company Hutchison China MediTech ("HUTCHMED"), TOM Group and CK Life Sciences Int'l., (Holdings) Inc., corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

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

5 Operating segment information (continued)

(b) Segment results, assets and liabilities

(i) An analysis of revenue by segments

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$71 million (2019: HK\$61 million), Hutchison Telecommunications Hong Kong Holdings of HK\$14 million (2019: HK\$14 million) and Hutchison Asia Telecommunications of HK\$1 million (2019: HK\$3 million).

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

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5 Operating segment information (continued)

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

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

(ii) An analysis of EBITDA by segments

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

5 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

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

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5 Operating segment information (continued)

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

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

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

5 Operating segment information (continued)

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

(v) An analysis of capital expenditure by segments

	Capital expenditure ^(xxx)									
	Fixed assets [@]	Telecommunications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2020 Total	Fixed assets [@]	Telecommunications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	1,712	-	-	-	1,712	3,037	-	-	-	3,037
Retail	1,947	-	-	-	1,947	3,072	-	-	-	3,072
Infrastructure	204	-	1	-	205	363	-	75	6,744	7,182
Energy	-	-	-	-	-	-	-	-	-	-
CK Hutchison Group Telecom										
3 Group Europe	18,483	477	1,772	-	20,732	15,397	1,026	2,735	-	19,158
Hutchison Telecommunications Hong Kong Holdings	593	202	-	-	795	503	203	-	-	706
Corporate and Others	2	-	13	-	15	4	-	3	-	7
	19,078	679	1,785	-	21,542	15,904	1,229	2,738	-	19,871
Hutchison Asia Telecommunications	4,003	-	-	-	4,003	2,845	57	-	-	2,902
Finance & Investments and Others	174	-	5	-	179	318	-	4	-	322
	27,118	679	1,791	-	29,588	25,539	1,286	2,817	6,744	36,386
HKFRS 16 impact	(14)	-	-	-	(14)	(93)	-	-	-	(93)
	27,104	679	1,791	-	29,574	25,446	1,286	2,817	6,744	36,293

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

(vi) An analysis of total assets by segments

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

(vii) An analysis of total liabilities by segments

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

5 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

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

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

(ix) An analysis of EBITDA by geographical locations

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

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

(x) An analysis of EBIT by geographical locations

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

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

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure ^(xvii)									
	Fixed assets [@]	Telecom- munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2020 Total	Fixed assets [@]	Telecom- munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	2019 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,075	202	-	-	1,277	1,295	203	-	-	1,498
Mainland China	670	-	-	-	670	958	-	-	-	958
The People's Republic of China	1,745	202	-	-	1,947	2,253	203	-	-	2,456
Europe	19,537	477	1,772	-	21,786	17,072	1,026	2,738	6,711	27,547
Canada	-	-	-	-	-	-	-	-	33	33
Asia, Australia and Others	5,662	-	14	-	5,676	5,896	57	75	-	6,028
	25,199	477	1,786	-	27,462	22,968	1,083	2,813	6,744	33,608
	26,944	679	1,786	-	29,409	25,221	1,286	2,813	6,744	36,064
Finance & Investments and Others	174	-	5	-	179	318	-	4	-	322
	27,118	679	1,791	-	29,588	25,539	1,286	2,817	6,744	36,386
HKFRS 16 impact	(14)	-	-	-	(14)	(93)	-	-	-	(93)
	27,104	679	1,791	-	29,574	25,446	1,286	2,817	6,744	36,293

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

5 Operating segment information (continued)

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

(xii) An analysis of total assets by geographical locations

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

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

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

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

An analysis of EBITDA by segments

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

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

5 Operating segment information (continued)

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

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

An analysis of EBITDA by geographical locations

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

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

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

An analysis of EBIT by segments

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

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

5 Operating segment information (continued)

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

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

An analysis of EBIT by geographical locations

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

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

- (xiv) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six infrastructure investments co-owned with CKI that are based on the Group's 10% direct interests in these investments. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.
- (xv) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six infrastructure investments co-owned with CKI that are based on the Group's 10% direct interests in these investments. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under HKFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.
- (xvi) The Group's 40.19% owned listed associated company, Husky recognised non-cash after-tax impairments and other charges of C\$8.6 billion in 2020. These were primarily related to declines in forecasted long-term commodity prices, reduced capital investment and delayed future development plans, as well as market indicators including the merger with Cenovus Energy Inc. ("Cenovus Energy"). The Group's share of these charges, after consolidation adjustments, is HK\$24,909 million at the EBITDA and EBIT levels, and is reported under "Energy" in the segment results. For the comparative year 2019, Husky recognised non-cash asset impairments and other charges aggregating C\$2.3 billion (after tax), primarily related to its upstream assets in North America, including the Sunrise Energy Project and the Atlantic and Western Canada segments, and were largely due to lower long-term commodity price assumptions and a reduction in future capital spending. The reduction in future capital spending had the effect of reducing reserves, which in turn reduced asset values. Other charges included exploration-related write-downs and asset de-recognition at the Lima Refinery associated with redundant equipment following the completion of the crude oil flexibility project. The Group's share of these charges, after consolidation adjustments, was HK\$5,983 million at the EBITDA and EBIT levels, and was reported under "Energy" in the segment results.

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

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

5 Operating segment information *(continued)*

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

- (xvii) For the comparative year, included in the EBITDA and EBIT of 3 Group Europe was a one-time income of approximately €110 million (approximately HK\$1,028 million) recognised by Wind Tre in the first half of 2019.
- (xviii) In December 2020, the Group completed the disposal of interests in telecommunications tower assets in Denmark, Austria and Ireland, and recognised a disposal gain of approximately HK\$16,583 million (HK\$16,763 million at Post-HKFRS 16 basis). The amount of gain is HK\$16,583 million at the EBITDA and EBIT levels, and is reported under “CK Hutchison Group Telecom – Corporate and Others” in the segment results. See note 7(e).
- (xix) In the first half of 2020, joint venture VHA and TPG Corporation Limited have completed the merger of their telecommunications businesses in Australia. As a result, the Group’s attributable interest in VHA has been diluted from 43.93% to 22.01%. The Group has recognised a gain arising from the dilution during the year. The amount of the gain is HK\$10,105 million (HK\$10,186 million at Post-HKFRS 16 basis) at EBITDA and EBIT levels and is reported under “Finance & Investments and Others” in the segment results. The gain attributable to ordinary shareholders amounted to HK\$9,177 million (HK\$9,247 million at Post-HKFRS 16 basis). Pursuant to the merger, VHA was renamed as TPG. The Group accounts for the retained interest as an associated company using the equity method of accounting. In addition, write-downs on certain non-strategic equity investments totalling HK\$1,308 million is reported under the “Finance & Investments and Others” in the segment results. For the comparative year 2019, the Group recognised a one-off disposal gain arising from the de-consolidation of former subsidiary HUTCHMED. The disposal gain was HK\$6,885 million at the EBITDA and EBIT levels, and was reported under “Finance & Investments and Others” in the segment results. Included in this gain amount was a HK\$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group’s retained interest in HUTCHMED to its fair value at the date of de-consolidation. See note 7(f) and 7(g).
- (xx) The geographical location of customers is based on the location at which the services were provided or goods delivered. Hong Kong is the location of principal place of business of the Company.

Notes to the Financial Statements

5 Operating segment information (continued)

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

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

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

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

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

Geographical analysis of the Group's non-current assets (based on Post-HKFRS 16 basis) other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts is as follows:

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

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

(xxiii) See note 25.

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

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

5 Operating segment information (continued)

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

(i) Consolidated Income Statement

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

(ii) Consolidated Statement of Comprehensive Income

	2020			2019		
	Pre-HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post-HKFRS 16 basis HK\$ million	Pre-HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post-HKFRS 16 basis HK\$ million
Profit after tax	37,240	157	37,397	47,919	(142)	47,777
Other comprehensive income (losses)						
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations recognised directly in reserves	(664)	–	(664)	(899)	–	(899)
Equity securities at FVOCI						
Valuation gains (losses) recognised directly in reserves	1,461	–	1,461	(323)	–	(323)
Share of other comprehensive income (losses) of associated companies	(540)	–	(540)	300	–	300
Share of other comprehensive income (losses) of joint ventures	(1,815)	–	(1,815)	564	–	564
Tax relating to items that will not be reclassified to profit or loss	169	–	169	170	–	170
	(1,389)	–	(1,389)	(188)	–	(188)
Items that have been reclassified or may be subsequently reclassified to profit or loss:						
Debt securities at FVOCI						
Valuation gains recognised directly in reserves	44	–	44	104	–	104
Valuation losses previously in reserves recognised in income statement	89	–	89	29	–	29
Losses on cash flow hedges recognised directly in reserves	(65)	–	(65)	(808)	–	(808)
Losses on net investment hedges recognised directly in reserves	(2,229)	–	(2,229)	(547)	–	(547)
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	13,592	(588)	13,004	(663)	(150)	(813)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	2,093	–	2,093	4,534	1	4,535
Share of other comprehensive income of associated companies	2,231	(4)	2,227	40	–	40
Share of other comprehensive income (losses) of joint ventures	3,528	7	3,535	(635)	3	(632)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	9	–	9	103	–	103
	19,292	(585)	18,707	2,157	(146)	2,011
Other comprehensive income, net of tax	17,903	(585)	17,318	1,969	(146)	1,823
Total comprehensive income	55,143	(428)	54,715	49,888	(288)	49,600
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(9,705)	117	(9,588)	(7,941)	147	(7,794)
Total comprehensive income attributable to ordinary shareholders	45,438	(311)	45,127	41,947	(141)	41,806

5 Operating segment information (continued)

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

(iii) Consolidated Statement of Financial Position

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

Notes to the Financial Statements

5 Operating segment information (continued)

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

(iv) Consolidated Statement of Cash Flows

	2020			2019		
	Pre-HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post-HKFRS 16 basis HK\$ million	Pre-HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post-HKFRS 16 basis HK\$ million
	(A)		(B)	(A)		(B)
Operating activities						
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	66,276	20,796	87,072	74,740	20,551	95,291
Interest expenses and other finance costs paid (net of capitalisation)	(7,105)	(3,684)	(10,789)	(10,998)	(3,623)	(14,621)
Tax paid	(3,628)	-	(3,628)	(5,823)	-	(5,823)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	55,543	17,112	72,655	57,919	16,928	74,847
Changes in working capital	(332)	848	516	(4,583)	(994)	(5,577)
Net cash from operating activities	55,211	17,960	73,171	53,336	15,934	69,270
Investing activities						
Purchase of fixed assets	(27,118)	14	(27,104)	(32,283)	93	(32,190)
Additions to telecommunications licences	(679)	-	(679)	(1,286)	-	(1,286)
Additions to brand names and other rights	(1,791)	-	(1,791)	(2,817)	-	(2,817)
Purchase of subsidiary companies, net of cash acquired	-	-	-	(30)	-	(30)
Additions to other unlisted investments	(131)	-	(131)	(17)	-	(17)
Repayments of loans from associated companies and joint ventures	1,609	-	1,609	641	-	641
Purchase of and advances to associated companies and joint ventures	(833)	-	(833)	(885)	-	(885)
Proceeds from disposal of fixed assets	564	-	564	150	-	150
Proceeds from disposal of subsidiary companies, net of cash disposed	20,780	-	20,780	(1,522)	-	(1,522)
Cash disposed arising from de-consolidation of subsidiaries classified as held for sale	-	-	-	(2,429)	-	(2,429)
Proceeds from partial disposal / disposal of associated companies and joint ventures	2,005	-	2,005	2,388	-	2,388
Proceeds from disposal of other unlisted investments	13	-	13	130	-	130
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(5,581)	14	(5,567)	(37,960)	93	(37,867)
Disposal of liquid funds and other listed investments	730	-	730	503	-	503
Additions to liquid funds and other listed investments	(1,627)	-	(1,627)	(55)	-	(55)
Cash flows used in investing activities	(6,478)	14	(6,464)	(37,512)	93	(37,419)
Net cash inflow before financing activities	48,733	17,974	66,707	15,824	16,027	31,851
Financing activities						
New borrowings	44,405	(14)	44,391	211,526	-	211,526
Repayment of borrowings	(56,411)	50	(56,361)	(211,397)	(58)	(211,455)
Payment of lease liabilities	-	(18,010)	(18,010)	-	(15,969)	(15,969)
Net loans to non-controlling shareholders	-	-	-	(2)	-	(2)
Capital redemption by non-controlling shareholders	-	-	-	(10)	-	(10)
Payment to acquire additional interests in subsidiary companies	(1,048)	-	(1,048)	(478)	-	(478)
Proceeds from partial disposal of subsidiary companies	309	-	309	2,201	-	2,201
Dividends paid to ordinary shareholders	(11,238)	-	(11,238)	(12,225)	-	(12,225)
Dividends paid to non-controlling interests	(5,444)	-	(5,444)	(6,910)	-	(6,910)
Distribution paid on perpetual capital securities	(482)	-	(482)	(398)	-	(398)
Cash flows used in financing activities	(29,909)	(17,974)	(47,883)	(17,693)	(16,027)	(33,720)
Increase (decrease) in cash and cash equivalents	18,824	-	18,824	(1,869)	-	(1,869)
Cash and cash equivalents at 1 January	137,127	-	137,127	138,996	-	138,996
Cash and cash equivalents at 31 December	155,951	-	155,951	137,127	-	137,127

5 Operating segment information (continued)

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

(iv) Consolidated Statement of Cash Flows (continued)

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

Notes to the Financial Statements

6 Directors' emoluments

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

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

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

In 2020, the five individuals whose emoluments were the highest for the year were directors of the Company. In 2019, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind of HK\$4.86 million; provident fund contribution of HK\$0.32 million and discretionary bonus of HK\$29.19 million.

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

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

Name of directors	2020					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI ⁽¹⁾⁽²⁾						
<i>Paid by the Company</i>	0.28	4.89	55.21	–	–	60.38
<i>Paid by CKI</i>	0.10	–	25.93	–	–	26.03
FOK Kin Ning, Canning ⁽³⁾	0.38	4.89	81.14	–	–	86.41
Frank John SIXT ⁽³⁾⁽⁴⁾	0.22	11.56	153.22	1.04	–	166.04
Frank John SIXT ⁽³⁾⁽⁴⁾	0.25	8.66	99.96	0.75	–	109.62
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	7.85	–	–	9.69
<i>Paid by CKI</i>	0.08	1.80	10.26	–	–	12.14
KAM Hing Lam	0.30	3.42	18.11	–	–	21.83
<i>Paid by the Company</i>	0.22	2.42	7.30	–	–	9.94
<i>Paid by CKI</i>	0.08	4.20	9.42	–	–	13.70
LAI Kai Ming, Dominic ⁽³⁾	0.30	6.62	16.72	–	–	23.64
LAI Kai Ming, Dominic ⁽³⁾	0.22	5.94	50.25	0.48	–	56.89
Edith SHIH ⁽³⁾⁽⁴⁾	0.25	4.58	14.25	0.33	–	19.41
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan ⁽⁵⁾	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	–	–	–	–	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	–	–	–	–	0.22
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
KWOK Tun-ii, Stanley ⁽⁶⁾⁽⁷⁾	0.30	–	–	–	–	0.30
KWOK Tun-ii, Stanley ⁽⁶⁾⁽⁷⁾	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁷⁾	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ⁽⁶⁾⁽⁸⁾	0.21	–	–	–	–	0.21
Paul Joseph TIGHE ⁽⁶⁾⁽⁹⁾	–	–	–	–	–	–
WONG Chung Hin ⁽⁶⁾⁽¹⁰⁾	0.15	–	–	–	–	0.15
WONG Kwai Lam ⁽²⁾⁽⁶⁾⁽⁷⁾⁽¹¹⁾	0.26	–	–	–	–	0.26
WONG Yick-ming, Rosanna ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁶⁾	0.32	–	–	–	–	0.32
Total	5.24	45.67	433.65	2.60	–	487.16

6 Directors' emoluments (continued)

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

Name of directors	2019					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Victor T K LI ⁽¹⁾⁽²⁾						
<i>Paid by the Company</i>	0.28	4.89	78.87	–	–	84.04
<i>Paid by CKI</i>	0.08	–	33.24	–	–	33.32
	0.36	4.89	112.11	–	–	117.36
FOK Kin Ning, Canning ⁽¹⁾⁽³⁾	0.22	11.56	215.09	1.04	–	227.91
Frank John SIXT ⁽¹⁾⁽³⁾	0.22	8.65	67.58	0.75	–	77.20
IP Tak Chuen, Edmond ⁽¹⁾						
<i>Paid by the Company</i>	0.22	1.62	11.21	–	–	13.05
<i>Paid by CKI</i>	0.08	1.80	12.07	–	–	13.95
	0.30	3.42	23.28	–	–	27.00
KAM Hing Lam ⁽¹⁾						
<i>Paid by the Company</i>	0.22	2.42	10.43	–	–	13.07
<i>Paid by CKI</i>	0.08	4.20	12.07	–	–	16.35
	0.30	6.62	22.50	–	–	29.42
LAI Kai Ming, Dominic ⁽¹⁾⁽³⁾	0.22	5.92	67.00	0.48	–	73.62
Edith SHIH ⁽¹⁾⁽³⁾	0.22	4.44	20.36	0.32	–	25.34
CHOW Kun Chee, Roland ⁽¹⁾⁽⁵⁾	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan ⁽¹⁾⁽⁵⁾	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles ⁽¹⁾⁽⁵⁾	0.22	–	–	–	–	0.22
LEUNG Siu Hon ⁽¹⁾⁽⁵⁾	0.22	–	–	–	–	0.22
George Colin MAGNUS ⁽¹⁾⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley ⁽¹⁾⁽⁶⁾⁽⁷⁾	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁷⁾	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽¹⁾⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽¹⁾⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ⁽¹⁾⁽⁶⁾⁽⁷⁾	0.35	–	–	–	–	0.35
WONG Chung Hin ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁷⁾	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ⁽¹⁾⁽²⁾⁽⁶⁾	0.28	–	–	–	–	0.28
Total	5.26	45.50	527.92	2.59	–	581.27

- (1) Member of the Nomination Committee. All Directors were members of the Nomination Committee until 25 November 2020. Following the change of composition of the Nomination Committee on 26 November 2020, the Committee comprises Dr Wong Yick-ming, Rosanna (chairman of the Nomination Committee), Mr Victor T K Li and Mr Cheng Hoi Chuen, Vincent.
- (2) Member of the Remuneration Committee.
- (3) Directors' fees to these Directors from the Company's listed subsidiaries during the period they served as directors have been paid to the Company and are not included in the amounts above.
- (4) Member of the Sustainability Committee.
- (5) Non-executive Director.
- (6) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.14 million (2019: HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Former member of the Audit Committee and Nomination Committee. Passed away on 9 August 2020.
- (9) Appointed on 28 December 2020. The amount of director's fee shown above is a result of rounding.
- (10) Former member of the Audit Committee, Nomination Committee and Remuneration Committee. Retired on 14 May 2020.
- (11) Appointed on 14 May 2020.

Notes to the Financial Statements

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

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

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

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

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

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

- (a) Cost of providing services of HK\$24,103 million (2019: HK\$26,034 million) includes telecommunication network related costs of HK\$13,222 million (2019: HK\$14,873 million), repair and maintenance of HK\$5,828 million (2019: HK\$5,199 million) and others of HK\$5,053 million (2019: HK\$5,962 million).
- (b) Auditors' remuneration of HK\$289 million (2019: HK\$361 million) are charged for audit and audit related work performed by the Company's auditor, PricewaterhouseCoopers of HK\$211 million (2019: HK\$246 million) and performed by other auditors of HK\$13 million (2019: HK\$23 million), and for non-audit work, including tax compliance and other tax services, and financial due diligence services, performed by the Company's auditor, PricewaterhouseCoopers of HK\$24 million (2019: HK\$26 million) and performed by other auditors of HK\$41 million (2019: HK\$66 million).
- (c) Benefits derived from changes in lease payments arising from COVID-19 related rent concessions.
- (d) Benefits received from governments and other authorities under COVID-19 related employment and other support schemes.
- (e) On 12 November 2020, the Group entered into agreements with Cellnex Telecom, S.A. ("Cellnex"), a company incorporated and listed in Spain, to sell the Group's interests in telecommunications tower assets supporting the Group's mobile telecommunications businesses in Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom. The aggregate consideration to be received by the Group is €10 billion (subject to closing adjustments). Each of the six transactions is subject to its own terms and conditions, and closing of each transaction can occur on a standalone basis as each transaction is independent and not inter-conditional upon the others. The Austrian transaction, Denmark transaction and Ireland transaction were completed in December 2020. The amount of the gains from these three disposal transactions is HK\$16,763 million and is reported under "Other income and gains" in the current year's consolidated income statement. The Sweden transaction was completed after the reporting date in January 2021 and resulted in a gain attributable to shareholders of approximately HK\$6.6 billion to be reported in the Group's 2021 results. Subject to regulatory approval, it is anticipated that closings in respect of the Italy transaction and the United Kingdom transaction will take place within 2021. See note 5(b)(xviii).
- (f) In the first half of 2020, joint venture VHA and TPG Corporation Limited have completed the merger of their telecommunications businesses in Australia. As a result, the Group's attributable interest in VHA has been diluted from 43.93% to 22.01%. The Group has recognised a gain arising from the dilution. The amount of the gain is HK\$10,186 million and is reported under "Other income and gains" in the current year's consolidated income statement. Pursuant to the merger, VHA was renamed as TPG. Upon completion of the merger, the Group no longer has joint control but has significant influence over TPG. Accordingly, the Group continues to apply the method of equity accounting to account for its retained interests in TPG. For balance sheet classification, the Group classifies its interests in TPG from "Interests in joint ventures" to "Associated companies" with effect from the merger completion date of 26 June 2020. See note 5(b)(xix).
- (g) The comparative amount includes a HK\$6,885 million gain arising from the de-consolidation of former subsidiary HUTCHMED. Included in this amount was a HK\$6,841 million gain on remeasurement of the entire block (being the unit of accounting) of the Group's retained interest in HUTCHMED to its fair value at the date of de-consolidation. See note 5(b)(xix).

Notes to the Financial Statements

8 Interest expenses and other finance costs

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

- (a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK\$702 million (2019: HK\$1,037 million) net with HK\$443 million (2019: HK\$406 million) notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.
- (b) For the year ended 31 December 2019, borrowing costs have been capitalised at various applicable rates ranging from 4.3% to 5.9% per annum.

9 Tax

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

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

9 Tax (continued)

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

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

10 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$29,143 million (2019: HK\$39,830 million) and 3,856,240,500 shares in issue in 2020 (2019: 3,856,240,500 shares).

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

11 Distributions and dividends

(a) Distribution paid on perpetual capital securities

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

(b) Dividends

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

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

Notes to the Financial Statements

12 Fixed assets

	Land and buildings HK\$ million	Telecom- munications network assets HK\$ million	Other assets ^(a) HK\$ million	Total HK\$ million
Cost				
At 1 January 2019	25,892	51,012	63,534	140,438
Additions	1,494	4,293	19,659	25,446
Relating to subsidiaries acquired (see note 34(c))	38	–	3	41
Disposals	(54)	(425)	(781)	(1,260)
Relating to subsidiaries disposed (see note 34(d))	(11)	–	(369)	(380)
Transfer between categories	21	10,798	(10,514)	305
Exchange translation differences	127	15	(455)	(313)
Transfer to assets classified as held for sale (see note 25)	–	(55)	–	(55)
At 31 December 2019 and 1 January 2020	27,507	65,638	71,077	164,222
Additions	1,229	5,440	20,435	27,104
Disposals	(193)	(1,494)	(1,040)	(2,727)
Relating to subsidiaries disposed (see note 34(d))	–	(2,425)	(165)	(2,590)
Transfer between categories	174	10,806	(10,970)	10
Exchange translation differences	522	4,516	3,813	8,851
Transfer to assets classified as held for sale (see note 25)	–	(1,397)	–	(1,397)
At 31 December 2020	29,239	81,084	83,150	193,473
Accumulated depreciation and impairment				
At 1 January 2019	3,339	10,837	16,217	30,393
Charge for the year	1,023	7,958	6,487	15,468
Disposals	(40)	(398)	(585)	(1,023)
Relating to subsidiaries disposed (see note 34(d))	(4)	–	(106)	(110)
Transfer between categories	–	306	(1)	305
Exchange translation differences	39	64	(45)	58
At 31 December 2019 and 1 January 2020	4,357	18,767	21,967	45,091
Charge for the year	1,062	8,359	6,833	16,254
Disposals	(185)	(972)	(829)	(1,986)
Relating to subsidiaries disposed (see note 34(d))	–	(696)	(18)	(714)
Transfer between categories	1	(3)	12	10
Exchange translation differences	166	1,651	1,374	3,191
Transfer to assets classified as held for sale (see note 25)	–	(474)	–	(474)
At 31 December 2020	5,401	26,632	29,339	61,372
Net book value				
At 31 December 2020	23,838	54,452	53,811	132,101
At 31 December 2019	23,150	46,871	49,110	119,131
At 1 January 2019	22,553	40,175	47,317	110,045

12 Fixed assets (continued)

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

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

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

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

13 Leases

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

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

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

Notes to the Financial Statements

13 Leases (continued)

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

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

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

	2020 HK\$ million	2019 HK\$ million
Within operating cash flows	7,518	9,189
Within financing cash flows (see note 34(e))	18,010	15,969
Total cash outflows for leases	25,528	25,158

(d) Group as lessee — other lease disclosure

Variable lease payments

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

A 1% increase in sales across all stores / operations in the companies with leases containing variable lease payment terms that are linked to sales would increase total lease payments (see note (c)) by approximately 0.1% or HK\$22 million (2019: approximately 0.1% or HK\$27 million).

13 Leases (continued)

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

Extension and termination options

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

As at 31 December 2020, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK\$17,994 million (2019: HK\$11,471 million) (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Residual value guarantees

As at 31 December 2020, residual value guarantee of HK\$12 million (2019: HK\$9 million) is expected to be payable and had been included in calculating the lease liabilities.

Leases not yet commenced to which the lessee is committed

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

Restriction or covenants imposed by leases

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

(e) Group as lessor

	2020 HK\$ million	2019 HK\$ million
Income from subleasing right-of-use assets (included in "Other expenses and losses")	191	261

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

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

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

Notes to the Financial Statements

14 Telecommunications licences

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

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

15 Brand names and other rights

	Brand names HK\$ million	Other rights HK\$ million	Total HK\$ million
Net book value			
At 1 January 2019	69,037	19,724	88,761
Additions	–	2,817	2,817
Amortisation for the year	(12)	(2,483)	(2,495)
Disposal	–	(4)	(4)
Relating to subsidiaries disposed (see note 34(d))	(2)	–	(2)
Exchange translation differences	(560)	(242)	(802)
At 31 December 2019 and 1 January 2020	68,463	19,812	88,275
Additions	–	1,791	1,791
Amortisation for the year	(11)	(2,654)	(2,665)
Disposal	–	(13)	(13)
Relating to subsidiaries disposed (see note 34(d))	–	(5)	(5)
Exchange translation differences	2,426	1,644	4,070
At 31 December 2020	70,878	20,575	91,453
Cost			
Cost	70,945	30,312	101,257
Accumulated amortisation	(67)	(9,737)	(9,804)
	70,878	20,575	91,453

15 Brand names and other rights (continued)

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

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

16 Goodwill

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

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

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

Notes to the Financial Statements

16 Goodwill (continued)

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

The results of the impairment tests undertaken as at 31 December 2020 and 2019 indicated no impairment charge was necessary for the Group. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions.

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

17 Associated companies

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

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

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

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

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

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

- (i) At 31 December 2020 and 2019, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$711 million which are repayable within one to four years (2019: HK\$936 million which are repayable within one to two years).
- (ii) At 31 December 2020, HK\$3,064 million (2019: HK\$2,795 million) bear interests at fixed rates ranging from approximately 4.7% to 11.2% (2019: 4.7% to 11.2%) per annum.
- (iii) At 31 December 2020, HK\$908 million (2019: HK\$905 million) bear interests at floating rates ranging from approximately 1.6% to 2.1% (2019: 1.7% to 3.8%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.
- (iv) At 31 December 2020 and 2019, the amount due to an associated company is unsecured and has no fixed terms of repayment.

Notes to the Financial Statements

17 Associated companies (continued)

(b) Material associated companies

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

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

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

	2020				2019			
	Husky HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million	Husky 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	(22,085)	2,205	1,351	(18,529)	(1,902)	2,564	862	1,524
Other comprehensive income (losses)	230	(318)	1,775	1,687	460	289	(409)	340
Total comprehensive income (losses)	(21,855)	1,887	3,126	(16,842)	(1,442)	2,853	453	1,864

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

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

18 Interests in joint ventures

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

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

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

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

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

- (i) At 31 December 2020 and 2019, the amounts due from joint ventures are unsecured and have no fixed terms of repayment except for HK\$69 million which are repayable within one to five years (2019: HK\$448 million which are repayable within one to two years).
- (ii) At 31 December 2020, HK\$17,402 million (2019: HK\$21,345 million) bear interests at fixed rates ranging from approximately 4.4% to 11.0% (2019: 4.4% to 11.0%) per annum.
- (iii) At 31 December 2020, HK\$19,850 million (2019: HK\$18,896 million) bear interests at floating rates ranging from approximately 1.7% to 14.1% (2019: 2.0% to 14.1%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime Rate and London Interbank Offered Rate, as applicable.
- (iv) At 31 December 2020 and 2019, the amounts due to joint ventures are unsecured and have no fixed terms of repayment (2019: HK\$53 million which are repayable within one year).
- (v) At 31 December 2019, HK\$53 million bear interests at floating rates ranging from approximately 1.2% to 1.4% per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

Notes to the Financial Statements

18 Interests in joint ventures (continued)

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

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

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

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

19 Deferred tax

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

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

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

19 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

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

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

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

At 31 December 2020, the Group has recognised accumulated deferred tax assets amounting to HK\$19,926 million (2019: HK\$20,353 million) of which HK\$16,856 million (2019: HK\$17,535 million) relates to 3 Group Europe.

Note 43(b)(v) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unutilised tax losses carried forward.

The Group has not recognised deferred tax assets of HK\$37,268 million at 31 December 2020 (2019: HK\$27,876 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$163,468 million (2019: HK\$115,009 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$120,370 million (2019: HK\$101,435 million) can be carried forward indefinitely and the balances expire in the following years:

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

Notes to the Financial Statements

20 Liquid funds and other listed investments

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

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

	2020			2019		
	Financial assets at amortised cost 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	–	32%	–	–	30%	–
US dollars	69%	65%	–	50%	66%	100%
Other currencies	31%	3%	–	50%	4%	–
	100%	100%	–	100%	100%	100%

20 Liquid funds and other listed investments *(continued)*

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

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

- (c) No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the “Managed funds – cash and cash equivalents”. These amounts were held with reputable financial institutions. The Group controls the credit risk to non-performance by the counterparties, where applicable, through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed. Accordingly, these assets are considered to be of low credit risk.
- (d) The fair values are based on quoted market prices.
- (e) These equity securities are strategic investments and not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise these investments in this category so the Group considers this category to be the most appropriate classification.
- (f) Managed funds – listed debt securities comprised predominately US Treasury notes and government and government guaranteed notes. 99% of the carrying amount of these assets at 31 December 2020 and 31 December 2019 were rated at Aaa / AAA or Aa1 / AA+. These assets are considered to be of low credit risk and no provision for credit loss was required at 31 December 2020 and 31 December 2019 in respect of these assets.

Notes to the Financial Statements

21 Other non-current assets

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

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of customer acquisition and retention cost shown above is after deducting the amortisation charged to the current year's income statement of HK\$2,723 million (2019: HK\$1,571 million). Further, there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

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

No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the "Financial assets at amortised costs – debt securities" as they were considered to be of low credit risk. The expected credit loss was minimal as these debt securities are subject to the Group's financial and investment requirements. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

(c) These equity securities are not investments held for trading purpose. The Group made an irrevocable election at initial recognition to account for these investments at FVOCI. Fair value for these investments are determined by using valuation techniques, including discounted cashflow analysis.

(d) No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the lease receivables as they were considered to be of low credit risk. The expected credit loss was minimal as lease receivables are from entities which are subject to the Group's lease acceptance requirements. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

22 Investment properties

Investment properties are included in “Other non-current assets” (see note 21) in the statement of financial position.

	2020 HK\$ million	2019 HK\$ million
Valuation		
At 1 January	398	382
Increase (decrease) in fair value of investment properties	(2)	16
At 31 December	396	398

Investment properties have been fair valued as at 31 December 2020 and 31 December 2019 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2020 and 2019, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

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

As at 31 December 2020 and 2019, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

23 Cash and cash equivalents

	2020 HK\$ million	2019 HK\$ million
Cash at bank and in hand	36,463	30,606
Short term bank deposits	119,488	106,521
	155,951	137,127

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

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

Notes to the Financial Statements

24 Trade receivables and other current assets

	2020 HK\$ million	2019 HK\$ million
Trade receivables ^(a)	19,537	18,673
Less: loss allowance provision	(2,639)	(1,810)
	16,898	16,863
Other current assets		
Derivative financial instruments		
Fair value hedges – Interest rate swaps	–	2
Cash flow hedges – other contracts	50	–
Net investment hedges		
Forward foreign exchange contracts	347	1,375
Cross currency swaps	–	77
Contract assets ^(b)	5,654	3,903
Prepayments	18,680	18,353
Other receivables ^(c)	13,998	15,136
Current tax receivables	182	–
	55,809	55,709

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

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

The Group's five largest customers contributed less than 7% of the Group's revenue for the year ended 31 December 2020 (2019: less than 6%).

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

	2020 HK\$ million	2019 HK\$ million
Less than 31 days	12,854	9,948
Within 31 to 60 days	1,824	2,183
Within 61 to 90 days	665	753
Over 90 days	4,194	5,789
	19,537	18,673

24 Trade receivables and other current assets (continued)

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

	2020 HK\$ million	2019 HK\$ million
At 1 January	1,810	1,136
Additions	1,577	1,587
Utilisations	(861)	(902)
Write back	(7)	(10)
Exchange translation differences	120	(1)
At 31 December	2,639	1,810

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. The expected credit loss provision rates for trade receivables are based on historical payment profiles and historical credit loss experience, adjusted to reflect, where relevant and appropriate, current and information specific to the debtors, future economic and market conditions and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables that the Group considers are reasonable and appropriate. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision analysed by aging band are set out below.

	2020			2019		
	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	12,142	148	1%	9,335	311	3%
Past due less than 31 days	2,311	220	10%	2,274	98	4%
Past due within 31 to 60 days	726	136	19%	725	73	10%
Past due within 61 to 90 days	370	98	26%	414	58	14%
Past due over 90 days	3,988	2,037	51%	5,925	1,270	21%
	19,537	2,639		18,673	1,810	

Notes to the Financial Statements

24 Trade receivables and other current assets (continued)

- (b) As at 31 December 2020, contract assets of HK\$5,654 million (2019: HK\$3,903 million) and HK\$3,345 million (2019: HK\$3,482 million) are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 21) respectively. These assets are stated at the expected recoverable amount, after netting of provision for estimated impairment losses of HK\$1,512 million (2019: HK\$1,052 million). Movement on the provision for estimated impairment losses are as follows:

	2020 HK\$ million	2019 HK\$ million
At 1 January	1,052	581
Additions	1,024	1,042
Utilisations	(377)	(408)
Write back	(257)	(166)
Exchange translation differences	70	3
At 31 December	1,512	1,052

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The Group's historical credit loss experience does not indicate a substantial different loss pattern for contract assets as compared to trade receivables for similar customer bases. The Group makes reference to the expected credit loss provision rates for trade receivables to measure the contract asset's expected credit losses. The rates are adjusted to reflect information specific to the contract assets that may affect the recovery of the carrying amount of the contract assets.

- (c) No provision for impairment loss for other receivables was made as at 31 December 2020 and 2019 as the financial assets were considered to be of low credit risk and the expected credit loss was minimal.

25 Assets and liabilities classified as held for sale

	2020 HK\$ million	2019 HK\$ million
Assets classified as held for sale		
Disposal group held for sale ^(a)	1,251	–
Non-current assets held for sale ^(b)	–	149
	1,251	149
Liabilities directly associated with assets classified as held for sale ^(a)	284	–

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

- (a) In November 2020, CK Hutchison Group Telecom entered into agreements to dispose interests in its European telecommunications tower assets in six countries. Disposals of interests in tower assets in Denmark, Austria and Ireland were completed in December 2020. Completion of disposals in Italy and the United Kingdom require relevant regulatory approvals and shareholders' approvals in which only the requisite shareholders' approvals have been obtained as at the reporting date. The Sweden transaction is not subject to regulatory or shareholders' approval. Accordingly, tower assets in Sweden have been reclassified for accounting purpose as disposal group as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. See note 7(e).

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

	2020 HK\$ million	2019 HK\$ million
Assets		
Fixed assets	923	–
Right-of-use assets	269	–
Deferred tax assets	59	–
Assets classified as held for sale	1,251	–
Liabilities		
Lease liabilities	283	–
Other non-current liabilities	1	–
Liabilities directly associated with assets classified as held for sale	284	–
Net assets directly associated with disposal group	967	–
	2020 HK\$ million	2019 HK\$ million
Cumulative amounts included in other comprehensive income:		
Exchange reserve surplus	20	–
Reserves of disposal group classified as held for sale	20	–

Disposal group held for sale is presented within total assets and total liabilities of "3 Group Europe" segment in note 5(b)(vi), 5(b)(vii) respectively and total assets of "Europe" in note 5(b)(xii).

- (b) In 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites and frequencies to an external third party which was completed in 2020.

The balance as at 31 December 2019 represented fixed assets and was presented within total assets of "3 Group Europe" segment in note 5(b)(vi) and "Europe" in note 5(b)(xii).

Notes to the Financial Statements

26 Bank and other debts

	2020			2019		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Principal amounts						
Bank loans	27,222	94,078	121,300	32,565	96,392	128,957
Other loans	4	270	274	4	255	259
Notes and bonds	20,800	205,384	226,184	9,100	204,642	213,742
	48,026	299,732	347,758	41,669	301,289	342,958
Unamortised fair value adjustments arising from acquisitions	23	3,861	3,884	–	4,539	4,539
Subtotal before the following items	48,049	303,593	351,642	41,669	305,828	347,497
Unamortised loan facilities fees and premiums or discounts related to debts	(28)	(2,562)	(2,590)	(1,675)	(1,230)	(2,905)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	–	19	19	1	(33)	(32)
	48,021	301,050	349,071	39,995	304,565	344,560

26 Bank and other debts (continued)

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

	2020			2019		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Bank loans	27,222	94,078	121,300	32,565	96,392	128,957
Other loans	4	270	274	4	255	259
Notes and bonds						
HK\$500 million notes, 4.3% due 2020	-	-	-	500	-	500
HK\$500 million notes, 4.35% due 2020	-	-	-	500	-	500
HK\$300 million notes, 3.9% due 2020	-	-	-	300	-	300
HK\$400 million notes, 3.45% due 2021	400	-	400	-	400	400
HK\$300 million notes, 3.35% due 2021	300	-	300	-	300	300
HK\$260 million notes, 4% due 2027	-	260	260	-	260	260
US\$1,000 million notes, 2.25% due 2020	-	-	-	7,800	-	7,800
US\$750 million notes, 1.875% due 2021	5,850	-	5,850	-	5,850	5,850
US\$1,500 million notes, 4.625% due 2022	-	11,700	11,700	-	11,700	11,700
US\$1,000 million notes, 2.875% due 2022	-	7,800	7,800	-	7,800	7,800
US\$500 million notes, 3.25% due 2022	-	3,900	3,900	-	3,900	3,900
US\$750 million notes, 2.75% due 2023	-	5,850	5,850	-	5,850	5,850
US\$750 million notes, 3.25% due 2024	-	5,850	5,850	-	5,850	5,850
US\$1,500 million notes, 3.625% due 2024	-	11,700	11,700	-	11,700	11,700
US\$500 million notes, 2.75% due 2026	-	3,900	3,900	-	3,900	3,900
US\$309 million notes – Series C, 7.5% due 2027	-	2,410	2,410	-	2,410	2,410
US\$500 million notes, 3.25% due 2027	-	3,900	3,900	-	3,900	3,900
US\$800 million notes, 3.5% due 2027	-	6,240	6,240	-	6,240	6,240
US\$500 million notes, 2.75% due 2029	-	3,900	3,900	-	3,900	3,900
US\$750 million notes, 3.625% due 2029	-	5,850	5,850	-	5,850	5,850
US\$750 million notes, 2.5% due 2030	-	5,850	5,850	-	-	-
US\$1,039 million notes, 7.45% due 2033	-	8,107	8,107	-	8,107	8,107
US\$25 million notes – Series D, 6.988% due 2037	-	196	196	-	196	196
US\$750 million notes, 3.375% due 2049	-	5,850	5,850	-	5,850	5,850
US\$750 million notes, 3.375% due 2050	-	5,850	5,850	-	-	-
EUR1,500 million notes, 1.375% due 2021	14,250	-	14,250	-	13,005	13,005
EUR750 million notes, 3.625% due 2022	-	7,125	7,125	-	6,502	6,502
EUR1,350 million notes, 1.25% due 2023	-	12,825	12,825	-	11,705	11,705
EUR1,500 million notes, 0.375% due 2023	-	14,250	14,250	-	13,005	13,005
EUR600 million bonds, 1% due 2024	-	5,700	5,700	-	5,202	5,202
EUR1,000 million notes, 0.875% due 2024	-	9,500	9,500	-	8,670	8,670
EUR750 million notes, 1.25% due 2025	-	7,125	7,125	-	6,503	6,503
EUR1,000 million notes, 0.75% due 2026	-	9,500	9,500	-	8,670	8,670
EUR650 million notes, 2% due 2028	-	6,175	6,175	-	5,635	5,635
EUR1,000 million notes, 1.125% due 2028	-	9,500	9,500	-	8,670	8,670
EUR500 million notes, 2% due 2030	-	4,750	4,750	-	4,335	4,335
EUR750 million notes, 1.5% due 2031	-	7,125	7,125	-	6,502	6,502
GBP303 million notes, 5.625% due 2026	-	3,180	3,180	-	3,078	3,078
GBP500 million notes, 2% due 2027	-	5,250	5,250	-	5,080	5,080
GBP300 million notes, 2.625% due 2034	-	3,150	3,150	-	3,048	3,048
JPY15,000 million notes, 2.6% due 2027	-	1,116	1,116	-	1,069	1,069
	20,800	205,384	226,184	9,100	204,642	213,742
	48,026	299,732	347,758	41,669	301,289	342,958

Notes to the Financial Statements

26 Bank and other debts (continued)

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

(a) By year of repayment

	2020			2019		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Bank loans						
Within a year	27,222	-	27,222	32,565	-	32,565
After 1 year, but within 2 years	-	42,356	42,356	-	24,864	24,864
After 2 years, but within 5 years	-	51,722	51,722	-	71,528	71,528
	27,222	94,078	121,300	32,565	96,392	128,957
Other loans						
Within a year	4	-	4	4	-	4
After 1 year, but within 2 years	-	4	4	-	4	4
After 2 years, but within 5 years	-	191	191	-	178	178
After 5 years	-	75	75	-	73	73
	4	270	274	4	255	259
Notes and bonds						
Within a year	20,800	-	20,800	9,100	-	9,100
After 1 year, but within 2 years	-	30,525	30,525	-	19,555	19,555
After 2 years, but within 5 years	-	72,800	72,800	-	91,884	91,884
After 5 years	-	102,059	102,059	-	93,203	93,203
	20,800	205,384	226,184	9,100	204,642	213,742
	48,026	299,732	347,758	41,669	301,289	342,958

(b) By secured and unsecured borrowings

	2020			2019		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Secured borrowings	1	1,510	1,511	1	1,275	1,276
Unsecured borrowings	48,025	298,222	346,247	41,668	300,014	341,682
	48,026	299,732	347,758	41,669	301,289	342,958

26 Bank and other debts (continued)

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

(c) By borrowings at fixed and floating interest rate

	2020			2019		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	20,834	205,653	226,487	9,112	204,897	214,009
Borrowings at floating rate	27,192	94,079	121,271	32,557	96,392	128,949
	48,026	299,732	347,758	41,669	301,289	342,958

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

	2020			2019		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	22,550	215,741	238,291	24,972	205,995	230,967
Borrowings at floating rate	25,476	83,991	109,467	16,697	95,294	111,991
	48,026	299,732	347,758	41,669	301,289	342,958

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

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2020, the notional amount of the outstanding interest rate swap agreements amounted to HK\$5,460 million (2019: HK\$6,760 million) (See note 44(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2020, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$5,408 million and HK\$11,856 million respectively (2019: HK\$6,558 million and HK\$17,160 million respectively) (See note 44(i)(ii)).

Notes to the Financial Statements

26 Bank and other debts (continued)

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

(e) By currency

	2020			2019		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	5%	36%	41%	9%	32%	41%
Euro	6%	36%	42%	–	42%	42%
HK dollars	1%	2%	3%	1%	3%	4%
British Pounds	–	5%	5%	2%	3%	5%
Other currencies	1%	8%	9%	1%	7%	8%
	13%	87%	100%	13%	87%	100%

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

	2020			2019		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	3%	29%	32%	4%	27%	31%
Euro	8%	43%	51%	5%	47%	52%
HK dollars	1%	2%	3%	1%	3%	4%
British Pounds	–	5%	5%	2%	3%	5%
Other currencies	1%	8%	9%	1%	7%	8%
	13%	87%	100%	13%	87%	100%

As at 31 December 2020, the Group had currency swap agreements with banks to swap US dollar principal amount of borrowings equivalent to HK\$31,356 million (2019: HK\$36,660 million) (see note 44(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The amounts include the cross currency swap agreements disclosed in (d) above with notional amounts of HK\$11,856 million (2019: HK\$17,160 million).

27 Trade payables and other current liabilities

	2020 HK\$ million	2019 HK\$ million
Trade payables ^(a)	25,042	27,539
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Cross currency interest rate swaps	481	318
Forward foreign exchange contracts	4	–
Other contracts	–	51
Net investment hedges		
Forward foreign exchange contracts	1,023	345
Cross currency swaps	7	–
Other derivative financial instruments	4	364
Interest free loans from non-controlling shareholders	380	380
Contract liabilities	6,160	6,188
Provisions (see note 28)	3,185	2,637
Other payables and accruals	67,595	61,536
	103,881	99,358

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

	2020 HK\$ million	2019 HK\$ million
Less than 31 days	16,155	19,932
Within 31 to 60 days	3,769	3,444
Within 61 to 90 days	2,375	1,742
Over 90 days	2,743	2,421
	25,042	27,539

(b) The Group's five largest suppliers accounted for less than 16% of the Group's cost of purchases for the year ended 31 December 2020 (2019: less than 21%).

Notes to the Financial Statements

28 Provisions

	Provision for commitments, onerous contracts and other guarantees HK\$ million	Closure obligation HK\$ million	Assets retirement obligation HK\$ million	Others HK\$ million	Total HK\$ million
At 1 January 2019	31,188	79	1,774	1,462	34,503
Additions	–	206	472	493	1,171
Interest accretion	–	1	23	–	24
Utilisations	(2,645)	(17)	(296)	(673)	(3,631)
Write back	–	(27)	–	(93)	(120)
Exchange translation differences	(485)	(16)	12	(31)	(520)
At 31 December 2019 and 1 January 2020	28,058	226	1,985	1,158	31,427
Additions	–	36	225	387	648
Interest accretion	–	1	27	–	28
Utilisations	(5,617)	(92)	(114)	(221)	(6,044)
Write back	–	(87)	–	(49)	(136)
Relating to subsidiaries disposed (see note 34(d))	–	–	(64)	–	(64)
Exchange translation differences	1,072	8	105	127	1,312
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	–	–	(1)	–	(1)
At 31 December 2020	23,513	92	2,163	1,402	27,170

Provisions are analysed as:

	2020 HK\$ million	2019 HK\$ million
Current portion (see note 27)	3,185	2,637
Non-current portion (see note 31)	23,985	28,790
	27,170	31,427

The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value. Following the completion of the merger of VHA and TPG Corporation Limited in June 2020, HK\$4,567 million provision for commitments and guarantees made in prior year in relation to VHA's telecommunications operations has been released as it is no longer required for the Group to settle the related obligations. The credit is included in the calculation of the HK\$10,186 million gains arising from the dilution (see note 5(b)(xix) and note 7(f)). The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

29 Interest bearing loans from non-controlling shareholders

	2020 HK\$ million	2019 HK\$ million
Interest bearing loans from non-controlling shareholders	798	728

At 31 December 2020, these loans bear interest at rates at EURIBOR+2.0% (2019: EURIBOR+2.0%) per annum. The carrying amounts of the borrowings approximate their fair values.

30 Pension plans

	2020 HK\$ million	2019 HK\$ million
Defined benefit assets (see note 21)	158	101
Defined benefit liabilities	3,804	3,123
Net defined benefit liabilities	3,646	3,022

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

(a) Defined benefit plans

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

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

	2020	2019
Discount rates	0.3% – 1.5%	0.58% – 2.0%
Future salary increases	1.0% – 3.5%	1.4% – 4.0%
Interest credited on two principal plans in Hong Kong	5.0% – 6.0%	5.0% – 6.0%

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

	2020 HK\$ million	2019 HK\$ million
Present value of defined benefit obligations	24,502	21,431
Fair value of plan assets	20,859	18,412
	3,643	3,019
Restrictions on assets recognised	3	3
Net defined benefit liabilities	3,646	3,022

Notes to the Financial Statements

30 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2020	21,431	(18,412)	3	3,022
Net charge (credit) to the income statement				
Current service cost	608	18	–	626
Past service cost and gains and losses on settlements	(60)	–	–	(60)
Interest cost (income)	353	(305)	–	48
	901	(287)	–	614
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(121)	–	–	(121)
Actuarial loss arising from change in financial assumptions	1,783	–	–	1,783
Actuarial gain arising from experience adjustment	(10)	–	–	(10)
Return on plan assets excluding interest income	–	(1,032)	–	(1,032)
Exchange translation differences	1,185	(954)	–	231
	2,837	(1,986)	–	851
Contributions paid by the employer	–	(839)	–	(839)
Contributions paid by the employee	109	(109)	–	–
Benefits paid	(699)	699	–	–
Transfer from (to) other liabilities	(77)	75	–	(2)
At 31 December 2020	24,502	(20,859)	3	3,646

30 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2019	18,337	(15,897)	3	2,443
Net charge (credit) to the income statement				
Current service cost	509	25	–	534
Interest cost (income)	454	(401)	–	53
	963	(376)	–	587
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	71	–	–	71
Actuarial loss arising from change in financial assumptions	2,751	–	–	2,751
Actuarial gain arising from experience adjustment	(37)	–	–	(37)
Return on plan assets excluding interest income	–	(2,027)	–	(2,027)
Exchange translation differences	44	(39)	–	5
	2,829	(2,066)	–	763
Contributions paid by the employer	–	(779)	–	(779)
Contributions paid by the employee	106	(106)	–	–
Benefits paid	(694)	694	–	–
Relating to subsidiaries disposed (see note 34(d))	(25)	24	–	(1)
Transfer from (to) other liabilities	(85)	94	–	9
At 31 December 2019	21,431	(18,412)	3	3,022

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

Notes to the Financial Statements

30 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2020, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$10 million (2019: HK\$20 million) were used to reduce the current year's level of contributions and HK\$1 million forfeited contribution was available at 31 December 2020 (2019: HK\$2 million) to reduce future years' contributions.

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

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

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

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2020 Percentage	2019 Percentage
Equity instruments		
Consumer markets and manufacturing	6%	7%
Energy and utilities	2%	2%
Financial institutions and insurance	5%	6%
Telecommunications and information technology	7%	6%
Units trust and equity instrument funds	4%	6%
Others	8%	8%
	32%	35%
Debt instruments		
US Treasury notes	1%	–
Government and government guaranteed notes	15%	13%
Financial institutions notes	5%	5%
Others	5%	6%
	26%	24%
Qualifying insurance policies	36%	36%
Properties	–	3%
Other assets	6%	2%
	100%	100%

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

	2020 Percentage	2019 Percentage
Aaa / AAA	6%	9%
Aa1 / AA+	19%	15%
Aa2 / AA	29%	37%
Aa3 / AA–	8%	2%
A1 / A+	3%	5%
A2 / A	4%	5%
Other investment grades	22%	24%
No investment grades	9%	3%
	100%	100%

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

Notes to the Financial Statements

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets (continued)

Fair value of plan assets of HK\$20,859 million (2019: HK\$18,412 million) includes investments in the Company's shares with a fair value of HK\$18 million (2019: HK\$26 million).

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

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2020 is 19 years (2019: 18 years).

The Group expects to make contributions of HK\$770 million (2019: HK\$848 million) to the defined benefit plans next year.

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

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

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

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.0% or increase by 3.3% respectively (2019: decrease by 2.9% or increase by 3.1% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.6% or decrease by 0.6% respectively (2019: increase by 0.6% or decrease by 0.5% respectively).

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

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,314 million (2019: HK\$1,407 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$14 million (2019: HK\$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2020 (2019: nil) to reduce future years' contributions.

31 Other non-current liabilities

	2020 HK\$ million	2019 HK\$ million
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	436	328
Cross currency interest rate swaps	1,956	–
Net investment hedges		
Forward foreign exchange contracts	–	24
Cross currency swaps	773	26
Other derivative financial instruments	499	171
Obligations for telecommunications licences and other rights	7,666	10,001
Other non-current liabilities ^(a)	14,638	12,362
Liabilities relating to the economic benefits agreements ^(b)	2,166	2,166
Provisions (see note 28)	23,985	28,790
	52,119	53,868

(a) Includes equipment purchase payables of HK\$7,426 million (2019: HK\$6,149 million).

(b) In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in Australian Gas Networks. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group.

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

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	8,000,000,000	8,000	–	8,000
Issued and fully paid:				
Ordinary shares				
At 31 December 2019 and 31 December 2020	3,856,240,500	3,856	244,377	248,233

Notes to the Financial Statements

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

(b) Perpetual capital securities

	2020 HK\$ million	2019 HK\$ million
US\$1,000 million issued in 2017	7,842	7,842
EUR500 million issued in 2018	4,573	4,568
	12,415	12,410

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

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

(c) Capital management

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

At 31 December 2020, total equity amounted to HK\$630,063 million (2019: HK\$596,963 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$185,103 million (2019: HK\$202,648 million). The Group's net debt to net total capital ratio decreased to 22.7% from 25.3% at the end of last year.

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

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

	2020	2019
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	22.7%	25.3%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	25.0%	27.8%
B1 – including interest-bearing loans from non-controlling shareholders as debt	22.8%	25.4%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	25.1%	27.9%

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

33 Reserves

	2020				
	Retained profit	Attributable to ordinary shareholders			Total
		Exchange reserve	Hedging reserve	Others ^(a)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2020	592,705	(30,760)	(1,513)	(344,380)	216,052
Profit for the year	29,143	–	–	–	29,143
Other comprehensive income (losses) ^(c)					
Equity securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	1,211	1,211
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	44	44
Valuation losses previously in reserves recognised in income statement	–	–	–	89	89
Remeasurement of defined benefit obligations recognised directly in reserves	(511)	–	–	–	(511)
Losses on cash flow hedges recognised directly in reserves	–	–	(21)	–	(21)
Losses on net investment hedges recognised directly in reserves	–	(1,687)	–	–	(1,687)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	11,802	–	–	11,802
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	2,040	1	(3)	2,038
Share of other comprehensive income (losses) of associated companies	(420)	2,801	(848)	32	1,565
Share of other comprehensive income (losses) of joint ventures	(1,386)	3,642	(947)	5	1,314
Tax relating to components of other comprehensive income (losses)	133	–	7	–	140
Other comprehensive income (losses), net of tax	(2,184)	18,598	(1,808)	1,378	15,984
Transfer of losses on disposal of equity securities at FVOCI to retained profit	(39)	–	–	39	–
Transaction with owners in their capacity as owners:					
Dividends paid relating to 2019	(8,870)	–	–	–	(8,870)
Dividends paid relating to 2020	(2,368)	–	–	–	(2,368)
Unclaimed dividends write back of a subsidiary	7	–	–	–	7
Relating to purchase of non-controlling interests ^(b)	(3,943)	–	–	–	(3,943)
Relating to partial disposal of subsidiary companies	–	–	–	58	58
At 31 December 2020	604,451	(12,162)	(3,321)	(342,905)	246,063

Notes to the Financial Statements

33 Reserves (continued)

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

33 Reserves (continued)

- (a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2020, revaluation reserve deficit amounted to HK\$1,712 million (1 January 2020: HK\$3,111 million and 1 January 2019: HK\$2,985 million), and other capital reserves deficit amounted to HK\$341,193 million (1 January 2020: HK\$341,269 million and 1 January 2019: HK\$341,361 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.
- (b) During the year, the Group had acquired the remaining 40% attributable interests in the telecommunications tower assets in Sweden and Denmark from the Group's telecommunications partner in these countries. The acquisition is accounted for as a transaction with equity participant and the economic effect is recorded in equity.
- (c) Set out below are the before and after related tax effects of other comprehensive income (losses) for the years:

	2020		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation gains recognised directly in reserves	1,461	–	1,461
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	44	–	44
Valuation losses previously in reserves recognised in income statement	89	–	89
Remeasurement of defined benefit obligations recognised directly in reserves	(664)	169	(495)
Losses on cash flow hedges recognised directly in reserves	(65)	9	(56)
Losses on net investment hedges recognised directly in reserves	(2,229)	–	(2,229)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	13,004	–	13,004
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	2,093	–	2,093
Share of other comprehensive income of associated companies	1,687	–	1,687
Share of other comprehensive income of joint ventures	1,720	–	1,720
	17,140	178	17,318
	2019		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI			
Valuation losses recognised directly in reserves	(323)	–	(323)
Debt securities at FVOCI			
Valuation gains recognised directly in reserves	104	–	104
Valuation losses previously in reserves recognised in income statement	29	–	29
Remeasurement of defined benefit obligations recognised directly in reserves	(899)	170	(729)
Losses on cash flow hedges recognised directly in reserves	(808)	103	(705)
Losses on net investment hedges recognised directly in reserves	(547)	–	(547)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(813)	–	(813)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	4,535	–	4,535
Share of other comprehensive income of associated companies	340	–	340
Share of other comprehensive income (losses) of joint ventures	(68)	–	(68)
	1,550	273	1,823

Notes to the Financial Statements

34 Notes to consolidated statement of cash flows

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

	2020 HK\$ million	2019 HK\$ million
Profit after tax	37,397	47,777
Less: share of profits less losses of		
Associated companies	18,529	(1,524)
Joint ventures	(4,954)	(7,404)
	50,972	38,849
Adjustments for:		
Current tax charge	3,985	4,891
Deferred tax charge	317	1,129
Interest expenses and other finance costs	10,850	14,305
Depreciation and amortisation	41,658	38,129
Others	301	552
	108,083	97,855
EBITDA of Company and subsidiaries ⁽ⁱ⁾	108,083	97,855
Loss on disposal of fixed assets	181	170
Dividends received from associated companies and joint ventures	10,241	9,097
Profit on disposal of subsidiaries, associated companies and joint ventures (see note 7)	(18,090)	(7,293)
Gains arising from dilution (see note 7)	(10,186)	–
Customer acquisition and retention costs capitalised in the year	(3,498)	(3,045)
Other non-cash items	341	(1,493)
	87,072	95,291

34 Notes to consolidated statement of cash flows (continued)

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

(i) Reconciliation of EBITDA:

	2020 HK\$ million	2019 HK\$ million
EBITDA of Company and subsidiaries	108,083	97,855
Divestiture of infrastructure investments	–	(69)
	108,083	97,786
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	(18,529)	1,524
Joint ventures	4,954	7,404
Adjustments for:		
Depreciation and amortisation	22,658	21,008
Interest expenses and other finance costs	8,741	7,225
Current tax charge	3,553	3,202
Deferred tax credit	(6,544)	(1,272)
Non-controlling interests	473	480
Others	(301)	(552)
	15,005	39,019
EBITDA (see note 5(b)(ii))	123,088	136,805

(b) Changes in working capital

	2020 HK\$ million	2019 HK\$ million
Increase in inventories	(148)	(1,252)
Decrease (increase) in trade receivables and other current assets	98	(202)
Decrease in trade payables and other current liabilities	(5,132)	(4,810)
Other non-cash items	5,698	687
	516	(5,577)

Notes to the Financial Statements

34 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	2020 HK\$ million	2019 HK\$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	–	41
Non-cash consideration	–	16
	–	57
Fair value		
Fixed assets	–	41
Cash and cash equivalents	–	11
Trade receivables and other current assets	–	9
Inventories	–	5
Trade payables and other current liabilities and current tax liabilities	–	(9)
Net identifiable assets acquired	–	57
Total consideration	–	57
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	–	41
Cash and cash equivalents acquired	–	(11)
Total net cash outflow	–	30

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

For the year ended 31 December 2020 and 2019, acquisition related costs were not material.

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

34 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2020 HK\$ million	2019 HK\$ million
Consideration received or receivable		
Cash and cash equivalents	20,783	223
Investments retained subsequent to disposal	–	13,565
Total disposal consideration	20,783	13,788
Carrying amount of net assets disposed	(4,361)	(6,254)
Cumulative exchange gains (losses) in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	337	(16)
Gain on disposal*	16,759	7,518
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	20,783	223
Less: Cash and cash equivalents disposed	(3)	(1,745)
Total net cash consideration	20,780	(1,522)
Analysis of assets and liabilities over which control was lost		
Fixed assets	1,876	270
Right-of-use assets	1,929	743
Goodwill	703	10,438
Brand names and other rights	5	2
Interests in joint ventures	–	1,129
Deferred tax assets	1,991	9
Trade receivables and other current assets	2	584
Inventories	16	331
Trade payables and other current liabilities and current tax liabilities	(2)	(1,542)
Loans from non-controlling shareholders	–	(5)
Lease liabilities	(2,098)	(930)
Deferred tax liabilities	–	(33)
Pension obligations	–	(1)
Other non-current liabilities	(64)	–
Non-controlling interests	–	(6,486)
Net assets (excluding cash and cash equivalents) disposed	4,358	4,509
Cash and cash equivalents disposed	3	1,745
Net assets disposed	4,361	6,254

* The gains on disposal for the year ended 31 December 2020 and 2019 are recognised in the consolidated income statement and are included in the line item titled "Other income and gains".

Disposal of subsidiary companies for the year ended 31 December 2020 mainly related the disposal of interest in tower assets in Denmark, Austria and Ireland (see note 5(b)(xviii)) while for the comparative year ended 31 December 2019, they mainly comprise the disposal of former subsidiary, HUTCHMED (see note 5(b)(xix)).

Saved as disclosed for the effect arising from the gain on disposal, the effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2020 and 2019.

Notes to the Financial Statements

34 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

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

	Bank and other debts	Lease liabilities	Interest bearing loans from non- controlling shareholders	Interest free loans from non- controlling shareholders	Liabilities relating to the economic benefits agreements	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2019	351,382	92,130	752	385	14,308	458,957
Financing cash flows						
New borrowings	207,349	–	–	–	–	207,349
Repayment of borrowings	(208,714)	–	–	–	–	(208,714)
Capital element of lease liabilities paid (see note 13 (c))	–	(15,969)	–	–	–	(15,969)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	303	–	–	–	–	303
Losses arising on adjustment for hedged items in a designated fair value hedge (see note 44(h))	169	–	–	–	–	169
Amortisation of bank and other debts' fair value adjustments arising from acquisitions	(953)	–	–	–	–	(953)
Increase in lease liabilities from entering into new leases (see note 13(a))	–	17,851	–	–	–	17,851
Interest on lease liabilities (see note 8)	–	3,642	–	–	–	3,642
Interest element of lease liabilities paid (included in "Net cash from operating activities")	–	(3,891)	–	–	–	(3,891)
Remeasurement / write off of lease liabilities	–	939	–	–	–	939
Relating to subsidiaries disposed (see note 34(d))	–	(930)	–	(5)	–	(935)
Derecognition	–	–	–	–	(12,142)	(12,142)
Exchange translation differences	(4,976)	(84)	(24)	–	–	(5,084)
At 31 December 2019 and 1 January 2020	344,560	93,688	728	380	2,166	441,522
Financing cash flows						
New borrowings	44,391	–	–	–	–	44,391
Repayment of borrowings	(56,361)	–	–	–	–	(56,361)
Capital element of lease liabilities paid (see note 13 (c))	–	(18,010)	–	–	–	(18,010)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 8)	320	–	–	–	–	320
Losses arising on adjustment for hedged items in a designated fair value hedge (see note 44(h))	60	–	–	–	–	60
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 8(a))	(702)	–	–	–	–	(702)
Increase in lease liabilities from entering into new leases (see note 13(a))	–	20,008	–	–	–	20,008
Interest on lease liabilities (see note 8)	–	3,703	–	–	–	3,703
Interest element of lease liabilities paid (included in "Net cash from operating activities")	–	(3,295)	–	–	–	(3,295)
Remeasurement / write off of lease liabilities						
Rental concessions (see note 7)	–	(737)	–	–	–	(737)
Others	–	(1,228)	–	–	–	(1,228)
Relating to subsidiaries disposed (see note 34(d))	–	(2,098)	–	–	–	(2,098)
Exchange translation differences	16,803	2,517	70	–	–	19,390
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	–	(283)	–	–	–	(283)
At 31 December 2020	349,071	94,265	798	380	2,166	446,680

35 Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019. Certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies during the current and comparative years are not material to the Group's results.

36 Pledge of assets

At 31 December 2020, assets of the Group totalling HK\$1,411 million (2019: HK\$1,260 million) were pledged as security for bank and other debts.

37 Contingent liabilities and guarantees

At 31 December 2020, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$7,022 million (2019: HK\$6,960 million).

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

	2020 HK\$ million	2019 HK\$ million
To associated companies	3,200	3,050
To joint ventures	3,046	3,008

At 31 December 2020, the Group had provided performance and other guarantees of HK\$7,868 million (2019: HK\$2,817 million).

38 Commitments

The Group's outstanding commitments contracted for at 31 December 2020, where material, not provided for in the financial statements at 31 December 2020 are as follows:

Capital commitments

- (a) Ports and Related Services: HK\$263 million (2019: HK\$150 million)
- (b) 3 Group Europe: HK\$3,482 million (2019: HK\$8,955 million)
- (c) Telecommunications, Hong Kong and Asia: HK\$3,884 million (2019: HK\$4,251 million)

39 Related parties transactions

Saved as disclosed elsewhere in these financial statements, transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 17 and 18. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

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

40 Legal proceedings

As at 31 December 2020, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

Notes to the Financial Statements

41 Significant accounting policies

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

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 41(b) and 41(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2020 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

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

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

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

(b) Associated companies

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

(c) Joint arrangement

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

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

41 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 statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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

(e) Fixed assets

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

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

Motor vehicles	20 – 25%
Plant, machinery and equipment	3 $\frac{1}{3}$ – 20%
Container terminal equipment	3 – 20%
Telecommunications equipment	2.5 – 20%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

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

Notes to the Financial Statements

41 Significant accounting policies *(continued)*

(f) Leases

(i) Group as a lessee

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

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

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

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

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

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

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

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

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

41 Significant accounting policies (continued)

(f) Leases (continued)

(ii) Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

However, when the Group is an intermediate lessor the sublease are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(g) Investment properties

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

(h) Leasehold land

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

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

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

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

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

(j) Customer acquisition and retention costs

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

(k) Goodwill

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

Notes to the Financial Statements

41 Significant accounting policies (continued)

(k) Goodwill (continued)

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

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

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

(l) Contractual customer relationships

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

(m) Deferred tax

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

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

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

(i) Measurement

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

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

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

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

41 Significant accounting policies (continued)

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

(i) Measurement (continued)

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

(ii) Impairment

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

(o) Derivative financial instruments and hedging activities

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation (net investment hedges).

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

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

Notes to the Financial Statements

41 Significant accounting policies *(continued)*

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 44(i). Movements in the hedging reserve in shareholders' equity are shown in note 33. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

Hedge of net investments in foreign operations

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

41 Significant accounting policies *(continued)*

(p) Trade and other receivables, and contract assets

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

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

Trade and other receivables and contract assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measured the loss allowance for its trade and other receivables and contract assets at an amount equal to the lifetime expected credit losses. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Trade and other receivables and contract assets are written off to the extent that there is no reasonable expectation of recovery.

(q) Inventories

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

(r) Cash and cash equivalents

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

(s) Borrowings and borrowing costs

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

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

(t) Trade and other payables, and contract liabilities

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

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

Notes to the Financial Statements

41 Significant accounting policies *(continued)*

(u) Customer loyalty credits

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

(v) Share capital

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

(w) Provisions

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

(x) Asset impairment

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

(y) Pension plans

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

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

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

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

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

41 Significant accounting policies (continued)

(z) Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019 but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

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

(aa) Foreign exchange

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

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

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

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

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ended after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions during the reporting period and non-monetary balances at the end of the reporting period of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 386 in December 2020 (2019: 283) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

Notes to the Financial Statements

41 Significant accounting policies *(continued)*

(ab) Business combinations

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

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

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

(ac) Revenue recognition

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

Ports and Related Services

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

Retail

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

41 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Infrastructure

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

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

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

Energy

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

Telecommunications services

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

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

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

Notes to the Financial Statements

41 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Finance and investments

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

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

(ad) Rounding of amounts

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

42 Changes in significant accounting policies

(a) In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2020. In addition, the Group has early adopted COVID-19-Related Rent Concessions (Amendment to HKFRS 16) ahead of its effective date. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position. The following include certain updates to the policies. Other than the adoption of these new and revised standards, amendments and interpretations, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

(i) Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the HKICPA in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is mandatory and applies prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(ii) Amendments to HKFRS 3: Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations. The amendments are mandatory for the Group's financial statements for, and apply to businesses acquired in, annual periods beginning on or after 1 January 2020.

(iii) Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group. The amendments are mandatory and apply prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

42 Changes in significant accounting policies (continued)

(iv) Amendment to HKFRS 16: COVID-19-Related Rent Concessions

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group has early adopted Amendment to HKFRS 16: COVID-19-Related Rent Concessions ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2020. The amount recognised in profit or loss for the year arising from application of the practical expedient is set out in note 7 to the Annual Financial Statements.

(v) Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

Benchmark interest rates such as the London Interbank Offered Rate ("LIBOR") are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets, and bilateral contracts, all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks. However, reform works are underway in multiple jurisdictions to transition from benchmark interest rates to alternative risk free rates. Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association ("ISDA"), have been discussing alternative benchmark rates to replace the interbank offered rates ("IBORs"). These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear. As a result, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument and such uncertainty may impact the hedging relationship.

The Group's hedging relationships affected by these reforms are not significant to the Annual Financial Statements. These amendments do not have a significant effect on the Annual Financial Statements.

The Group's derivative instruments are governed by ISDA's Master Agreement. ISDA is currently reviewing its standardised contracts in the light of IBOR reforms. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Where the Group considers necessary the Group will engage with lenders to include appropriate fallback provisions in its bank liabilities with maturities after 2021 and expects that the hedging instrument will be modified as outlined above.

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of IBOR reform. The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the amendments when the uncertainty arising from IBOR reform about the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Notes to the Financial Statements

42 Changes in significant accounting policies (continued)

(b) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. With the exception of Amendment to HKFRS 16: COVID-19-Related Rent Concessions, i.e. item (iv) above, the Group has not early adopted the forthcoming new or amended standards in preparing the Annual Financial Statements. The adoption of these amendments is not expected to have material impacts to the Group's financial statements. These amendments are effective for annual periods beginning after 1 January 2020 and include:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.
- Amendments to HKAS 1 Presentation of Financial Statements clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- A package of narrow scope amendments to three standards as well as the Annual Improvements:
 - Amendments to HKFRS 3 Business Combinations update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - Amendments to HKAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - Amendments to HKAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.
 - Annual Improvements make minor amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, HKAS 41 Agriculture and the Illustrative Examples accompanying HKFRS 16 Leases.

The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group the application of these standards in the future would not be expected to have a material impact on the financial position and / or financial performance of the Group.

43 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, which are described in note 41, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable. Although our current estimates contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual conditions could differ from our expectations. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

(a) Significant judgements in applying the Group's accounting policies

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

(i) Basis of consolidation and classification of investee entities

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

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

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

Notes to the Financial Statements

43 Significant accounting judgements, estimates and assumptions (continued)

(a) Significant judgements in applying the Group's accounting policies (continued)

(iii) Determination of lease term

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

The following factors are normally the most relevant:

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

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

(iv) Business combinations

As disclosed in note 41(ab) to the Annual Financial Statements, the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, the date of acquisition, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(b) Key sources of estimation uncertainty

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

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

43 Significant accounting judgements, estimates and assumptions *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

(i) Impairment of goodwill and long-lived assets

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

Notes to the Financial Statements

43 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

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

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

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

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

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

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

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

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

43 Significant accounting judgements, estimates and assumptions *(continued)*

(b) Key sources of estimation uncertainty *(continued)*

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

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

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

(vi) Estimation of useful life: Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(vii) Estimation of useful life: Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

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

(viii) Estimation of the amortisation period: Customer acquisition and retention costs

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

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

Notes to the Financial Statements

44 Financial risk management

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

(a) Cash management and funding

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

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$166,539 million at 31 December 2020 (2019: HK\$144,849 million), mainly reflecting proceeds received from tower sales, cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, partly offset by dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings and capital expenditure and investment spending. Liquid assets were denominated as to 22% in HK dollars, 48% in US dollars, 4% in Renminbi, 9% in Euro, 10% in British Pounds and 7% in other currencies (2019: 21% were denominated in HK dollars, 51% in US dollars, 5% in Renminbi, 9% in Euro, 5% in British Pounds and 9% in other currencies).

Cash and cash equivalents represented 94% (2019: 95%) of the liquid assets, US Treasury notes and listed debt securities 4% (2019: 3%) and listed equity securities 2% (2019: 2%).

The US Treasury notes and listed debt securities, including those held under managed funds, consisted of US Treasury notes of 67% (2019: 70%), government and government guaranteed notes of 19% (2019: 20%), notes issued by financial institutions of nil (2019: 1%), and others of 14% (2019: 9%). Of these US Treasury notes and listed debt securities, 99% (2019: 99%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 1.2 years (2019: 2.3 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

44 Financial risk management *(continued)*

(b) Interest rate exposure

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

At 31 December 2020, approximately 35% (2019: approximately 38%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 65% (2019: approximately 62%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$5,460 million (2019: approximately HK\$6,760 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$17,264 million (2019: HK\$23,718 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 31% (2019: approximately 33%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% (2019: approximately 67%) were at fixed rates at 31 December 2020. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2020, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK\$53,584 million (2019: HK\$50,433 million).

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

As at 31 December 2020, the Group's total principal amount of bank and other debts are denominated as follows: 41% in US dollars, 42% in Euro, 3% in HK dollars, 5% in British Pounds and 9% in other currencies (2019: 41% in US dollars, 42% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$31,356 million (2019: HK\$36,660 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 32% in US dollars, 51% in Euro, 3% in HK dollars, 5% in British Pounds and 9% in other currencies (2019: 31% in US dollars, 52% in Euro, 4% in HK dollars, 5% in British Pounds and 8% in other currencies).

Notes to the Financial Statements

44 Financial risk management (continued)

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed debt and equity securities represented approximately 6% (2019: approximately 5%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

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

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

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

44 Financial risk management *(continued)*

(f) Market risks sensitivity analyses *(continued)*

(i) Interest rate sensitivity analysis

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

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

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

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

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

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

- cash and cash equivalents (see note 23)
- some of the listed debt securities and managed funds (see note 20) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 20) that bear interest at floating rate
- some of the bank and other debts (see note 26) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 29)

Under these assumptions, the impact of a hypothetical 100 basis points (2019: 100 basis points) increase in market interest rate at 31 December 2020, with all other variables held constant:

- profit for the year would increase by HK\$605 million due to increase in interest income (2019: HK\$723 million);
- total equity would increase by HK\$605 million due to increase in interest income (2019: HK\$723 million); and
- total equity would increase by HK\$619 million due to change in fair value of derivative financial instruments (2019: HK\$644 million).

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44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis

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

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

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

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

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

- some of the cash and cash equivalents (see note 23)
- some of the liquid funds and other listed investments (see note 20)
- some of the bank and other debts (see note 26)

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

44 Financial risk management *(continued)*

(f) Market risks sensitivity analyses *(continued)*

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

	2020		2019	
	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million	Hypothetical increase (decrease) in profit after tax HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million
Euro	83	(419)	145	(377)
British Pounds	585	(742)	144	(1,009)
Australian dollars	37	(505)	64	(385)
Renminbi	53	53	14	41
US dollars	2,785	2,794	2,290	2,290
Japanese Yen	(113)	(113)	(108)	(108)

(iii) Other price sensitivity analysis

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

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

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

- financial assets at FVOCI (see note 20)
- financial assets at fair value through profit or loss (see note 20)

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

- no impact to profit for the year (2019: profit increase of HK\$2 million due to increase in gains on financial assets at fair value through profit or loss);
- no impact to total equity for the year (2019: total equity increase of HK\$2 million due to increase in gains on financial assets at fair value through profit or loss); and
- total equity would increase by HK\$527 million (2019: HK\$382 million) due to increase in gains on financial assets at FVOCI which are recognised in other comprehensive income.

Notes to the Financial Statements

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

Non-derivative financial liabilities:

	Contractual maturities				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 2020						
Trade payables	25,042	–	–	25,042	–	25,042
Other payables and accruals	66,253	–	–	66,253	–	66,253
Interest free loans from non-controlling shareholders	380	–	–	380	–	380
Lease liabilities	20,431	47,462	52,545	120,438	(26,173)	94,265
Bank loans	27,222	94,078	–	121,300	(547)	120,753
Other loans	4	195	75	274	–	274
Notes and bonds	20,800	103,325	102,059	226,184	1,860	228,044
Interest bearing loans from non-controlling shareholders	798	–	–	798	–	798
Obligations for telecommunications licences and other rights	1,355	7,198	1,124	9,677	(669)	9,008
Liabilities relating to the economic benefits agreements	–	2,166	–	2,166	–	2,166
Amount due to associated companies	717	–	–	717	–	717
Amount due to joint ventures	380	–	–	380	–	380
	163,382	254,424	155,803	573,609	(25,529)	548,080

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$6,647 million in “within 1 year” maturity band, HK\$16,473 million in “after 1 year, but within 5 years” maturity band, and HK\$19,776 million in “after 5 years” maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2020				
Cash flow hedges				
Interest rate swaps				
Net outflow	(116)	(269)	–	(385)
Cross currency interest rate swaps				
Net outflow	(44)	(2,159)	–	(2,203)
Forward foreign exchange contracts				
Inflow	128	–	–	128
Outflow	(129)	–	–	(129)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	25,540	–	–	25,540
Outflow	(26,255)	–	–	(26,255)
Cross currency swaps				
Inflow	687	6,414	8,884	15,985
Outflow	(682)	(6,788)	(9,063)	(16,533)
Other derivative financial instruments				
Net outflow	(168)	(278)	(55)	(501)

Notes to the Financial Statements

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities:

	Contractual maturities			Total undiscounted cash flows HK\$ million	Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million			
At 31 December 2019						
Trade payables	27,539	–	–	27,539	–	27,539
Other payables and accruals	61,536	–	–	61,536	–	61,536
Interest free loans from non-controlling shareholders	380	–	–	380	–	380
Lease liabilities	19,950	48,082	52,573	120,605	(26,917)	93,688
Bank loans	32,565	96,392	–	128,957	(739)	128,218
Other loans	4	182	73	259	–	259
Notes and bonds	9,100	111,439	93,203	213,742	2,341	216,083
Interest bearing loans from non-controlling shareholders	728	–	–	728	–	728
Obligations for telecommunications licences and other rights	1,644	7,724	1,978	11,346	(1,345)	10,001
Liabilities relating to the economic benefits agreements	–	2,166	–	2,166	–	2,166
Amount due to associated companies	729	–	–	729	–	729
Amount due to joint ventures	406	–	–	406	–	406
	154,581	265,985	147,827	568,393	(26,660)	541,733

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

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			Total undiscounted cash flows HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years 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)

Notes to the Financial Statements

44 Financial risk management (continued)

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

	2020 HK\$ million	2019 HK\$ million
Dividends from equity securities at FVOCI – related to investments held at the end of the reporting period	221	523
Interest from debt securities at FVOCI	103	99
Interest from assets held at amortised cost	1,465	2,762
Fair value losses on equity securities at FVPL	(260)	(7)
Fair value gains (losses) on debt securities at FVPL	44	(6)
Net impairment expense recognised on trade receivables	(1,570)	(1,577)
Gains arising on derivatives in a designated fair value hedge	60	169
Losses arising on adjustment for hedged items in a designated fair value hedge	(60)	(169)

(i) Hedge accounting

(i) Fair value hedges

2020								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swap – receive fixed and pay floating maturing in 2022	4.63%	5.28%	US\$700	5,460	–	108	–	–
				5,460	–	108	–	–

2020			
Hedged items	Carrying amount of the hedged item HK\$ million	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item HK\$ million	Line item in the statement of financial position in which the hedged item is included
USD Fixed rate debts	5,623	108	Bank and other debts

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(i) Fair value hedges (continued)

2019								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swap								
– receive fixed and pay floating maturing in								
2020	4.23%	2.91%	HK\$1,300	1,300	2	–	–	–
2022	4.63%	5.28%	US\$700	5,460	–	46	–	–
				6,760	2	46	–	–
2019								
Hedged items				Carrying amount of the hedged item HK\$ million	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item HK\$ million		Line item in the statement of financial position in which the hedged item is included	
USD Fixed rate debts				5,636	46		Bank and other debts	
HKD Fixed rate debts				1,302	2		Bank and other debts	

Notes to the Financial Statements

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

2020								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2022	0.75%	2.39%	GBP 150	1,575	–	–	–	(110)
2022	0.99%	1.67%	NZD 150	830	–	–	–	(16)
2025	0.83%	3.56%	AUD 509	3,003	–	–	–	(310)
				5,408	–	–	–	(436)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2021 – 2023	0.50%	0.05%	US\$ 1,520	11,856	–	–	(136)	(1,225)
– receive fixed and pay fixed maturing in								
2021 – 2023	2.54%	0.00%	US\$ 2,500	19,500	–	–	(345)	(731)
				31,356	–	–	(481)	(1,956)

2020							
Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
				Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Forward foreign exchange contracts maturing in							
2021	1.19	US\$ 16	125	–	–	(4)	–

2020			
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	108	403	–
Foreign exchange risk	2,646	2,441	–

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

2019								
Hedging instruments	Receive average contracted interest rate Percentage	Pay average contracted interest rate Percentage	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
					Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Interest rate swaps								
– receive floating and pay fixed maturing in								
2022	1.31%	2.39%	GBP 300	3,048	–	–	–	(95)
2022	1.86%	2.07%	NZD 150	771	–	–	–	(4)
2025	1.71%	3.56%	AUD 509	2,739	–	–	–	(229)
				6,558	–	–	–	(328)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2020	1.41%	0.05%	US\$ 2,200	17,160	–	–	(318)	–
– receive fixed and pay fixed maturing in								
2021 – 2023	2.54%	0.00%	US\$ 2,500	19,500	–	523	–	–
				36,660	–	523	(318)	–
2019								
					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	
Hedged items								
Interest rate risk					147	339	–	
Foreign exchange risk					(1,133)	(100)	–	

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44 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

2020							
	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
				Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Hedging instruments							
Forward foreign exchange contracts maturing in							
2021	5.99	CAD 177	1,076	–	–	(23)	–
2021	5.69	AUD 159	940	–	–	(52)	–
2021	5.28	NZD 280	1,548	–	–	(100)	–
2021-2022	10.45	GBP 2,487	26,118	347	85	(848)	–
2022	9.69	EUR 65	617	–	–	–	–
			30,299	347	85	(1,023)	–
Cross currency swaps maturing in							
2022-2027	9.23	EUR 965	9,168	–	2	–	(63)
2021-2025	6.09	CAD 947	5,770	–	38	(7)	(39)
2027	5.86	AUD 1,415	8,347	–	–	–	(671)
			23,285	–	40	(7)	(773)
2020							
				Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in hedging reserve/exchange reserve for continuing hedges HK\$ million	Surplus (deficit) in hedging reserve/exchange reserve arising from hedging relationships for which hedge accounting is no longer applied HK\$ million	
Hedged items							
Foreign investments				2,229	(2,620)	(716)	

44 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

2019							
Hedging instruments	Average exchange rate	Notional amount in local currency million	Notional Amount HK\$ million	Carrying amount of derivatives included in			
				Other current assets HK\$ million	Other non-current assets HK\$ million	Other current liabilities HK\$ million	Other non-current liabilities HK\$ million
Forward foreign exchange contracts maturing in							
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)		

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44 Financial risk management (continued)

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

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

	Note	Classification under HKFRS 9 *	2020		2019	
			Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	20	Amortised cost	50	50	42	42
Listed equity securities, Hong Kong	20	FVOCI	3,423	3,423	2,293	2,293
Listed equity securities, outside Hong Kong	20	FVOCI	198	198	213	213
Listed equity securities (included in Managed funds)	20	FVOCI	226	226	202	202
Listed debt securities (included in Managed funds)	20	FVOCI	6,691	6,691	4,933	4,933
Financial assets at fair value through profit or loss	20	FVPL	–	–	39	39
Unlisted investments						
Unlisted debt securities	21	Amortised cost	179	179	174	174
Unlisted equity securities	21	FVOCI	2,347	2,347	1,825	1,825
Unlisted equity securities	21	FVPL	2,614	2,614	3,042	3,042
Unlisted debt securities	21	FVPL	358	358	304	304
Derivative financial instruments						
Fair value hedges – Interest rate swaps	21 & 24	Fair value – hedges	108	108	48	48
Cash flow hedges						
Cross currency interest rate swaps	21	Fair value – hedges	–	–	523	523
Other contracts	21 & 24	Fair value – hedges	63	63	–	–
Net investment hedges						
Forward foreign exchange contracts	21 & 24	Fair value – hedges	432	432	1,873	1,873
Cross currency swaps	21 & 24	Fair value – hedges	40	40	686	686
Other derivative financial instruments	21	FVPL	823	823	44	44
Lease receivables	21	Amortised cost	383	383	245	245
Cash and cash equivalents	23	Amortised cost	155,951	155,951	137,127	137,127
Trade receivables	24	Amortised cost	16,898	16,898	16,863	16,863
Other receivables	24	Amortised cost	13,998	13,998	15,136	15,136
Amount due from associated companies	17	Amortised cost	4,442	4,442	4,419	4,419
Amount due from joint ventures	18	Amortised cost	39,397	39,397	42,342	42,342
			248,621	248,621	232,373	232,373

44 Financial risk management (continued)

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

	Note	Classification under HKFRS 9 *	2020		2019	
			Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	26	Amortised cost	349,071	358,717	344,560	350,125
Trade payables	27	Amortised cost	25,042	25,042	27,539	27,539
Derivative financial instruments						
Cash flow hedges						
Interest rate swaps	31	Fair value – hedges	436	436	328	328
Cross currency interest rate swaps	27 & 31	Fair value – hedges	2,437	2,437	318	318
Forward foreign exchange contracts	27	Fair value – hedges	4	4	–	–
Other contracts	27	Fair value – hedges	–	–	51	51
Net investment hedges						
Forward foreign exchange contracts	27 & 31	Fair value – hedges	1,023	1,023	369	369
Cross currency swaps	27 & 31	Fair value – hedges	780	780	26	26
Other derivative financial instruments	27 & 31	FVPL	503	503	535	535
Interest free loans from non-controlling shareholders	27	Amortised cost	380	380	380	380
Other payables and accruals		Amortised cost	66,253	66,253	61,536	61,536
Lease liabilities	13	Amortised cost	94,265	94,265	93,688	93,688
Interest bearing loans from non-controlling shareholders	29	Amortised cost	798	798	728	728
Obligations for telecommunications licences and other rights		Amortised cost	9,008	9,008	10,001	10,001
Liabilities relating to the economic benefits agreements	31	Amortised cost	2,166	2,166	2,166	2,166
Amount due to associated companies	17	Amortised cost	717	717	729	729
Amount due to joint ventures	18	Amortised cost	380	380	406	406
			553,263	562,909	543,360	548,925

* see note 41(n).

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

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44 Financial risk management (continued)

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

	2020		2019	
	Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Representing:				
Financial assets measured at				
Amortised cost	231,298	231,298	216,348	216,348
FVOCI	12,885	12,885	9,466	9,466
FVPL	3,795	3,795	3,429	3,429
Fair value – hedges	643	643	3,130	3,130
	248,621	248,621	232,373	232,373
Financial liabilities measured at				
Amortised cost	548,080	557,726	541,733	547,298
FVPL	503	503	535	535
Fair value – hedges	4,680	4,680	1,092	1,092
	553,263	562,909	543,360	548,925

(k) Fair value measurements

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

Fair value hierarchy

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

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

44 Financial risk management *(continued)*

(k) Fair value measurements *(continued)*

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

Fair value hierarchy (continued)

	Note	2020				2019			
		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	20	3,423	-	-	3,423	2,293	-	-	2,293
Listed equity securities, outside Hong Kong	20	198	-	-	198	213	-	-	213
Listed equity securities (included in Managed funds)	20	226	-	-	226	202	-	-	202
Listed debt securities (included in Managed funds)	20	6,691	-	-	6,691	4,933	-	-	4,933
Financial assets at fair value through profit or loss	20	-	-	-	-	39	-	-	39
Unlisted investments									
Unlisted equity securities – FVOCI	21	-	-	2,347	2,347	-	-	1,825	1,825
Unlisted equity securities – FVPL	21	-	2,136	478	2,614	-	2,387	655	3,042
Unlisted debt securities	21	-	180	178	358	-	137	167	304
Derivative financial instruments									
Fair value hedges – Interest rate swaps	21 & 24	-	108	-	108	-	48	-	48
Cash flow hedges									
Cross currency interest rate swaps	21	-	-	-	-	-	523	-	523
Other contracts	21 & 24	-	63	-	63	-	-	-	-
Net investment hedges									
Forward foreign exchange contracts	21 & 24	-	432	-	432	-	1,873	-	1,873
Cross currency swaps	21 & 24	-	40	-	40	-	686	-	686
Other derivative financial instruments	21	-	823	-	823	-	44	-	44
		10,538	3,782	3,003	17,323	7,680	5,698	2,647	16,025
Financial liabilities									
Derivative financial instruments									
Cash flow hedges									
Interest rate swaps	31	-	436	-	436	-	328	-	328
Cross currency interest rate swaps	27 & 31	-	2,437	-	2,437	-	318	-	318
Forward foreign exchange contracts	27	-	4	-	4	-	-	-	-
Other contracts	27	-	-	-	-	-	51	-	51
Net investment hedges									
Forward foreign exchange contracts	27 & 31	-	1,023	-	1,023	-	369	-	369
Cross currency swaps	27 & 31	-	780	-	780	-	26	-	26
Other derivative financial instruments	27 & 31	-	503	-	503	-	535	-	535
		-	5,183	-	5,183	-	1,627	-	1,627

Notes to the Financial Statements

44 Financial risk management (continued)

(k) Fair value measurements (continued)

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

Fair value hierarchy (continued)

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

During the year ended 31 December 2020 and 2019, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

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

	2020 HK\$ million	2019 HK\$ million
At 1 January	2,647	2,723
Total gains (losses) recognised in		
Income statement	147	49
Other comprehensive income	(69)	(16)
Additions	601	17
Disposals	(353)	(130)
Exchange translation differences	30	4
At 31 December	3,003	2,647
Total gains recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	147	49

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

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

44 Financial risk management *(continued)*

(k) Fair value measurements *(continued)*

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

Except for bank and other debts as detailed in the table 44(j) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

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

	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
At 31 December 2020				
Bank and other debts	235,264	123,453	–	358,717
At 31 December 2019				
Bank and other debts	214,284	135,841	–	350,125

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

Notes to the Financial Statements

44 Financial risk management (continued)

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

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

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

	Gross amounts of recognised financial assets (liabilities) HK\$ million	Gross amounts offset in the consolidated statement of financial position HK\$ million	Net amounts presented in the consolidated statement of financial position HK\$ million	Related amounts not offset in the consolidated statement of financial position		Net amounts HK\$ million
				Financial assets (liabilities) HK\$ million	Cash collateral pledged (received) HK\$ million	
At 31 December 2020						
Financial assets						
Trade receivables	91	(51)	40	(10)	-	30
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	393	-	393	(793)	-	(400)
Cross currency swaps	40	-	40	(737)	-	(697)
Other receivables and prepayments	488	(142)	346	-	-	346
	1,012	(193)	819	(1,540)	-	(721)
Financial liabilities						
Trade payables	(4,782)	51	(4,731)	-	-	(4,731)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(793)	-	(793)	793	-	-
Cross currency swaps	(737)	-	(737)	737	-	-
Other payables and accruals	(142)	142	-	10	-	10
	(6,454)	193	(6,261)	1,540	-	(4,721)
At 31 December 2019						
Financial assets						
Trade receivables	264	(71)	193	(19)	-	174
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	1,793	-	1,793	(211)	-	1,582
Cross currency swaps	337	-	337	(26)	-	311
Other derivative financial instruments	26	-	26	(3)	-	23
Other receivables and prepayments	536	(187)	349	-	-	349
	2,956	(258)	2,698	(259)	-	2,439
Financial liabilities						
Trade payables	(453)	71	(382)	-	-	(382)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(211)	-	(211)	211	-	-
Cross currency swaps	(26)	-	(26)	26	-	-
Other derivative financial instruments	(3)	-	(3)	3	-	-
Other payables and accruals	(206)	187	(19)	19	-	-
	(899)	258	(641)	259	-	(382)

45 Statement of financial position of the Company, as at 31 December 2020

	2020 HK\$ million	2019 HK\$ million
Non-current assets		
Subsidiary companies – Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	11,058	8,960
Other receivables	27	432
Cash	3	7
Current liabilities		
Other payables and accruals	85	71
Net current assets	11,003	9,328
Net assets	366,167	364,492
Capital and reserves		
Share capital (see note 32(a))	3,856	3,856
Share premium (see note 32(a))	244,377	244,377
Reserves – Retained profit ^(c)	117,934	116,259
Shareholders' funds	366,167	364,492

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Notes to the Financial Statements

45 Statement of financial position of the Company, as at 31 December 2020 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 259 to 262.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves – Retained profit

	HK\$ million
At 1 January 2019	116,280
Profit for the year	12,204
Dividends paid relating to 2018	(8,870)
Dividends paid relating to 2019	(3,355)
At 31 December 2019	116,259
Profit for the year	12,913
Dividends paid relating to 2019	(8,870)
Dividends paid relating to 2020	(2,368)
At 31 December 2020	117,934

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$12,913 million (2019: HK\$12,204 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2020, the Company's share premium and retained profit amounted to HK\$244,377 million (2019: HK\$244,377 million) and HK\$117,934 million (2019: HK\$116,259 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

46 Subsequent events

Saved as disclosed elsewhere in the Annual Financial Statements, no event occurring up to the date of approval of the Annual Financial Statements has been identified that may require material adjustment of, or disclosure in, these financial statements.

47 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2020, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.