

Notes to the Financial Statements

1 General information

CK Hutchison Holdings Limited (the “Company” or “CKHH”) is a company incorporated in the Cayman Islands with limited liability. 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 2022 (the “Annual Financial Statements”) were authorised for issue by the Company’s board of directors on 16 March 2023.

The Chairman’s Statement, the Operations Review, the Group Capital Resources and Liquidity, and the Risk Factors, issued outside the Annual Financial Statements as part of the announcement of the Group’s results for the year ended 31 December 2022 and the Group’s 2022 Annual Report, include discussions of the performance of the Group’s businesses for the current year, the principal risk and uncertainties affecting the Group’s businesses, the important corporate transactions concluded since the end of the 2021 financial year, and the Group’s liquidity and financial profile.

2 Use of judgements, assumptions and estimates

The preparation of financial statements under Hong Kong Financial Reporting Standards (“HKFRS”) 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 judgements and 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 achievements, results, performances or other future events or conditions could differ from those on which the estimates are based. This could result in materially different estimates, judgements and assumptions from those used for the purposes of the Annual Financial Statements. Hence, our accounting estimates, judgements and assumptions could change over time in response to how these events and conditions develop. Note 46 sets out further information on our significant accounting judgements, estimates and assumptions applied in preparing the Annual Financial Statements.

3 Basis of preparation

The Annual Financial Statements have been prepared in accordance with HKFRS and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The Annual Financial Statements are prepared on a going concern basis, as Management is satisfied that the Group has the ability to continue as a going concern. In making this assessment, Management has assessed the potential cash generation of the Group, the liquidity of the Group and existing funding available to the Group. 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, investment 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 generally 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.

There were no new accounting standards or interpretations adopted during the year ended 31 December 2022 that had a significant effect on the Group in 2022. A summary of the Group's significant accounting policies, including changes thereto, are included in note 47.

4 Revenue

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

	2022 HK\$ million	2021 HK\$ million
Sale of goods	154,603	160,701
Revenue from services	102,726	116,386
Interest	5,049	3,672
Dividend income	119	88
	262,497	280,847

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	2022 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Ports and Related Services	–	30,376	30,376	134	30,510
Retail	127,310	72	127,382	–	127,382
Infrastructure	3,964	4	3,968	2,853	6,821
Telecommunications					
CK Hutchison Group Telecom					
3 Group Europe	12,402	65,502	77,904	10	77,914
Hutchison Telecommunications Hong Kong Holdings	1,604	3,278	4,882	–	4,882
Corporate and Others	10	107	117	253	370
	14,016	68,887	82,903	263	83,166
Hutchison Asia Telecommunications	–	1,011	1,011	–	1,011
Finance & Investments and Others	11,425	177	11,602	2,005	13,607
	156,715	100,527	257,242	5,255	262,497

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2021 Total HK\$ million
	recognised at a point in time	recognised over time	Subtotal		
	HK\$ million	HK\$ million	HK\$ million		
Ports and Related Services	–	28,896	28,896	94	28,990
Retail	130,767	75	130,842	–	130,842
Infrastructure	4,267	–	4,267	2,825	7,092
Telecommunications					
CK Hutchison Group Telecom					
3 Group Europe	13,914	73,040	86,954	6	86,960
Hutchison Telecommunications Hong Kong Holdings	2,144	3,241	5,385	–	5,385
Corporate and Others	3	39	42	62	104
	16,061	76,320	92,381	68	92,449
Hutchison Asia Telecommunications	–	8,786	8,786	–	8,786
Finance & Investments and Others	11,665	169	11,834	854	12,688
	162,760	114,246	277,006	3,841	280,847

* See note 5 for operating segment information.

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	2022 Total HK\$ million
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million		
Hong Kong	28,831	3,760	32,591	89	32,680
Mainland China	21,278	366	21,644	32	21,676
The People's Republic of China	50,109	4,126	54,235	121	54,356
Europe	65,951	77,921	143,872	1,866	145,738
Canada	–	–	–	253	253
Asia, Australia and Others	29,230	18,303	47,533	1,010	48,543
	95,181	96,224	191,405	3,129	194,534
	145,290	100,350	245,640	3,250	248,890
Finance & Investments and Others	11,425	177	11,602	2,005	13,607
	156,715	100,527	257,242	5,255	262,497

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2021 Total HK\$ million
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million		
Hong Kong	29,589	3,357	32,946	31	32,977
Mainland China	27,201	420	27,621	28	27,649
The People's Republic of China	56,790	3,777	60,567	59	60,626
Europe	68,211	85,353	153,564	1,962	155,526
Canada	–	–	–	256	256
Asia, Australia and Others	26,094	24,947	51,041	710	51,751
	94,305	110,300	204,605	2,928	207,533
	151,095	114,077	265,172	2,987	268,159
Finance & Investments and Others	11,665	169	11,834	854	12,688
	162,760	114,246	277,006	3,841	280,847

* See note 5 for operating segment information.

Notes to the Financial Statements

4 Revenue (continued)

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

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

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

	2022 HK\$ million	2021 HK\$ million
Trade receivables, which are included in "Trade receivables and other current assets" (see note 24)	14,945	16,697
Trade receivables, which are included in "Assets classified as held for sale" (see note 25)	21	–
Contract assets (see notes 21 and 24)	6,314	7,599
Contract liabilities (see note 27)	(6,027)	(6,933)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2022, HK\$998 million (2021: HK\$1,757 million) was recognised in the consolidated 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 2022, HK\$921 million (2021: HK\$1,056 million) was recognised in the consolidated income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK\$3,757 million (2021: HK\$4,958 million) was recognised as revenue in 2022 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.

	2022 HK\$ million	2021 HK\$ million
Within one year	13,230	14,065
More than one year	8,555	7,897
	21,785	21,962

5 Operating segment information

(a) Description of segments and basis of presentation of segment information

As at 31 December 2022, the Group has four core businesses – ports and related services, retail, infrastructure and telecommunications. For management purposes, the Group is organised into divisions, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and the board of directors for the purposes of making decisions about resources allocation and performance assessment, the Group presents its operating segment information based on these core businesses.

Ports and Related Services:

This division is the world's leading port network, and has interests in 51 ports comprising 295 operational berths in 25 countries as at 31 December 2022. 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 141 million loyalty member base. ASW operated 12 retail brands with 16,142 stores in 28 markets worldwide as at 31 December 2022.

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 and 10% of the economic benefits deriving from the Group's direct holdings in six infrastructure investments co-owned with CKI, including Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK rails.

Telecommunications:

The Group's telecommunications division consists of CK Hutchison Group Telecom Holdings ("CK Hutchison Group Telecom") which consolidates the 3 Group businesses in Europe ("3 Group Europe") and a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange, as well as Hutchison Asia Telecommunications.

Finance & Investments and Others is presented to reconcile to the totals included in the Group's consolidated income statement and consolidated 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% attributable interest in a listed associated company TPG Telecom Limited ("TPG"), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated companies Hutchison China MediTech ("HUTCHMED"), TOM Group, CK Life Sciences Int'l. (Holdings) Inc. and Cenovus Energy Inc ("Cenovus Energy"), 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.

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5 Operating segment information (continued)

(a) Description of segments and basis of presentation of segment information (continued)

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 resources 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 2022 and 31 December 2021.

(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 are mainly attributable to Retail of HK\$48 million (2021: HK\$34 million), Hutchison Telecommunications Hong Kong Holdings of HK\$18 million (2021: HK\$16 million) and Hutchison Asia Telecommunications of HK\$1 million (2021: HK\$1 million).

	Revenue							
	Company and Subsidiaries	Associates and JV	2022 Total		Company and Subsidiaries	Associates and JV	2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	30,510	13,631	44,141	10%	28,990	13,295	42,285	9%
Retail	127,382	42,263	169,645	37%	130,842	42,759	173,601	39%
Infrastructure	6,821	47,620	54,441	12%	7,092	49,008	56,100	13%
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe	77,914	11	77,925	17%	86,960	12	86,972	20%
Hutchison Telecommunications Hong Kong Holdings	4,882	–	4,882	1%	5,385	–	5,385	1%
Corporate and Others	370	112	482	–	104	114	218	–
	83,166	123	83,289	18%	92,449	126	92,575	21%
Hutchison Asia Telecommunications	1,011	10,617	11,628	2%	8,786	–	8,786	2%
Finance & Investments and Others	13,607	80,478	94,085	21%	12,688	59,348	72,036	16%
	262,497	194,732	457,229	100%	280,847	164,536	445,383	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	1,269	1,269		–	1,382	1,382	
Divestiture of infrastructure investments	–	884	884		–	938	938	
	262,497	196,885	459,382		280,847	166,856	447,703	
HKFRS 16 impact	–	–	–		–	–	–	
	262,497	196,885	459,382		280,847	166,856	447,703	

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)). Analysis 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			
	2022 Total	2021 Total	2020 Total	%	2022 Total	2021 Total	2020 Total	%
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	9,387	6,418	15,805	13%	9,021	6,136	15,157	13%
Retail	10,287	4,022	14,309	12%	11,633	4,401	16,034	14%
Infrastructure	3,996	24,819	28,815	24%	3,345	26,291	29,636	27%
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe	23,864	–	23,864	20%	29,892	–	29,892	27%
Hutchison Telecommunications Hong Kong Holdings	998	60	1,058	1%	1,036	57	1,093	1%
Corporate and Others ^(vii)	7,280	(10)	7,270	6%	12,067	–	12,067	11%
	32,142	50	32,192	27%	42,995	57	43,052	39%
Hutchison Asia Telecommunications ^(viii)	5,044	4,376	9,420	8%	2,036	–	2,036	2%
Finance & Investments and Others ^(viii)	1,942	16,527	18,469	16%	(3,928)	9,240	5,312	5%
EBITDA	62,798	56,212	119,010	100%	65,102	46,125	111,227	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	856	856		–	984	984	
EBITDA ^	62,798 ^	57,068 ^	119,866 ^		65,102 ^	47,109 ^	112,211 ^	
Depreciation and amortisation	(25,736)	(20,682)	(46,418)		(27,617)	(19,140)	(46,757)	
Interest expenses and other finance costs	(6,818)	(8,042)	(14,860)		(7,075)	(7,584)	(14,659)	
Current tax	(5,438)	(3,983)	(9,421)		(4,031)	(3,600)	(7,631)	
Deferred tax credit (charge)	(2,721)	(3,949)	(6,670)		1,771	(3,718)	(1,947)	
Non-controlling interests	(7,020)	(608)	(7,628)		(7,063)	(654)	(7,717)	
	15,065	19,804	34,869		21,087	12,413	33,500	
HKFRS 16 impact								
EBITDA ^	18,731 ^	4,391 ^	23,122 ^		21,353 ^	3,073 ^	24,426 ^	
Depreciation and amortisation	(14,052)	(3,673)	(17,725)		(17,639)	(2,713)	(20,352)	
Interest expenses and other finance costs	(2,234)	(1,304)	(3,538)		(3,533)	(649)	(4,182)	
Current tax	3	–	3		2	–	2	
Deferred tax	(118)	26	(92)		28	(13)	15	
Non-controlling interests	41	–	41		75	–	75	
	17,436	19,244	36,680		21,373	12,111	33,484	
^ Reconciliation to Post-HKFRS 16 basis EBITDA :								
Pre-HKFRS 16 basis EBITDA per above	62,798	57,068	119,866		65,102	47,109	112,211	
HKFRS 16 impact per above	18,731	4,391	23,122		21,353	3,073	24,426	
Post-HKFRS 16 basis EBITDA (see note 34(a)(i))	81,529	61,459	142,988		86,455	50,182	136,637	

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5 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

	EBIT (LBIT) ^(xiv)							
	Company and Subsidiaries		Associates and JV		2022 Total		2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	6,492	4,934	11,426	16%	6,058	4,679	10,737	17%
Retail	7,662	3,386	11,048	15%	8,899	3,561	12,460	19%
Infrastructure	3,692	15,141	18,833	26%	3,013	16,082	19,095	30%
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe								
EBITDA before the following non-cash items:	23,864	–	23,864		29,892	–	29,892	
Depreciation	(11,289)	–	(11,289)		(10,728)	–	(10,728)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(7,011)	–	(7,011)		(7,905)	–	(7,905)	
EBIT – 3 Group Europe	5,564	–	5,564	8%	11,259	–	11,259	17%
Hutchison Telecommunications Hong Kong Holdings	(44)	14	(30)	–	130	12	142	–
Corporate and Others ^(xv)	7,279	(10)	7,269	10%	12,061	–	12,061	19%
	12,799	4	12,803	18%	23,450	12	23,462	36%
Hutchison Asia Telecommunications ^(xvii)	4,662	2,083	6,745	9%	209	–	209	–
Finance & Investments and Others ^(xviii)	1,755	10,254	12,009	16%	(4,144)	2,925	(1,219)	-2%
EBIT	37,062	35,802	72,864	100%	37,485	27,259	64,744	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	584	584		–	710	710	
EBIT [^]	37,062 [^]	36,386 [^]	73,448 [^]		37,485 [^]	27,969 [^]	65,454 [^]	
Interest expenses and other finance costs	(6,818)	(8,042)	(14,860)		(7,075)	(7,584)	(14,659)	
Current tax	(5,438)	(3,983)	(9,421)		(4,031)	(3,600)	(7,631)	
Deferred tax credit (charge)	(2,721)	(3,949)	(6,670)		1,771	(3,718)	(1,947)	
Non-controlling interests	(7,020)	(608)	(7,628)		(7,063)	(654)	(7,717)	
	15,065	19,804	34,869		21,087	12,413	33,500	
HKFRS 16 impact								
EBIT [^]	4,679 [^]	718 [^]	5,397 [^]		3,714 [^]	360 [^]	4,074 [^]	
Interest expenses and other finance costs	(2,234)	(1,304)	(3,538)		(3,533)	(649)	(4,182)	
Current tax	3	–	3		2	–	2	
Deferred tax	(118)	26	(92)		28	(13)	15	
Non-controlling interests	41	–	41		75	–	75	
	17,436	19,244	36,680		21,373	12,111	33,484	
[^] Reconciliation to Post-HKFRS 16 basis EBIT:								
Pre-HKFRS 16 basis EBIT per above	37,062	36,386	73,448		37,485	27,969	65,454	
HKFRS 16 impact per above	4,679	718	5,397		3,714	360	4,074	
Post-HKFRS 16 basis EBIT	41,741	37,104	78,845		41,199	28,329	69,528	

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	2022 Total	Company and Subsidiaries	Associates and JV	2021 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	2,895	1,484	4,379	2,963	1,457	4,420
Retail	2,625	636	3,261	2,734	840	3,574
Infrastructure	304	9,678	9,982	332	10,209	10,541
Telecommunications						
CK Hutchison Group Telecom						
3 Group Europe	18,300	–	18,300	18,633	–	18,633
Hutchison Telecommunications Hong Kong Holdings	1,042	46	1,088	906	45	951
Corporate and Others	1	–	1	6	–	6
	19,343	46	19,389	19,545	45	19,590
Hutchison Asia Telecommunications	382	2,293	2,675	1,827	–	1,827
Finance & Investments and Others	187	6,273	6,460	216	6,315	6,531
	25,736	20,410	46,146	27,617	18,866	46,483
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	–	272	272	–	274	274
	25,736	20,682	46,418	27,617	19,140	46,757
Divestiture of infrastructure investments	–	143	143	–	174	174
	25,736	20,825	46,561	27,617	19,314	46,931
HKFRS 16 impact	14,052	3,673	17,725	17,639	2,713	20,352
	39,788	24,498	64,286	45,256	22,027	67,283

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5 Operating segment information (continued)

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

(v) An analysis of capital expenditure by segments

	Capital expenditure ^(xvii)							
	Fixed assets	Telecommunications licences	Brand names and other rights	2022 Total	Fixed assets	Telecommunications licences	Brand names and other rights	2021 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,801	-	-	3,801	3,263	-	367	3,630
Retail	2,387	-	-	2,387	2,525	-	-	2,525
Infrastructure	473	-	4	477	363	-	4	367
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe	16,653	-	1,779	18,432	19,090	4,237	4,028	27,355
Hutchison Telecommunications Hong Kong Holdings	496	138	-	634	874	2,040	-	2,914
Corporate and Others	-	-	3	3	1	-	19	20
	17,149	138	1,782	19,069	19,965	6,277	4,047	30,289
Hutchison Asia Telecommunications	313	22	14	349	2,229	1,881	-	4,110
Finance & Investments and Others	129	-	7	136	144	-	11	155
	24,252	160	1,807	26,219	28,489	8,158	4,429	41,076
HKFRS 16 impact	(367)	-	-	(367)	(1,433)	-	-	(1,433)
	23,885	160	1,807	25,852	27,056	8,158	4,429	39,643

5 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	Total assets								
	Segment assets ^(xv)	Deferred tax assets	Assets classified as held for sale ^(xviii)	Investments in associated companies and interests in joint ventures	2022 Total assets	Segment assets ^(xv)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2021 Total assets
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	72,263	352	–	23,200	95,815	75,389	204	22,668	98,261
Retail	198,358	1,471	–	15,630	215,459	200,862	1,336	15,743	217,941
Infrastructure	65,516	3	–	165,138	230,657	55,611	7	172,273	227,891
Telecommunications									
CK Hutchison Group Telecom									
3 Group Europe	263,859	15,067	5,178	10	284,114	300,201	17,925	10	318,136
Hutchison Telecommunications Hong Kong Holdings	16,148	4	–	157	16,309	16,615	3	215	16,833
Corporate and Others	35,040	–	–	2	35,042	15,534	–	50	15,584
	315,047	15,071	5,178	169	335,465	332,350	17,928	275	350,553
Hutchison Asia Telecommunications	2,668	–	–	15,395	18,063	19,505	–	–	19,505
Finance & Investments and Others	130,789	57	–	71,635	202,481	163,972	45	69,574	233,591
	784,641	16,954	5,178	291,167	1,097,940	847,689	19,520	280,533	1,147,742
HKFRS 16 impact	49,919	1,555	918	(1,895)	50,497	65,524	1,668	(1,408)	65,784
	834,560	18,509	6,096	289,272	1,148,437	913,213	21,188	279,125	1,213,526

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 ^(xii)	Current & non-current borrowings ^(xii) and other non-current liabilities	Liabilities directly associated with assets classified as held for sale ^(xiii)	Current & deferred tax liabilities	2022 Total liabilities	Segment liabilities ^(xii)	Current & non-current borrowings ^(xii) and other non-current liabilities	Current & deferred tax liabilities	2021 Total liabilities
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	10,948	14,604	–	4,696	30,248	10,702	14,734	4,625	30,061
Retail	24,598	10,531	–	10,619	45,748	25,599	14,333	10,523	50,455
Infrastructure	7,338	28,416	–	556	36,310	6,260	30,043	617	36,920
Telecommunications									
CK Hutchison Group Telecom									
3 Group Europe	37,008	14,989	207	3,393	55,597	39,827	17,240	399	57,466
Hutchison Telecommunications									
Hong Kong Holdings	1,808	2,371	–	50	4,229	1,840	2,358	–	4,198
Corporate and Others	777	50,923	–	11	51,711	2,073	54,426	4	56,503
	39,593	68,283	207	3,454	111,537	43,740	74,024	403	118,167
Hutchison Asia Telecommunications	939	533	–	1	1,473	4,972	6,132	2	11,106
Finance & Investments and Others	9,721	197,490	–	4,859	212,070	10,199	226,385	4,599	241,183
	93,137	319,857	207	24,185	437,386	101,472	365,651	20,769	487,892
HKFRS 16 impact	64,781	(1,065)	920	(894)	63,742	83,638	(1,275)	(984)	81,379
	157,918	318,792	1,127	23,291	501,128	185,110	364,376	19,785	569,271

5 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

	Revenue ^(viii)							
	Company and Subsidiaries		Associates and JV		2022 Total		2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	32,680	4,646	37,326	8%	32,977	4,945	37,922	8%
Mainland China	21,676	11,013	32,689	7%	27,649	10,462	38,111	9%
The People's Republic of China	54,356	15,659	70,015	15%	60,626	15,407	76,033	17%
Europe	145,738	69,150	214,888	47%	155,526	71,508	227,034	51%
Canada	253	3,554	3,807	1%	256	2,969	3,225	1%
Asia, Australia and Others	48,543	25,891	74,434	16%	51,751	15,304	67,055	15%
	194,534	98,595	293,129	64%	207,533	89,781	297,314	67%
	248,890	114,254	363,144	79%	268,159	105,188	373,347	84%
Finance & Investments and Others	13,607	80,478	94,085	21%	12,688	59,348	72,036	16%
	262,497	194,732	457,229 **	100%	280,847	164,536	445,383 **	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) ^(viii)							
	Company and Subsidiaries		Associates and JV		2022 Total		2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	1,414	1,943	3,357	3%	2,251	2,223	4,474	4%
Mainland China	1,143	4,777	5,920	5%	3,124	4,330	7,454	7%
The People's Republic of China	2,557	6,720	9,277	8%	5,375	6,553	11,928	11%
Europe	42,378	18,427	60,805	51%	51,630	20,309	71,939	65%
Canada	246	1,795	2,041	1%	261	1,557	1,818	1%
Asia, Australia and Others	15,675	12,743	28,418	24%	11,764	8,466	20,230	18%
	58,299	32,965	91,264	76%	63,655	30,332	93,987	84%
	60,856	39,685	100,541	84%	69,030	36,885	105,915	95%
Finance & Investments and Others	1,942	16,527	18,469	16%	(3,928)	9,240	5,312	5%
	62,798	56,212	119,010 ##	100%	65,102	46,125	111,227 ##	100%

see note 5(b)(ii) for reconciliation of segment EBITDA to EBITDA included and 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) ^(vii)							
	2022				2021			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2022 Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2021 Total HK\$ million	%
Hong Kong	(50)	982	932	1%	984	1,218	2,202	3%
Mainland China	137	3,997	4,134	6%	2,093	3,610	5,703	9%
The People's Republic of China	87	4,979	5,066	7%	3,077	4,828	7,905	12%
Europe	22,127	12,139	34,266	47%	30,909	13,524	44,433	69%
Canada	246	1,129	1,375	2%	261	857	1,118	2%
Asia, Australia and Others	12,847	7,301	20,148	28%	7,382	5,125	12,507	19%
	35,220	20,569	55,789	77%	38,552	19,506	58,058	90%
	35,307	25,548	60,855	84%	41,629	24,334	65,963	102%
Finance & Investments and Others	1,755	10,254	12,009	16%	(4,144)	2,925	(1,219)	-2%
	37,062	35,802	72,864 ^{@@}	100%	37,485	27,259	64,744 ^{@@}	100%

^{@@} see note 5(b)(iii) for reconciliation of segment EBIT to EBIT included and presented in the consolidated income statement.

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure ^(viii)							
	2022				2021			
	Fixed assets HK\$ million	Telecommunications licences HK\$ million	Brand names and other rights HK\$ million	2022 Total HK\$ million	Fixed assets HK\$ million	Telecommunications licences HK\$ million	Brand names and other rights HK\$ million	2021 Total HK\$ million
Hong Kong	1,332	138	-	1,470	1,538	2,040	-	3,578
Mainland China	410	-	-	410	643	-	-	643
The People's Republic of China	1,742	138	-	1,880	2,181	2,040	-	4,221
Europe	18,358	-	1,782	20,140	21,126	4,237	4,048	29,411
Asia, Australia and Others	4,023	22	18	4,063	5,038	1,881	370	7,289
	22,381	22	1,800	24,203	26,164	6,118	4,418	36,700
	24,123	160	1,800	26,083	28,345	8,158	4,418	40,921
Finance & Investments and Others	129	-	7	136	144	-	11	155
	24,252	160	1,807	26,219	28,489	8,158	4,429	41,076
HKFRS 16 impact	(367)	-	-	(367)	(1,433)	-	-	(1,433)
	23,885	160	1,807	25,852	27,056	8,158	4,429	39,643

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 ^(xii)	Deferred tax assets	Assets classified as held for sale ^(xiii)	Investments in associated companies and interests in joint ventures	2022 Total assets	Segment assets ^(xii)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2021 Total assets
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	52,253	79	-	10,708	63,040	51,757	107	10,202	62,066
Mainland China	37,850	765	-	17,209	55,824	46,039	570	17,206	63,815
The People's Republic of China	90,103	844	-	27,917	118,864	97,796	677	27,408	125,881
Europe	420,785	15,512	5,178	106,525	548,000	452,007	18,395	114,633	585,035
Canada	4,169	3	-	12,238	16,410	4,030	7	12,995	17,032
Asia, Australia and Others	138,795	538	-	72,852	212,185	129,884	396	55,923	186,203
	563,749	16,053	5,178	191,615	776,595	585,921	18,798	183,551	788,270
	653,852	16,897	5,178	219,532	895,459	683,717	19,475	210,959	914,151
Finance & Investments and Others	130,789	57	-	71,635	202,481	163,972	45	69,574	233,591
	784,641	16,954	5,178	291,167	1,097,940	847,689	19,520	280,533	1,147,742
HKFRS 16 impact	49,919	1,555	918	(1,895)	50,497	65,524	1,668	(1,408)	65,784
	834,560	18,509	6,096	289,272	1,148,437	913,213	21,188	279,125	1,213,526

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 other one-off items by segments and geographical locations

The Group's EBITDA and EBIT for the current year included the net gain attributable to shareholders from the disposal of interests in the Group's telecommunications tower assets in the United Kingdom (the "UK") that completed in November 2022 of HK\$18,957 million (see note 5(b)(xvi)) and the Group's telecommunications business in Indonesia in January 2022 of HK\$6,100 million (see note 5(b)(xvii)). This gain was partly offset by impairment of Wind Tre S.p.A.'s ("Wind Tre") goodwill of HK\$11,039 million (see note 5(b)(xvi)), and the impairment charge against the assets of the Group's telecommunications business in Sri Lanka of HK\$962 million (see note 5(b)(xviii)) and the Group's share of Cenovus Energy's impairment charges, before tax, of HK\$253 million (see note 5(b)(xviii)).

The Group's EBITDA and EBIT for the comparative year ended 31 December 2021 included the net gain attributable to shareholders from the disposal of interests in the Group's European telecommunications tower assets that completed in 2021 of HK\$25,259 million (see note 5(b)(xvi)). This gain was partly offset by impairment of Wind Tre's goodwill of HK\$15,472 million (see note 5(b)(xvi)), foreign exchange reclassification adjustment charge of HK\$3,514 million (see note 5(b)(xviii)) and the Group's share of Cenovus Energy's impairment charges, before tax, of HK\$1,494 million (see note 5(b)(xviii)).

An analysis of EBITDA by segments

	EBITDA (LBITDA) ^(xiv)							
	Company and Subsidiaries		Associates and JV		2022 Total		2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
EBITDA before the following one-off items								
Ports and Related Services	9,387	6,418	15,805	15%	9,021	6,136	15,157	14%
Retail	10,287	4,022	14,309	13%	11,633	4,401	16,034	15%
Infrastructure	3,996	24,819	28,815	27%	3,345	26,291	29,636	28%
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe	23,864	-	23,864	23%	29,892	-	29,892	28%
Hutchison Telecommunications Hong Kong Holdings	998	60	1,058	1%	1,036	57	1,093	1%
Corporate and Others	(638)	(10)	(648)	-1%	2,280	-	2,280	2%
	24,224	50	24,274	23%	33,208	57	33,265	31%
Hutchison Asia Telecommunications	(94)	4,376	4,282	4%	2,036	-	2,036	2%
Finance & Investments and Others	1,942	16,780	18,722	18%	(414)	10,734	10,320	10%
	49,742	56,465	106,207	100%	58,829	47,619	106,448	100%
One-off items								
Gains from disposal of European telecommunications tower assets ^(xv)	18,957	-	18,957		25,259	-	25,259	
Gains from disposal of telecommunications business in Indonesia ^(xvi)	6,100	-	6,100		-	-	-	
Impairment of telecommunications business in Sri Lanka ^(xviii)	(962)	-	(962)		-	-	-	
Impairment of Wind Tre's goodwill ^(xvi)	(11,039)	-	(11,039)		(15,472)	-	(15,472)	
Foreign exchange reclassification adjustment ^(xviii)	-	-	-		(3,514)	-	(3,514)	
Share of Cenovus Energy's impairment charges ^(xviii)	-	(253)	(253)		-	(1,494)	(1,494)	
	62,798	56,212	119,010 ^{##}		65,102	46,125	111,227 ^{##}	

^{##} see note 5(b)(ii) for reconciliation of segment EBITDA to EBITDA included and 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 other one-off items by segments and geographical locations (continued)

An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) ^(xiv)							
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2022 Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	2021 Total HK\$ million	%
EBITDA before the following one-off items								
Hong Kong	1,414	1,943	3,357	3%	2,251	2,223	4,474	4%
Mainland China	1,143	4,777	5,920	6%	3,124	4,330	7,454	7%
The People's Republic of China	2,557	6,720	9,277	9%	5,375	6,553	11,928	11%
Europe	34,460	18,427	52,887	49%	41,843	20,309	62,152	58%
Canada	246	1,795	2,041	2%	261	1,557	1,818	2%
Asia, Australia and Others	10,537	12,743	23,280	22%	11,764	8,466	20,230	19%
	45,243	32,965	78,208	73%	53,868	30,332	84,200	79%
	47,800	39,685	87,485	82%	59,243	36,885	96,128	90%
Finance & Investments and Others	1,942	16,780	18,722	18%	(414)	10,734	10,320	10%
	49,742	56,465	106,207	100%	58,829	47,619	106,448	100%
One-off items								
Gains from disposal of European telecommunications tower assets ^(xv)	18,957	–	18,957		25,259	–	25,259	
Gains from disposal of telecommunications business in Indonesia ^(xvi)	6,100	–	6,100		–	–	–	
Impairment of telecommunications business in Sri Lanka ^(xvii)	(962)	–	(962)		–	–	–	
Impairment of Wind Tre's goodwill ^(xviii)	(11,039)	–	(11,039)		(15,472)	–	(15,472)	
Foreign exchange reclassification adjustment ^(xviii)	–	–	–		(3,514)	–	(3,514)	
Share of Cenovus Energy's impairment charges ^(xviii)	–	(253)	(253)		–	(1,494)	(1,494)	
	62,798	56,212	119,010 ^{##}		65,102	46,125	111,227 ^{##}	

^{##} see note 5(b)(ii) for reconciliation of segment EBITDA to EBITDA included and 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 other one-off items by segments and geographical locations (continued)

An analysis of EBIT by segments

	EBIT (LBIT) ^(xv)							
	2022				2021			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
EBIT before the following one-off items								
Ports and Related Services	6,492	4,934	11,426	19%	6,058	4,679	10,737	18%
Retail	7,662	3,386	11,048	18%	8,899	3,561	12,460	21%
Infrastructure	3,692	15,141	18,833	32%	3,013	16,082	19,095	32%
Telecommunications								
CK Hutchison Group Telecom								
3 Group Europe	5,564	-	5,564	9%	11,259	-	11,259	19%
Hutchison Telecommunications Hong Kong Holdings	(44)	14	(30)	-	130	12	142	-
Corporate and Others	(639)	(10)	(649)	-1%	2,274	-	2,274	4%
	4,881	4	4,885	8%	13,663	12	13,675	23%
Hutchison Asia Telecommunications	(476)	2,083	1,607	3%	209	-	209	-
Finance & Investments and Others	1,755	10,507	12,262	20%	(630)	4,419	3,789	6%
	24,006	36,055	60,061	100%	31,212	28,753	59,965	100%
One-off items								
Gains from disposal of European telecommunications tower assets ^(xvi)	18,957	-	18,957		25,259	-	25,259	
Gains from disposal of telecommunications business in Indonesia ^(xvii)	6,100	-	6,100		-	-	-	
Impairment of telecommunications business in Sri Lanka ^(xvii)	(962)	-	(962)		-	-	-	
Impairment of Wind Tre's goodwill ^(xvi)	(11,039)	-	(11,039)		(15,472)	-	(15,472)	
Foreign exchange reclassification adjustment ^(xviii)	-	-	-		(3,514)	-	(3,514)	
Share of Cenovus Energy's impairment charges ^(xviii)	-	(253)	(253)		-	(1,494)	(1,494)	
	37,062	35,802	72,864 ^{@@}		37,485	27,259	64,744 ^{@@}	

@@ see note 5(b)(iii) for reconciliation of segment EBIT to EBIT included and 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 other one-off items by segments and geographical locations (continued)

An analysis of EBIT by geographical locations

	EBIT (LBIT) ^(xv)							
	Company and Subsidiaries	Associates and JV	2022 Total		Company and Subsidiaries	Associates and JV	2021 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
EBIT before the following one-off items								
Hong Kong	(50)	982	932	2%	984	1,218	2,202	4%
Mainland China	137	3,997	4,134	7%	2,093	3,610	5,703	9%
The People's Republic of China	87	4,979	5,066	9%	3,077	4,828	7,905	13%
Europe	14,209	12,139	26,348	44%	21,122	13,524	34,646	58%
Canada	246	1,129	1,375	2%	261	857	1,118	2%
Asia, Australia and Others	7,709	7,301	15,010	25%	7,382	5,125	12,507	21%
	22,164	20,569	42,733	71%	28,765	19,506	48,271	81%
	22,251	25,548	47,799	80%	31,842	24,334	56,176	94%
Finance & Investments and Others	1,755	10,507	12,262	20%	(630)	4,419	3,789	6%
	24,006	36,055	60,061	100%	31,212	28,753	59,965	100%
One-off items								
Gains from disposal of European telecommunications tower assets ^(xvi)	18,957	–	18,957		25,259	–	25,259	
Gains from disposal of telecommunications business in Indonesia ^(xvii)	6,100	–	6,100		–	–	–	
Impairment of telecommunications business in Sri Lanka ^(xvii)	(962)	–	(962)		–	–	–	
Impairment of Wind Tre's goodwill ^(xvii)	(11,039)	–	(11,039)		(15,472)	–	(15,472)	
Foreign exchange reclassification adjustment ^(xviii)	–	–	–		(3,514)	–	(3,514)	
Share of Cenovus Energy's impairment charges ^(xviii)	–	(253)	(253)		–	(1,494)	(1,494)	
	37,062	35,802	72,864 ^{@@}		37,485	27,259	64,744 ^{@@}	

@@ see note 5(b)(iii) for reconciliation of segment EBIT to EBIT included and 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 is 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 is 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) Included in the current year balance are a gain of HK\$18,957 million (HK\$19,060 million at Post-HKFRS 16 basis, see note 7(g)) arising from the disposal of interests in telecommunications tower assets in the UK completed in November 2022 and an impairment charge of HK\$11,039 million (HK\$11,039 million at Post-HKFRS 16 basis, see note 7(c)) against Wind Tre's goodwill. Both amounts are at EBITDA and EBIT levels and are reported under "Telecommunications: CK Hutchison Group Telecom – Corporate and Others" in the segment results. In the consolidated income statement, both amount are reported under the Post-HKFRS 16 basis, the disposal gain of HK\$19,060 million is reported in "Other income and gains" and the impairment charge of HK\$11,039 million is reported in "Other expenses and losses".

Included in the comparative year balance are disposal gains of HK\$25,259 million (HK\$25,316 million at Post-HKFRS 16 basis, see note 7(g)) arising from disposal of interests in telecommunications tower assets in Sweden and Italy completed in January and June 2021 respectively and an impairment charge of HK\$15,472 million (HK\$15,472 million at Post-HKFRS 16 basis, see note 7(c)) against Wind Tre's goodwill. Both amounts are at EBITDA and EBIT levels and are reported under "Telecommunications: CK Hutchison Group Telecom – Corporate and Others" in the segment results. In the consolidated income statement, both amounts are reported under the Post-HKFRS 16 basis, the disposal gains of HK\$25,316 million are reported in "Other income and gains" and the impairment charge of HK\$15,472 million is reported in "Other expenses and losses".

5 Operating segment information *(continued)*

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

(xvii) Hutchison Asia Telecommunications includes the Group's telecommunication businesses in Indonesia, Vietnam and Sri Lanka. In January 2022, the merger transaction between the Group's Indonesia telecommunication business, Hutchison 3 Indonesia ("H3I") and PT Indosat Tbk ("Indosat") was completed. The newly merged company, Indosat Ooredoo Hutchison ("IOH"), remains listed on the Indonesia Stock Exchange and became the second largest telecommunication operator in Indonesia. The merger was accounted for as a disposal of H3I and an acquisition attributable interests in IOH. Included in the current year balance are a disposal gain of HK\$6,100 million (HK\$7,245 million at Post-HKFRS 16 basis, see note 7(g)) arising from the completion of the merger and an impairment charge of HK\$962 million (HK\$1,000 million at Post-HKFRS 16 basis, see note 7(c)) against goodwill, telecommunications licences, tangible and other assets of the Group's telecommunications business in Sri Lanka. Both amounts are at EBITDA and EBIT levels and are reported under "Telecommunications: Hutchison Asia Telecommunications" in the segment results. In the consolidated income statement, both amounts are reported under the Post-HKFRS 16 basis, the disposal gain of HK\$7,245 million is reported in "Other income and gains" and the impairment charge of HK\$1,000 million is reported in "Other expenses and losses".

(xviii) Included in the current year balance is the Group's share of Cenovus Energy's non-cash impairment charges, before tax, of HK\$253 million (HK\$253 million at Post-HKFRS 16 basis) on certain refinery assets. The Group's share of this charge is HK\$253 million (HK\$253 million at Post-HKFRS 16 basis) at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results. In the consolidated income statements, the Group's share of this charge (after tax) is HK\$193 million (HK\$193 million at Post-HKFRS 16 basis) and is included in "Share of profits less losses of associated companies".

Included in the comparative year balance are a charge of HK\$3,514 million (HK\$3,514 million at Post-HKFRS 16 basis) arising from (a) the merger of Husky Energy Inc. ("Husky") and Cenovus Energy and (b) the Group's share of Cenovus Energy's non-cash impairment charges, before tax, of HK\$1,494 million (HK\$1,494 million at Post-HKFRS 16 basis). Item (a) represents reclassification adjustment of foreign exchange losses previously recognised in reserves. This charge is recorded at the EBITDA and EBIT levels and is reported under "Finance & Investments and Others" in the segment results and is included in "Other expenses and losses" in the consolidated income statement. See note 7(d). Item (b) represents the Group's share of impairment on Cenovus Energy's U.S. refinery assets. The Group's share of these impairment charges at the EBITDA and EBIT levels is HK\$1,494 million (HK\$1,494 million at Post-HKFRS 16 basis), and is reported under "Finance & Investments and Others" in the segment results. In the consolidated income statement, the Group's share of this charge (after tax) is HK\$1,352 million (HK\$1,352 million at Post-HKFRS 16 basis) and is included in "Share of profits less losses of associated companies".

(xix) 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)

(xx) Segment assets and segment liabilities

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).

See note 5(b)(vi) and 5(b)(vii) for reconciliation of segment assets and segment liabilities from Pre-HKFRS 16 basis to Post-HKFRS 16 basis.

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:

	2022 HK\$ million	2021 HK\$ million
Hong Kong	76,195	74,941
Mainland China	63,398	72,148
The People's Republic of China	139,593	147,089
Europe	487,612	546,439
Canada	59,262	56,502
Asia, Australia and Others	193,888	192,551
	740,762	795,492
	880,355	942,581

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

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

(xxiii) See note 25.

5 Operating segment information (continued)

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

(i) Consolidated Income Statement

	2022			2021		
	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	262,497	–	262,497	280,847	–	280,847
Cost of inventories sold	(101,766)	42	(101,724)	(104,300)	34	(104,266)
Staff costs	(37,170)	–	(37,170)	(37,462)	–	(37,462)
Expensed customer acquisition and retention costs	(14,927)	400	(14,527)	(16,878)	467	(16,411)
Depreciation and amortisation	(25,736)	(14,052)	(39,788)	(27,617)	(17,639)	(45,256)
Other expenses and losses	(72,767)	17,040	(55,727)	(84,553)	20,795	(63,758)
Other income and gains	26,931	1,249	28,180	27,448	57	27,505
Share of profits less losses of:						
Associated companies	12,282	(460)	11,822	5,808	(90)	5,718
Joint ventures	7,522	(100)	7,422	6,605	(212)	6,393
	56,866	4,119	60,985	49,898	3,412	53,310
Interest expenses and other finance costs	(6,818)	(2,234)	(9,052)	(7,075)	(3,533)	(10,608)
Profit before tax	50,048	1,885	51,933	42,823	(121)	42,702
Current tax	(5,438)	3	(5,435)	(4,031)	2	(4,029)
Deferred tax credit (charge)	(2,721)	(118)	(2,839)	1,771	28	1,799
Profit after tax	41,889	1,770	43,659	40,563	(91)	40,472
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,020)	41	(6,979)	(7,063)	75	(6,988)
Profit attributable to ordinary shareholders	34,869	1,811	36,680	33,500	(16)	33,484
Earnings per share for profit attributable to ordinary shareholders	HK\$ 9.09	HK\$ 0.48	HK\$ 9.57	HK\$ 8.71	(HK\$ 0.01)	HK\$ 8.70

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

	2022			2021		
	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	41,889	1,770	43,659	40,563	(91)	40,472
Other comprehensive income (losses)						
Items that will not be reclassified to profit or loss						
Equity securities at FVOCI						
Valuation gains (losses) recognised directly in reserves	(1,493)	–	(1,493)	265	–	265
Remeasurement of defined benefit obligations recognised directly in reserves	701	–	701	1,034	–	1,034
Share of other comprehensive income (losses) of associated companies	(83)	–	(83)	766	–	766
Share of other comprehensive income (losses) of joint ventures	(520)	–	(520)	1,684	–	1,684
Tax relating to components of other comprehensive income (losses) that will not be reclassified to profit or loss	(255)	–	(255)	80	–	80
	(1,650)	–	(1,650)	3,829	–	3,829
Items that may be reclassified to profit or loss						
Debt securities at FVOCI						
Valuation losses recognised directly in reserves	(369)	–	(369)	(60)	–	(60)
Valuation losses (gains) previously in reserves recognised in income statement	2	–	2	(7)	–	(7)
Gains on cash flow hedges recognised directly in reserves	2,201	–	2,201	1,020	–	1,020
Gains on net investment hedges recognised directly in reserves	4,433	–	4,433	1,767	–	1,767
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(16,578)	500	(16,078)	(11,453)	886	(10,567)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	2,213	7	2,220	2,913	–	2,913
Share of other comprehensive income (losses) of associated companies	(2,526)	31	(2,495)	(716)	8	(708)
Share of other comprehensive income (losses) of joint ventures	(4,103)	42	(4,061)	(2,201)	17	(2,184)
Tax relating to components of other comprehensive income (losses) that may be reclassified to profit or loss	(12)	–	(12)	(8)	–	(8)
	(14,739)	580	(14,159)	(8,745)	911	(7,834)
Other comprehensive income (losses), net of tax	(16,389)	580	(15,809)	(4,916)	911	(4,005)
Total comprehensive income	25,500	2,350	27,850	35,647	820	36,467
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(5,614)	(160)	(5,774)	(6,551)	(202)	(6,753)
Total comprehensive income attributable to ordinary shareholders	19,886	2,190	22,076	29,096	618	29,714

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

	2022			2021		
	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	114,564	(1,914)	112,650	133,174	(2,075)	131,099
Right-of-use assets	–	59,337	59,337	–	76,852	76,852
Leasehold land	6,129	(6,129)	–	6,717	(6,717)	–
Telecommunications licences	60,689	–	60,689	69,985	–	69,985
Brand names and other rights	83,694	–	83,694	89,019	–	89,019
Goodwill	268,008	–	268,008	289,340	–	289,340
Associated companies	141,475	(764)	140,711	138,116	(335)	137,781
Interests in joint ventures	149,692	(1,131)	148,561	142,417	(1,073)	141,344
Deferred tax assets	16,954	1,555	18,509	19,520	1,668	21,188
Liquid funds and other listed investments	16,103	–	16,103	8,227	–	8,227
Other non-current assets	15,358	542	15,900	13,970	232	14,202
	872,666	51,496	924,162	910,485	68,552	979,037
Current assets						
Cash and cash equivalents	138,085	–	138,085	153,133	–	153,133
Inventories	23,283	–	23,283	23,625	–	23,625
Trade receivables and other current assets	58,728	(1,917)	56,811	60,499	(2,768)	57,731
	220,096	(1,917)	218,179	237,257	(2,768)	234,489
Assets classified as held for sale	5,178	918	6,096	–	–	–
	225,274	(999)	224,275	237,257	(2,768)	234,489
Current liabilities						
Bank and other debts	70,430	(300)	70,130	66,564	(203)	66,361
Current tax liabilities	4,040	(39)	4,001	2,419	(17)	2,402
Lease liabilities	–	12,128	12,128	–	16,085	16,085
Trade payables and other current liabilities	90,407	(1,278)	89,129	98,006	(1,441)	96,565
	164,877	10,511	175,388	166,989	14,424	181,413
Liabilities directly associated with assets classified as held for sale	207	920	1,127	–	–	–
	165,084	11,431	176,515	166,989	14,424	181,413
Net current assets	60,190	(12,430)	47,760	70,268	(17,192)	53,076
Total assets less current liabilities	932,856	39,066	971,922	980,753	51,360	1,032,113
Non-current liabilities						
Bank and other debts	214,963	(767)	214,196	260,511	(1,073)	259,438
Interest bearing loans from non-controlling shareholders	2,567	–	2,567	759	–	759
Lease liabilities	–	53,931	53,931	–	68,994	68,994
Deferred tax liabilities	20,145	(855)	19,290	18,350	(967)	17,383
Pension obligations	2,730	–	2,730	3,466	–	3,466
Other non-current liabilities	31,897	2	31,899	37,817	1	37,818
	272,302	52,311	324,613	320,903	66,955	387,858
Net assets	660,554	(13,245)	647,309	659,850	(15,595)	644,255
Capital and reserves						
Share capital	3,830	–	3,830	3,834	–	3,834
Share premium	242,972	–	242,972	243,169	–	243,169
Reserves	286,167	(9,456)	276,711	277,795	(11,646)	266,149
Total ordinary shareholders' funds	532,969	(9,456)	523,513	524,798	(11,646)	513,152
Perpetual capital securities	4,561	–	4,561	12,414	–	12,414
Non-controlling interests	123,024	(3,789)	119,235	122,638	(3,949)	118,689
Total equity	660,554	(13,245)	647,309	659,850	(15,595)	644,255

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

	2022			2021		
	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	57,409	16,488	73,897	65,644	20,289	85,933
Interest expenses and other finance costs paid (net of capitalisation)	(6,817)	(2,234)	(9,051)	(7,044)	(3,533)	(10,577)
Tax paid	(3,552)	-	(3,552)	(4,092)	-	(4,092)
Funds from operations (Funds from operations under (B) is before principal elements of lease payments)	47,040	14,254	61,294	54,508	16,756	71,264
Changes in working capital	(4,454)	(126)	(4,580)	(19,423)	343	(19,080)
Net cash from operating activities	42,586	14,128	56,714	35,085	17,099	52,184
Investing activities						
Purchase of fixed assets	(24,252)	367	(23,885)	(28,489)	1,433	(27,056)
Additions to telecommunications licences	(160)	-	(160)	(8,158)	-	(8,158)
Additions to brand names and other rights	(1,807)	-	(1,807)	(4,429)	-	(4,429)
Purchase of subsidiary companies, net of cash acquired	-	-	-	(138)	-	(138)
Additions to unlisted investments	(564)	-	(564)	(142)	-	(142)
Repayments of loans from associated companies and joint ventures	374	-	374	1,044	-	1,044
Purchase of and advances to associated companies and joint ventures	(3,464)	-	(3,464)	(1,753)	-	(1,753)
Proceeds from disposal of fixed assets	335	-	335	438	-	438
Proceeds from disposal of subsidiary companies, net of cash disposed	17,096	-	17,096	38,425	-	38,425
Proceeds from partial disposal / disposal of associated companies and joint ventures	5,226	-	5,226	928	-	928
Proceeds from disposal of other unlisted investments	2,336	-	2,336	11	-	11
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(4,880)	367	(4,513)	(2,263)	1,433	(830)
Disposal of liquid funds and other listed investments	157	-	157	318	-	318
Additions to liquid funds and other listed investments	-	-	-	(38)	-	(38)
Cash flows used in investing activities	(4,723)	367	(4,356)	(1,983)	1,433	(550)
Net cash inflow before financing activities	37,863	14,495	52,358	33,102	18,532	51,634
Financing activities						
New borrowings	37,514	(367)	37,147	72,334	(1,433)	70,901
Repayment of borrowings	(68,242)	179	(68,063)	(83,854)	308	(83,546)
Principal elements of lease payments	-	(14,307)	(14,307)	-	(17,407)	(17,407)
Net loans from non-controlling shareholders	2,118	-	2,118	47	-	47
Issue of equity securities by subsidiary companies to non-controlling shareholders	85	-	85	95	-	95
Payment to acquire additional interests in subsidiary companies	(904)	-	(904)	(1,955)	-	(1,955)
Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs	-	-	-	4,648	-	4,648
Redemption of perpetual capital securities by a subsidiary	(7,800)	-	(7,800)	(9,360)	-	(9,360)
Payments for buy-back and cancellation of issued shares	(197)	-	(197)	(1,239)	-	(1,239)
Dividends paid to ordinary shareholders	(10,353)	-	(10,353)	(9,627)	-	(9,627)
Dividends paid to non-controlling interests	(4,816)	-	(4,816)	(6,518)	-	(6,518)
Distribution paid on perpetual capital securities	(316)	-	(316)	(491)	-	(491)
Cash flows used in financing activities	(52,911)	(14,495)	(67,406)	(35,920)	(18,532)	(54,452)
Decrease in cash and cash equivalents	(15,048)	-	(15,048)	(2,818)	-	(2,818)
Cash and cash equivalents at 1 January	153,133	-	153,133	155,951	-	155,951
Cash and cash equivalents at 31 December	138,085	-	138,085	153,133	-	153,133

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)

	2022			2021		
	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	138,085	–	138,085	153,133	–	153,133
Liquid funds and other listed investments	16,103	–	16,103	8,227	–	8,227
Total cash, liquid funds and other listed investments	154,188	–	154,188	161,360	–	161,360
Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	287,297	(1,067)	286,230	329,529	(1,276)	328,253
Interest bearing loans from non-controlling shareholders	2,567	–	2,567	759	–	759
Net debt	135,676	(1,067)	134,609	168,928	(1,276)	167,652
Interest bearing loans from non-controlling shareholders	(2,567)	–	(2,567)	(759)	–	(759)
Net debt (excluding interest bearing loans from non-controlling shareholders)	133,109	(1,067)	132,042	168,169	(1,276)	166,893

Notes to the Financial Statements

6 Directors' emoluments

	2022 HK\$ million	2021 HK\$ million
Directors' emoluments	537	500

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 consolidated income statement.

As at 31 December 2022 and 31 December 2021, 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 (2021: nil).

In 2022, the five individuals whose emoluments were the highest for the year were four (2021: four) directors of the Company and one (2021: 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\$4.66 million (2021: HK\$4.56 million); provident fund contribution of HK\$0.37 million (2021: HK\$0.36 million) and discretionary bonus of HK\$23.85 million (2021: HK\$26.68 million).

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

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

Name of directors	2022					
	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⁾						
Paid by the Company	0.31	5.01	69.84	-	-	75.16
Paid by CKI	0.13	-	30.65	-	-	30.78
	0.44	5.01	100.49	-	-	105.94
FOK Kin Ning, Canning ⁽³⁾	0.22	11.88	191.03	1.07	-	204.20
Frank John SIXT ⁽³⁾⁽⁴⁾	0.28	9.03	65.96	0.77	-	76.04
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.67	9.93	-	-	11.82
Paid by CKI	0.10	1.80	12.45	-	-	14.35
	0.32	3.47	22.38	-	-	26.17
KAM Hing Lam						
Paid by the Company	0.22	2.47	9.24	-	-	11.93
Paid by CKI	0.08	4.20	11.42	-	-	15.70
	0.30	6.67	20.66	-	-	27.63
LAI Kai Ming, Dominic ⁽³⁾	0.22	6.09	63.58	0.49	-	70.38
Edith SHIH ⁽³⁾⁽⁴⁾	0.28	4.71	18.03	0.34	-	23.36
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
George Colin MAGNUS ⁽⁵⁾						
Paid by the Company	0.22	-	-	-	-	0.22
Paid by CKI	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
CHENG Hoi Chuen, Vincent ⁽⁶⁾	0.29	-	-	-	-	0.29
Michael David KADOORIE ⁽⁷⁾	0.21	-	-	-	-	0.21
Philip Lawrence KADOORIE ⁽⁸⁾⁽⁹⁾	0.01	-	-	-	-	0.01
LEE Wai Mun, Rose ⁽⁹⁾⁽¹⁰⁾	0.26	-	-	-	-	0.26
LEUNG LAU Yau Fun, Sophie ⁽¹⁾⁽⁹⁾	0.23	-	-	-	-	0.23
Paul Joseph TIGHE ⁽⁹⁾⁽¹⁰⁾						
Paid by the Company	0.35	-	-	-	-	0.35
Paid by CKI	0.20	-	-	-	-	0.20
	0.55	-	-	-	-	0.55
WONG Kwai Lam ⁽²⁾⁽⁹⁾⁽¹⁰⁾	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁹⁾	0.37	-	-	-	-	0.37
Total	5.35	46.86	482.13	2.67	-	537.01

6 Directors' emoluments (continued)

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

Name of directors	2021					
	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>	0.31	4.89	63.50	–	–	68.70
<i>Paid by CKI</i>	0.13	–	29.55	–	–	29.68
	0.44	4.89	93.05	–	–	98.38
FOK Kin Ning, Canning ⁽³⁾	0.22	11.57	178.97	1.04	–	191.80
Frank John SIXT ⁽³⁾⁽⁴⁾	0.28	8.74	59.95	0.75	–	69.72
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	9.03	–	–	10.87
<i>Paid by CKI</i>	0.10	1.80	11.70	–	–	13.60
	0.32	3.42	20.73	–	–	24.47
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	8.40	–	–	11.04
<i>Paid by CKI</i>	0.08	4.20	10.73	–	–	15.01
	0.30	6.62	19.13	–	–	26.05
LAI Kai Ming, Dominic ⁽³⁾	0.22	5.93	57.79	0.48	–	64.42
Edith SHIH ⁽³⁾⁽⁴⁾	0.28	4.58	16.39	0.33	–	21.58
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 ⁽¹¹⁾	0.08	–	–	–	–	0.08
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-ji, Stanley ⁽¹²⁾	0.13	–	–	–	–	0.13
CHENG Hoi Chuen, Vincent ⁽¹⁾⁽²⁾⁽⁹⁾⁽¹⁰⁾	0.44	–	–	–	–	0.44
Michael David KADOORIE ⁽⁹⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁹⁾	0.22	–	–	–	–	0.22
LEUNG LAU Yau Fun, Sophie ⁽⁹⁾⁽¹³⁾	–	–	–	–	–	–
Paul Joseph TIGHE ⁽⁹⁾⁽¹⁰⁾						
<i>Paid by the Company</i>	0.30	–	–	–	–	0.30
<i>Paid by CKI</i>	0.20	–	–	–	–	0.20
	0.50	–	–	–	–	0.50
WONG Kwai Lam ⁽²⁾⁽⁹⁾⁽¹⁰⁾	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁹⁾	0.37	–	–	–	–	0.37
Total	5.39	45.75	446.01	2.60	–	499.75

(1) Member of the Nomination Committee.

(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) Former Independent Non-executive Director and member of the Audit Committee, Nomination Committee and Remuneration Committee. Passed away on 28 August 2022.

(7) Former Independent Non-executive Director. Resigned on 16 December 2022.

(8) Appointed on 16 December 2022.

(9) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.33 million (2021: HK\$2.29 million).

(10) Member of the Audit Committee.

(11) Former Non-executive Director. Resigned on 13 May 2021.

(12) Former Independent Non-executive Director and member of the Audit Committee. Retired on 13 May 2021.

(13) Appointed on 28 December 2021. The amount of director's fee shown above is a result of rounding.

Notes to the Financial Statements

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

This note provides additional details in respect of cost of goods sold, depreciation and amortisation, other expenses and losses and other income and gains.

	2022 HK\$ million	2021 HK\$ million
Cost of goods sold:		
included in "Cost of inventories sold"	101,724	104,266
included in "Expensed customer acquisition and retention costs"	8,879	10,487
	110,603	114,753

	2022 HK\$ million	2021 HK\$ million
Depreciation and amortisation:		
Fixed assets (see note 12)	17,515	18,186
Right-of-use assets (see note 13(b))	14,582	18,153
Telecommunications licences (see note 14)	919	1,514
Brand names and other rights (see note 15)	3,308	3,603
Customer acquisition and retention costs (see note 21(a))	3,464	3,800
	39,788	45,256

	2022 HK\$ million	2021 HK\$ million
Other expenses and losses:		
Cost of providing services ^(a)	(29,678)	(26,148)
Office and general administrative expenses and others	(3,762)	(7,475)
Expenses for short-term, low-value assets leases and payment for variable rent (see note 13(b))	(3,802)	(4,103)
Advertising and promotion expenses	(4,677)	(5,109)
Legal and professional fees	(1,404)	(1,611)
Auditors' remuneration ^(b)	(328)	(326)
Impairment loss ^(c)		
Against goodwill on telecommunications business in Italy	(11,039)	(15,472)
Against goodwill and other assets on telecommunications business in Sri Lanka	(1,000)	–
Foreign exchange reclassification adjustment ^(d)	–	(3,514)
Losses on disposal of a subsidiary company #		
Other businesses	(37)	–
	(55,727)	(63,758)

See note 34(d)

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

	2022 HK\$ million	2021 HK\$ million
Other income and gains:		
Rent concessions ^(e)	188	497
Employment and other subsidies ^(f)	225	941
Gains on disposals of unlisted investments	515	–
Gains on disposals of interests in associated companies and joint ventures	947	751
Gains on disposal of subsidiaries ^{(g) #}		
European telecommunications tower assets	19,060	25,316
Indonesia telecommunications businesses	7,245	–
	28,180	27,505

- (a) Cost of providing services of HK\$29,678 million (2021: HK\$26,148 million) includes telecommunication network related costs of HK\$17,395 million (2021: HK\$14,106 million), repair and maintenance of HK\$5,861 million (2021: HK\$5,977 million) and others of HK\$6,422 million (2021: HK\$6,065 million).
- (b) Auditors' remuneration of HK\$328 million (2021: HK\$326 million) are charged for audit and audit related work performed by the Company's auditor, PricewaterhouseCoopers of HK\$224 million (2021: HK\$241 million) and performed by other auditors of HK\$12 million (2021: HK\$14 million), and for non-audit work, including tax compliance and other tax related services, and financial due diligence services, performed by the Company's auditor, PricewaterhouseCoopers of HK\$56 million (2021: HK\$33 million) and performed by other auditors of HK\$36 million (2021: HK\$38 million).
- (c) Impairment loss
- (i) For the current year, an impairment loss of HK\$11,039 million arose in the telecommunications business in Italy ("Wind Tre"), which is included as part of the Telecommunications segment under CK Hutchison Group Telecom in note 5.

In late Q3 to Q4 2022, Italy has seen a series of downgrades in medium-term growth prospects for its economy from rating agency, the Bank of Italy, Italy's National Institute of Statistics, the Organisation for Economic Cooperation and Development, and the European Commission. Management has taken into consideration the decelerating outlooks of the Italian economy when it conducted the 2022 annual impairment testing. For the 2022 annual impairment testing for Wind Tre, the recoverable amount was determined based on the value-in-use ("VIU") calculations, as it was higher than the fair value less costs of disposal ("FVLCD") calculations. The VIU is measured using a discounted cash flow projection for the period covered by the forecast and a calculated terminal value at the end of the forecast period. The calculations used cash flow projections based on the latest financial budget covering a five-year 2023 – 2027 period and business plan approved by Wind Tre's management in Q4 2022, reflecting a lowered expectation on growth and reported service revenues, and heightened competition in the Italian market. As a result, the forecasted revenue and margin, including the future 5G revenue contribution, was lower as compared to the last financial budget covering the five year 2022 – 2026 period. The key assumptions and estimates used in preparing the discounted cash flow projection for the 2022 annual impairment testing have also been updated with caution to take into account the deteriorating growth prospects in the Italian economy, including a pre-tax discount rate of 8.3% (31 December 2021: 7.7%). Cash flows beyond the five-year period had been extrapolated using a growth rate of 1.3% (31 December 2021: 1%) to estimate the terminal value at the end of the five-year period. The results of the impairment testing showed that the carrying amount exceeded the estimated recoverable amount by HK\$11,039 million. As a result, the Group recognised an impairment loss of HK\$11,039 million against goodwill. No class of asset other than goodwill was impaired. An adverse change in a key assumption could result in a further impairment loss in the future periods. For illustration purposes, if the pre-tax discount rate applied to the cash flows used in the 2022 VIU calculations had been 10 basis points higher and all other variables remain unchanged, the impairment loss will increase by approximately HK\$2,000 million, and if the growth rate used to estimate the terminal value at the end of the five-year period in the 2022 VIU calculations had been 10 basis points lower and all other variables remain unchanged, the impairment loss will increase by approximately HK\$1,600 million. The sensitivity analysis is for illustration purposes only and it should be noted that in practice assumptions and estimates used in preparing discounted cash flow projection including those used in the 2022 VIU calculations do not necessarily change in isolation. Actual results in the future may differ materially from the sensitivity analyses.

See note 34(d)

Notes to the Financial Statements

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

(c) Impairment loss (continued)

- (ii) For the current year, an impairment loss of HK\$1,000 million arose in the telecommunications business in Sri Lanka, which is included as part of the Telecommunications segment under Hutchison Asia Telecommunications in note 5.

During the year, Sri Lanka was in the midst of a deep and unprecedented economic crisis and facing rampant fuel and food shortages. These external events led the Group to carry out an impairment test on this business at 30 June 2022 and as a result the Group recognised an impairment loss of HK\$1,000 million in the first half of 2022, of which HK\$174 million against goodwill and HK\$826 million against telecommunications licences, tangible and other assets. The impairment loss was primarily resulted from the lowered expectation on growth and reported service revenues, and higher cost base attributable to the upward inflation expectation in the Sri Lanka market. An annual impairment testing on the telecommunications business in Sri Lanka was conducted at 31 December 2022. The results of the 2022 annual impairment test indicated that, saved for the impairment loss of HK\$1,000 million already recorded in the first half of 2022, there were no impairment at 31 December 2022. The recoverable amount of this business was determined based on the VIU calculations, as it was not practical to arrive at the FVLCD calculations under the current circumstances. The VIU used discounted cash flow projections based on the latest financial budget covering a five-year period and business plan approved by management. Key assumptions and estimates used to prepare the discounted cash flow model include a pre-tax discount rate of 20.6% for 2023 and 2024 to reflect the prevailing high interest rate in Sri Lanka and 12.2% in the outer years to reflect the expected economic recovery (31 December 2021: 8.3%), and a long term growth rate of 1% (31 December 2021: 3%) to estimate the terminal value at the end of the five-year period. An adverse change in a key assumption could result in a further impairment loss in the future periods. For illustration purposes, if the pre-tax discount rate applied to the cash flows used in the 2022 VIU calculations had been 10 basis points higher and all other variables remain unchanged, the impairment loss will increase by approximately HK\$2 million, and if the growth rate used to estimate the terminal value at the end of the five-year period in the 2022 VIU calculations had been 10 basis points lower and all other variables remain unchanged, the impairment loss will increase by approximately HK\$1 million. The sensitivity analysis is for illustration purposes only. It should be noted that in practice assumptions and estimates used in preparing discounted cash flow projection including those used in the 2022 VIU calculations do not necessarily change in isolation. Actual results in the future may differ materially from the sensitivity analyses.

- (iii) For the comparative year, the impairment loss of HK\$15,472 million arose in Wind Tre, which is included as part of the Telecommunications segment under CK Hutchison Group Telecom in note 5.

Following the completion of the disposal of telecommunications tower assets supporting the Group's mobile telecommunications businesses in Sweden and Italy in the first half of 2021, the Group reviewed whether there was any indication that its mobile telecommunications businesses may be impaired at 30 June 2021. With the exception of Wind Tre, the review had not identified any indication of possible impairment. Goodwill and intangible assets with indefinite useful life related to Wind Tre were tested for impairment at 30 June 2021, by comparing the carrying amount of this business, including the goodwill, with its recoverable amount. As a result, the Group recognised an impairment loss of HK\$15,472 million against goodwill in the first half of 2021, primarily resulted from the lowered expectation on 5G led growth and service revenues and heightened competition in the Italian market. No class of asset other than goodwill was impaired. The recoverable amount of this business was determined based on the VIU calculations, as it was higher than the FVLCD calculations. The calculations used cash flow projections based on the latest financial budget covering a five-year period and business plan approved by management which had been updated to reflect the aforesaid changes in market conditions during the period, and a pre-tax discount rate of 7.7% (31 December 2020: 7.7%) was applied. Cash flows beyond the five-year period had been extrapolated using a growth rate of 1% (31 December 2020: 1%) to estimate the terminal value at the end of the five-year period. All other assumptions remained consistent with those used in the 31 December 2020 annual impairment test on this business. An annual impairment testing on Wind Tre was conducted at 31 December 2021. The results of the 31 December 2021 annual impairment tests indicated that, saved for the HK\$15,472 million impairment loss against goodwill already recorded in the first half of 2021, there was no impairment at 31 December 2021.

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

- (d) The comparative year balance represents foreign exchange losses previously recognised in reserves reclassified from equity to profit or loss as a reclassification adjustment upon completion of the merger of Husky and Cenovus Energy in the comparative year.
- (e) Benefits derived from changes in lease payments arising from COVID-19 related rent concessions.
- (f) Benefits received from governments and other authorities under COVID-19 related employment and other support schemes.
- (g) Current year balance includes a gain arising from the disposal of telecommunications tower assets in the UK of HK\$19,060 million and a gain arising from the merger of the Group's Indonesia telecommunication business, Hutchison 3 Indonesia ("H3I") and PT Indosat Tbk ("Indosat") of HK\$7,245 million.

Comparative year balance mainly represented the gains on disposal of telecommunications tower assets in Sweden and Italy of HK\$25,316 million.

8 Interest expenses and other finance costs

	2022 HK\$ million	2021 HK\$ million
Bank loans and overdrafts	1,834	1,156
Other loans	4	5
Notes and bonds	4,809	5,494
Interest bearing loans from non-controlling shareholders	37	11
Other finance costs	149	363
Amortisation of loan facilities fees and premiums or discounts relating to debts	243	329
Other non-cash interest adjustments ^(a)	(242)	(298)
	6,834	7,060
Less: interest capitalised	(52)	(29)
Interest on lease liabilities (see note 13(b))	2,270	3,577
	9,052	10,608

- (a) Other non-cash interest adjustments represent amortisation of acquisition-date fair value adjustments relating to debts of HK\$420 million (2021: HK\$709 million) net with accretion expense associated with an increase in the present value of certain obligations over time.

Notes to the Financial Statements

9 Tax

	2022 HK\$ million	2021 HK\$ million
Current tax charge		
Hong Kong	243	179
Outside Hong Kong	5,192	3,850
	5,435	4,029
Deferred tax charge (credit)		
Hong Kong	75	34
Outside Hong Kong	2,764	(1,833)
	2,839	(1,799)
	8,274	2,230

Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 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.

During the comparative year ended 31 December 2021, the UK government announced that from 1 April 2023 the corporate tax rate would change from 19% to 25% which was substantively enacted for HKFRS purposes on 24 May 2021. Deferred tax credit outside Hong Kong recognised during the comparative year includes the one-off impacts on re-measuring the deferred tax assets balances of subsidiary companies using this new enacted tax rate.

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:

	2022 HK\$ million	2021 HK\$ million
Tax calculated at the domestic rates applicable in the jurisdiction concerned	4,883	4,995
Tax effect of:		
Tax losses not recognised	1,976	2,855
Income not subject to tax	(1,080)	(1,637)
Expenses not deductible for tax purposes	1,322	885
Recognition of previously unrecognised tax losses	(208)	(69)
Utilisation of previously unrecognised tax losses	(48)	(93)
Under (over) provision in prior years	223	(176)
Other temporary differences	1,037	(2,094)
Effect of change in tax rate	169	(2,436)
Total tax for the year	8,274	2,230

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\$36,680 million (2021: HK\$33,484 million) and on weighted average number of 3,834,106,390 shares outstanding during the year of 2022 (2021: weighted average number of 3,847,582,641 shares outstanding).

The Company and its subsidiary companies do not have share option scheme or other dilutive potential ordinary shares as at 31 December 2022 and 31 December 2021. Certain of the Company's associated companies have employee share options outstanding as at 31 December 2022 and 31 December 2021. The employee share options of these associated companies outstanding as at 31 December 2022 and 31 December 2021 did not have a dilutive effect on earnings per share.

11 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2022 HK\$ million	2021 HK\$ million
Distribution paid on perpetual capital securities	316	491

(b) Dividends

	2022 HK\$ million	2021 HK\$ million
Interim dividend, paid of HK\$0.84 per share (2021: HK\$0.80 per share)	3,221	3,072
Final dividend, proposed of HK\$2.086 per share (2021: HK\$1.86 per share)	7,989	7,132
	11,210	10,204

The final dividend proposed after the end of the reporting period has not been recognised as a liability at 31 December 2022. The amount of the 2022 proposed final dividend is expected to be paid on 8 June 2023 out of retained profit.

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 2021	29,239	81,084	83,150	193,473
Additions	1,189	3,866	22,001	27,056
Relating to subsidiaries acquired (see note 34(c))	263	–	526	789
Disposals	(74)	(773)	(1,391)	(2,238)
Relating to subsidiaries disposed (see note 34(d))	(104)	(9,237)	(46)	(9,387)
Transfer between categories	31	10,873	(10,904)	–
Exchange translation differences	(879)	(3,388)	(3,314)	(7,581)
At 31 December 2021 and 1 January 2022	29,665	82,425	90,022	202,112
Additions	702	1,479	21,704	23,885
Disposals	(49)	(1,423)	(3,266)	(4,738)
Relating to subsidiaries disposed (see note 34(d))	–	(14,083)	(2,265)	(16,348)
Transfer between categories	80	11,250	(11,330)	–
Exchange translation differences	(1,417)	(5,357)	(5,830)	(12,604)
Transfer to assets classified as held for sale (see note 25)	–	(3,786)	(200)	(3,986)
At 31 December 2022	28,981	70,505	88,835	188,321
Accumulated depreciation and impairment				
At 1 January 2021	5,401	26,632	29,339	61,372
Charge for the year	1,095	9,340	7,751	18,186
Disposals	(40)	(537)	(1,170)	(1,747)
Relating to subsidiaries disposed (see note 34(d))	(6)	(4,547)	(2)	(4,555)
Transfer between categories	6	(115)	109	–
Exchange translation differences	(113)	(1,073)	(1,057)	(2,243)
At 31 December 2021 and 1 January 2022	6,343	29,700	34,970	71,013
Charge for the year	1,108	8,785	7,622	17,515
Impairment recognised	1	318	158	477
Disposals	(38)	(1,251)	(2,917)	(4,206)
Relating to subsidiaries disposed (see note 34(d))	–	(3,777)	(319)	(4,096)
Transfer between categories	6	–	(6)	–
Exchange translation differences	(210)	(1,991)	(1,990)	(4,191)
Transfer to assets classified as held for sale (see note 25)	–	(841)	–	(841)
At 31 December 2022	7,210	30,943	37,518	75,671
Net book value				
At 31 December 2022	21,771	39,562	51,317	112,650
At 31 December 2021	23,322	52,725	55,052	131,099
At 1 January 2021	23,838	54,452	53,811	132,101

(a) Net book value of other assets of HK\$51,317 million (2021: HK\$55,052 million) primarily relate to fixed assets used in business of Ports and related services of HK\$18,984 million (2021: HK\$18,341 million), Telecommunications of HK\$23,327 million (2021: HK\$26,658 million), and Infrastructure of HK\$1,376 million (2021: HK\$1,554 million).

As at 31 December 2022, other assets with a net book value of HK\$18,753 million (2021: HK\$18,865 million) are assets under construction.

12 Fixed assets (continued)

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

	2022 HK\$ million	2021 HK\$ million
Within 1 year	95	134
Between 1 and 2 years	31	65
Between 2 and 3 years	11	22
Between 3 and 4 years	11	14
Between 4 and 5 years	3	11
After 5 years	6	10
	157	256

13 Leases

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

	2022 HK\$ million	2021 HK\$ million
Right-of-use assets		
Container terminals	15,225	17,020
Retail stores	20,715	23,399
Telecommunications network infrastructure sites	13,085	25,275
Leasehold land	6,129	6,717
Other assets	4,183	4,441
	59,337	76,852
Lease liabilities		
Current	12,128	16,085
Non-current	53,931	68,994
	66,059	85,079

On leases that commenced during the year, the Group has recognised HK\$6,539 million (2021: HK\$11,266 million) of right-of-use assets, and HK\$6,528 million (2021: HK\$11,223 million) of lease liabilities.

Notes to the Financial Statements

13 Leases (continued)

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

	2022 HK\$ million	2021 HK\$ million
Expenses relating to short-term leases (included in “Other expenses and losses”)	714	659
Expenses relating to leases of low-value assets that are not short-term leases (included in “Other expenses and losses”)	649	948
Expenses relating to variable lease payments not included in lease liabilities (included in “Other expenses and losses”)	2,439	2,496
	3,802	4,103
Depreciation charge of right-of-use assets (included in “Depreciation and amortisation”)		
Container terminals	1,179	1,244
Retail stores	6,919	7,807
Telecommunications network infrastructure sites	4,885	7,430
Leasehold land	351	362
Other assets	1,248	1,310
	14,582	18,153
Interest on lease liabilities (included in “Interest expenses and other finance costs”)	2,270	3,577
Total charges recognised in profit or loss for leases	20,654	25,833

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

	2022 HK\$ million	2021 HK\$ million
Within operating cash flows	5,716	7,500
Within financing cash flows (see note 34(e))	14,307	17,407
Total cash outflows for leases	20,023	24,907

(d) Group as lessee – other lease disclosure

Variable lease payments

Some retail store leases contain variable payment terms that are linked to sales generated from a store. There is a wide range of sales percentages applied to such leases. 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 (2021: approximately 0.1% or HK\$28 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 2022, in accordance with applicable provision in HKFRS 16, potential future cash outflows of HK\$8,385 million (2021: HK\$12,290 million) (undiscounted) have not been included in calculating the lease liabilities because it is not reasonably certain that the leases will be extended (or not terminated).

Residual value guarantees

As at 31 December 2022, residual value guarantee of HK\$11 million (2021: HK\$12 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 2022, the Group is committed to leases that are not yet commenced, and the lease payments payable under which amounted to HK\$87 million (2021: HK\$131 million). This amount has not been included in calculating the lease liabilities as at 31 December 2022.

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

	2022 HK\$ million	2021 HK\$ million
Income from subleasing right-of-use assets (included in "Other expenses and losses")	159	139

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:

	2022 HK\$ million	2021 HK\$ million
Within 1 year	150	120
Between 1 and 2 years	86	50
Between 2 and 3 years	60	36
Between 3 and 4 years	41	28
Between 4 and 5 years	37	20
After 5 years	57	44
	431	298

In addition, the Group has recognised income of HK\$208 million (2021: HK\$238 million) from leasing of fixed assets for the year ended 31 December 2022.

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14 Telecommunications licences

	2022 HK\$ million	2021 HK\$ million
Net book value		
At 1 January	69,985	66,944
Additions	160	8,158
Amortisation for the year	(919)	(1,514)
Impairment charge for the year	(152)	–
Relating to subsidiaries disposed (see note 34(d))	(3,836)	–
Exchange translation differences	(4,549)	(3,603)
At 31 December	60,689	69,985
Cost	67,054	77,304
Accumulated amortisation and impairment	(6,365)	(7,319)
	60,689	69,985

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life. At 31 December 2022, telecommunications licences with indefinite useful life in the UK and Italy with a carrying value of HK\$18,924 million and HK\$32,527 million respectively (2021: HK\$20,781 million and HK\$34,643 million respectively) have 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 2021	70,878	20,575	91,453
Additions	–	4,429	4,429
Relating to subsidiaries acquired (see note 34(c))	–	12	12
Amortisation for the year	(12)	(3,591)	(3,603)
Disposal	–	(3)	(3)
Relating to subsidiaries disposed (see note 34(d))	–	(333)	(333)
Exchange translation differences	(1,786)	(1,150)	(2,936)
At 31 December 2021 and 1 January 2022	69,080	19,939	89,019
Additions	–	1,807	1,807
Amortisation for the year	(12)	(3,296)	(3,308)
Impairment charge for the year	–	(11)	(11)
Disposal	–	(2)	(2)
Exchange translation differences	(2,169)	(1,642)	(3,811)
At 31 December 2022	66,899	16,795	83,694
Cost	66,985	31,825	98,810
Accumulated amortisation	(86)	(15,030)	(15,116)
	66,899	16,795	83,694

Brand names considered to have an indefinite useful life are not subject to amortisation. The carrying value of brand names with indefinite useful life at 31 December 2022 of HK\$49,294 million (2021: HK\$50,060 million) and HK\$17,424 million (2021: HK\$18,812 million) has been attributed to Retail segment and the Telecommunications segment respectively.

Other rights, primarily include operating and service content rights, and resource consents and customer lists. These rights are amortised over their finite useful lives. At 31 December 2022, the carrying value of these rights amounted to HK\$10,433 million (2021: HK\$12,017 million) and HK\$6,362 million (2021: HK\$7,922 million) respectively.

Notes to the Financial Statements

16 Goodwill

	2022 HK\$ million	2021 HK\$ million
Net book value		
At 1 January	289,340	319,718
Impairment charge for the year	(11,213)	(15,472)
Relating to subsidiaries acquired (see note 34(c))	–	623
Relating to subsidiaries disposed (see note 34(d))	(1,119)	(7,681)
Transfer to asset classified as held for sale (see note 25)	(2,012)	–
Exchange translation differences	(6,988)	(7,848)
At 31 December	268,008	289,340
Cost	293,070	304,094
Accumulated impairment	(25,062)	(14,754)
	268,008	289,340

Goodwill is monitored by the management at the level of the operating segments identified (see note 5). As at 31 December 2022, the carrying amount of goodwill has been mainly allocated to Telecommunications segment of HK\$81,771 million (2021: HK\$103,097 million), Retail segment of HK\$114,098 million (2021: HK\$114,104 million), and Infrastructure segment of HK\$39,123 million (2021: HK\$39,123 million).

Management tests whether goodwill and intangible assets that have an indefinite useful life (including certain telecommunication licences and brand names as set out in notes 14 and 15) have suffered any impairment on an annual basis and when there is an indication these assets may be impaired. The annual tests of goodwill and intangible assets with indefinite useful life for impairment were conducted at 31 December 2022. Results of the 31 December 2022 annual impairment tests indicated that, saved for HK\$11,039 million and HK\$174 million impairment charges against goodwill allocated to the telecommunication businesses in Italy and Sri Lanka respectively, with details as set out in note 7(c), there was no impairment loss in respect of these assets at 31 December 2022. In performing the impairment tests for these assets, the management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances, save as disclosed in note 7(c), that could cause the carrying amount of these assets to exceed their recoverable amount. Set out below are additional information about the estimates used to measure recoverable amounts in the 31 December 2022 annual impairment tests for the Telecommunications and Retail operations.

16 Goodwill (continued)

The recoverable amounts of the Group's Telecommunications operations at 31 December 2022 were determined based on VIU calculations. VIU is measured using discounted 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 business for the next five years. Management 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 revenues, service margin, operating costs, 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 VIU amount derived from the cash flow projections is sensitive to the discount rate used for the cash flow projections and the growth rate used for extrapolation purposes as well as the 5G revenue expectation. A discount rate (pre-tax) ranging from 4.8% to 20.6% (2021: 0.7% to 9.3%) has been applied. A growth rate, for the purpose of impairment testing calculation, ranging from 0% to 2% p.a. (2021: 0% 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.

The recoverable amounts of the Group's Retail operations at 31 December 2022 were determined based on FVLCD calculation. Fair value is measured using discounted cash flow projections for the next five years and a calculated terminal value at the end of the five-year period (a Level 3 fair value hierarchy). The cash flows are based on the latest approved financial budgets for the next five years. Management 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 FVLCD amount derived from the cash flow projections is sensitive to the discount rate used for the discounted cash flow projections and the growth rate used for extrapolation purposes. A discount rate (post-tax) of 8.4% (2021: 4.9%) 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 4.2% p.a. (2021: 2.2% p.a.), which is not expected to exceed the anticipated economic growth for the business, has been used to extrapolate cash flow projections.

Please refer to note 46(b)(i) for significant accounting judgement applied, estimates and assumptions made in assessing whether goodwill has suffered any impairment.

Notes to the Financial Statements

17 Associated companies

	2022 HK\$ million	2021 HK\$ million
Unlisted shares	9,071	9,059
Listed shares, Hong Kong	62,919	62,919
Listed shares, outside Hong Kong	81,012	81,012
Share of undistributed post acquisition reserves	(15,264)	(18,376)
	137,738	134,614
Amounts due from (net with amounts due to) associated companies ^(a)	2,973	3,167
	140,711	137,781

The market value of the above listed investments at 31 December 2022 was HK\$117,220 million (2021: HK\$120,336 million), inclusive of HK\$47,735 million (2021: HK\$29,965 million) and HK\$32,811 million (2021: HK\$37,300 million) for associated companies, Cenovus Energy and Power Assets Holdings Limited ("Power Assets") respectively.

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

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

	2022 HK\$ million	2021 HK\$ million
Amounts due from associated companies ⁽ⁱ⁾		
Interest free	398	415
Interest bearing at fixed rates ⁽ⁱⁱ⁾	2,739	2,912
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	405	407
	3,542	3,734
Amounts due to associated companies ^(iv)		
Interest free	569	567
Amounts due from (net with amounts due to) associated companies	2,973	3,167

17 Associated companies (continued)

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

- (i) At 31 December 2022 and 2021, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$4 million (2021: HK\$34 million) which are repayable within one year.

Amounts due from associated companies are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was made at the reporting date in respect of the amounts due from associated companies. 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. The Group is not aware of any unfavourable current conditions and forecast future economic conditions existed at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

- (ii) At 31 December 2022, HK\$2,739 million (2021: HK\$2,912 million) bear interests at fixed rates ranging from approximately 4.7% to 11.2% (2021: 4.7% to 11.2%) per annum.
- (iii) At 31 December 2022, HK\$405 million (2021: HK\$407 million) bear interests at floating rates ranging from approximately 3.4% to 4.1% (2021: 1.2% to 1.6%) per annum with reference to Euro Interbank Offered Rate ("EURIBOR") and Hong Kong Interbank Offered Rate, where applicable.
- (iv) At 31 December 2022 and 2021, the amounts due to associated companies are unsecured and have no fixed terms of repayment.

(b) Material associated companies

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

	2022		2021	
	Cenovus Energy HK\$ million	Power Assets HK\$ million	Cenovus Energy HK\$ million	Power Assets HK\$ million
Dividends received from associated companies	866	2,164	171	2,164
Gross amount of the following items of the associated companies ⁽¹⁾ :				
Total revenue	403,798	1,265	282,983	1,276
EBITDA	84,536	18,292	41,584	19,158
EBIT	57,982	12,533	14,712	13,200
Other comprehensive income (losses)	(10,721)	581	(1,867)	1,880
Total comprehensive income	28,252	6,230	1,630	8,019
Current assets	71,348	6,880	73,127	4,963
Non-current assets	354,131	125,278	365,429	127,027
Current liabilities	46,041	4,038	44,561	3,553
Non-current liabilities	116,287	3,632	141,465	3,983
Net assets (net of preferred shares and non-controlling interests)	260,097	124,488	249,291	124,454
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	16.6%	36.0%	15.8%	36.0%
Group's share of net assets	43,176	44,832	39,488	44,754
Carrying amount	43,176	44,832	39,488	44,754

Notes to the Financial Statements

17 Associated companies (continued)

(b) Material associated companies (continued)

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\$52,703 million (2021: HK\$53,539 million).

	2022				2021			
	Cenovus Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million	Cenovus Energy HK\$ million	Power Assets HK\$ million	Other associated companies HK\$ million	Total HK\$ million
Group's share of the following items of the associated companies ⁽ⁱ⁾ :								
Profits less losses after tax	6,333	2,033	3,456	11,822	540	2,208	2,970	5,718
Other comprehensive income (losses)	(1,778)	210	(1,010)	(2,578)	(296)	676	(322)	58
Total comprehensive income	4,555	2,243	2,446	9,244	244	2,884	2,648	5,776

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

Particulars regarding the principal associated companies are set forth on pages 263 to 266.

18 Interests in joint ventures

	2022 HK\$ million	2021 HK\$ million
Unlisted shares	118,039	100,030
Share of undistributed post acquisition reserves	1,049	4,079
	119,088	104,109
Amounts due from (net with amounts due to) joint ventures ^(a)	29,473	37,235
	148,561	141,344

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

18 Interests in joint ventures (continued)

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

	2022 HK\$ million	2021 HK\$ million
Amounts due from joint ventures ⁽ⁱ⁾		
Interest free	2,764	2,144
Interest bearing at fixed rates ⁽ⁱⁱ⁾	9,650	16,607
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	17,378	18,865
	29,792	37,616
Amounts due to joint ventures ^(iv)		
Interest free	319	381
Amounts due from (net with amounts due to) joint ventures	29,473	37,235

- (i) At 31 December 2022 and 2021, the amounts due from joint ventures are unsecured and have no fixed terms of repayment except for HK\$1,650 million which are repayable within one to three years (2021: HK\$49 million which are repayable within one to four years).

Amounts due from joint ventures are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was made at the reporting date in respect of the amounts due from joint ventures. 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 financial and investment requirements. These amounts had no recent history of default. The Group is not aware of any unfavourable current conditions and forecast future economic conditions existed at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

- (ii) At 31 December 2022, HK\$9,650 million (2021: HK\$16,607 million) bear interests at fixed rates ranging from approximately 4.4% to 11.0% (2021: 4.4% to 11.0%) per annum.
- (iii) At 31 December 2022, HK\$17,378 million (2021: HK\$18,865 million) bear interests at floating rates ranging from approximately 4.9% to 14.1% (2021: 1.7% 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, London Interbank Offered Rate and Sterling Overnight Index Average rate, where applicable.
- (iv) At 31 December 2022 and 2021, the amounts due to joint ventures are unsecured and have no fixed terms of repayment.

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

	2022 HK\$ million	2021 HK\$ million
Profits less losses after tax	7,422	6,393
Other comprehensive income (losses)	(4,581)	(500)
Total comprehensive income	2,841	5,893
Capital commitments	4,811	4,377

As at 31 December 2022 and 2021, no interests in joint ventures are individually material to the Group. Particulars regarding the principal joint ventures are set forth on pages 263 to 266.

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19 Deferred tax

	2022 HK\$ million	2021 HK\$ million
Deferred tax assets	18,509	21,188
Deferred tax liabilities	19,290	17,383
Net deferred tax assets (liabilities)	(781)	3,805

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

	2022 HK\$ million	2021 HK\$ million
At 1 January	3,805	2,254
Relating to subsidiaries acquired	–	(76)
Relating to subsidiaries disposed	(33)	(58)
Transfer to current tax	(10)	(22)
Net credit (charge) to other comprehensive income	(267)	72
Net credit (charge) to the consolidated income statement		
Tax losses	337	2,173
Accelerated depreciation allowances	(24)	(233)
Fair value adjustments arising from acquisitions	(249)	(211)
Withholding tax on undistributed profits	(520)	(50)
Other temporary differences	(2,383)	120
Exchange translation differences	(1,437)	(164)
At 31 December	(781)	3,805

Analysis of net deferred tax assets (liabilities):

	2022 HK\$ million	2021 HK\$ million
Tax losses	14,703	15,695
Accelerated depreciation allowances	(2,555)	(2,423)
Fair value adjustments arising from acquisitions	(11,625)	(11,536)
Revaluation of investment properties and other investments	16	29
Withholding tax on undistributed profits	(875)	(371)
Other temporary differences	(445)	2,411
	(781)	3,805

19 Deferred tax (continued)

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.

At 31 December 2022, the Group has recognised accumulated deferred tax assets amounting to HK\$18,509 million (2021: HK\$21,188 million) of which HK\$15,191 million (2021: HK\$18,073 million) relates to 3 Group Europe.

Note 46(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\$29,082 million at 31 December 2022 (2021: HK\$39,282 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$131,153 million (2021: HK\$176,604 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$91,882 million (2021: HK\$112,190 million) can be carried forward indefinitely and the balances expire in the following years:

	2022 HK\$ million	2021 HK\$ million
In the first year	1,294	2,503
In the second year	1,314	5,896
In the third year	1,188	2,847
In the fourth year	898	3,911
After the fourth year	34,577	49,257
	39,271	64,414

Notes to the Financial Statements

20 Liquid funds and other listed investments

	2022 HK\$ million	2021 HK\$ million
Financial assets at amortised cost		
Managed funds – cash and cash equivalents, outside Hong Kong ^(c)	40	41
Financial assets at FVOCI ^(d)		
Listed equity securities, Hong Kong ^(e)	608	701
Listed equity securities, outside Hong Kong ^(e)	9,096	557
Managed funds – listed equity securities, outside Hong Kong ^(e)	–	260
Managed funds – listed debt securities, outside Hong Kong ^{(b) (f)}	6,359	6,668
	16,103	8,227

- (a) At 31 December, liquid funds and other listed investments totalling HK\$16,103 million (2021: HK\$8,227 million) are denominated in the following currencies:

	2022		2021	
	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage
HK dollar	–	4%	–	9%
US dollar	60%	39%	56%	83%
Other currencies	40%	57%	44%	8%
	100%	100%	100%	100%

See note 41(a) for further analysis.

20 Liquid funds and other listed investments (continued)

(b) At 31 December, listed debt securities totalling HK\$6,359 million (2021: HK\$6,668 million) presented above are analysed as follows:

	2022	2021
	Financial assets at FVOCI Percentage	Financial assets at FVOCI Percentage
Credit ratings		
Aaa / AAA	12%	18%
Aa1 / AA+	87%	81%
Other investment grades	1%	1%
	100%	100%
Sectorial		
US Treasury notes	73%	77%
Government and government guaranteed notes	23%	14%
Others	4%	9%
	100%	100%
Weighted average maturity	2.6 years	1.7 years
Weighted average effective yield	1.54%	1.36%

- (c) “Managed funds – cash and cash equivalents” are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was made at the reporting date 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 not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise and measure these investments at fair values through other comprehensive income. As at 31 December 2022, the Group has collar agreements with banks to hedge fair value of certain of these listed equity securities. The balances of the listed equity securities, outside Hong Kong at 31 December 2022 includes HK\$216 million fair values of these collar agreements. The Group considered this FVOCI category to be an 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 2022 and 31 December 2021 were rated at Aaa / AAA or Aa1 / AA+. These assets are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was required at the reporting date in respect of these assets.

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21 Other non-current assets

	2022 HK\$ million	2021 HK\$ million
Investment properties (see note 22)	408	408
Customer acquisition and retention costs ^(a)	3,660	3,775
Contract assets (see note 24(b))	2,095	2,746
Unlisted investments		
Financial assets at FVOCI – equity securities ^(b)	2,451	2,506
Financial assets at fair value through profit or loss – equity securities	417	2,648
Financial assets at fair value through profit or loss – debt securities	555	165
Pension assets (see note 30)	1,311	1,032
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	84	42
Cross currency interest rate swaps	132	118
Other contracts	3,081	52
Net investment hedges		
Cross currency swaps	1,164	441
Other derivative financial instruments	–	37
Lease receivables ^(c)	542	232
	15,900	14,202

- (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 costs shown above is after deducting the amortisation charged to the current year's consolidated income statement of HK\$3,464 million (2021: HK\$3,800 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) These equity securities are not investments held for trading purpose. The Group made an irrevocable election at initial recognition to recognise and measure these investments at fair value through other comprehensive income. The Group considered this FVOCI category to be an appropriate classification. Fair value for these investments are determined by using valuation techniques, including discounted cashflow analysis.
- (c) Lease receivables are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was made at the reporting date in respect of lease receivables. 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 consolidated statement of financial position.

	2022 HK\$ million	2021 HK\$ million
Valuation		
At 1 January	408	396
Increase in fair value of investment properties	–	12
At 31 December	408	408

At 31 December 2022, investment properties amounting to HK\$408 million (2021: HK\$408 million) were measured at fair value based on value inputs, other than quoted prices, that were observable either directly or indirectly. The fair values of the investment properties at 31 December 2022 and 2021 were determined based on a valuation carried out by Cushman & Wakefield Limited, professional valuers. The valuation which reflected the highest and best use was arrived at by reference to comparable market transactions and also took 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.

At 31 December 2022 and 2021, the Group’s aggregate future minimum lease receivable under non-cancellable operating leases is not material.

23 Cash and cash equivalents

	2022 HK\$ million	2021 HK\$ million
Cash at bank and in hand	27,769	35,004
Short term bank deposits	110,316	118,129
	138,085	153,133

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. As a result, insignificant amount of provision for credit loss was made at the reporting date in respect of these assets.

See note 41(a) for further analysis.

Notes to the Financial Statements

24 Trade receivables and other current assets

	2022 HK\$ million	2021 HK\$ million
Trade receivables ^(a)	18,650	20,494
Less: loss allowance provision	(3,705)	(3,797)
	14,945	16,697
Other current assets		
Derivative financial instruments		
Fair value hedges – Interest rate swaps	–	4
Cash flow hedges		
Interest rate swaps	153	–
Cross currency interest rate swaps	622	57
Forward foreign exchange contracts	1	2
Other contracts	167	719
Net investment hedges		
Cross currency interest rate swaps	112	–
Forward foreign exchange contracts	44	555
Cross currency swaps	9	213
Contract assets ^(b)	4,219	4,853
Prepayments	22,978	19,415
Other receivables ^(c)	13,433	15,123
Current tax receivables	128	93
	56,811	57,731

- (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 5% of the Group's revenue for the year ended 31 December 2022 (2021: less than 6%).

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

	2022 HK\$ million	2021 HK\$ million
Less than 31 days	10,609	12,927
Within 31 to 60 days	1,704	1,931
Within 61 to 180 days	1,681	1,559
Over 180 days	4,656	4,077
	18,650	20,494

24 Trade receivables and other current assets (continued)

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

	2022 HK\$ million	2021 HK\$ million
At 1 January	3,797	2,639
Additions	998	1,757
Utilisations	(763)	(459)
Write back	(61)	(20)
Exchange translation differences	(266)	(120)
At 31 December	3,705	3,797

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 ageing bands are set out below.

	2022			2021		
	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	9,169	95	1%	11,880	255	2%
Past due less than 31 days	2,918	82	3%	2,768	155	6%
Past due within 31 to 60 days	782	79	10%	816	124	15%
Past due within 61 to 180 days	1,312	384	29%	1,118	462	41%
Past due over 180 days	4,469	3,065	69%	3,912	2,801	72%
	18,650	3,705		20,494	3,797	

Notes to the Financial Statements

24 Trade receivables and other current assets (continued)

- (b) As at 31 December 2022, contract assets of HK\$4,219 million (2021: HK\$4,853 million) and HK\$2,095 million (2021: HK\$2,746 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\$1,525 million (2021: HK\$1,390 million). The Group measures the loss allowance for its contract assets at an amount equal to the lifetime expected credit losses. Movement on the provision for estimated impairment losses are as follows:

	2022 HK\$ million	2021 HK\$ million
At 1 January	1,390	1,512
Additions	921	1,056
Utilisations	(643)	(1,033)
Write back	(55)	(87)
Exchange translation differences	(88)	(58)
At 31 December	1,525	1,390

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 assets' 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) Other receivables are considered to be of low credit risk. As a result, insignificant amount of provision for credit loss was made at the reporting date in respect of other receivables.

25 Assets and liabilities classified as held for sale

	2022 HK\$ million	2021 HK\$ million
Assets classified as held for sale		
Disposal group held for sale	6,096	–
Liabilities directly associated with assets classified as held for sale	1,127	–

Subsequent to the reporting date, Wind Tre, a wholly owned subsidiary, and Iliad Italia S.p.A. (“Iliad”) announced in January 2023 the completion of Zefiro Net S.r.l., a 50:50 joint venture whose share capital is equally owned by Wind Tre and Iliad. Both parties will jointly manage their respective mobile phone networks in the less densely populated areas of Italy. Accordingly, the related assets and liabilities to be transferred by Wind Tre into this new joint venture are classified for accounting purposes as held for sale as at 31 December 2022. The major classes of these assets and liabilities and their carrying amounts at 31 December 2022 are as follows:

	2022 HK\$ million	2021 HK\$ million
Assets		
Fixed assets	3,145	–
Right-of-use assets	918	–
Goodwill	2,012	–
Trade receivables	21	–
Assets classified as held for sale	6,096	–
Liabilities		
Lease liabilities	920	–
Provisions	205	–
Other non-current liabilities	2	–
Liabilities directly associated with assets classified as held for sale	1,127	–
Net assets directly associated with disposal group	4,969	–

	2022 HK\$ million	2021 HK\$ million
Cumulative amounts included in other comprehensive income:		
Exchange reserve deficit	(324)	–
Reserves of disposal group classified as held for sale	(324)	–

Disposal group held for sale is presented within total assets and total liabilities of “Telecommunications: CK Hutchison Group Telecom – 3 Group Europe” segment in note 5(b)(vi), 5(b)(vii) respectively and total assets of “Europe” in note 5(b)(xii).

Notes to the Financial Statements

26 Bank and other debts

	2022			2021		
	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	40,697	53,806	94,503	36,309	63,006	99,315
Other loans	4	225	229	4	247	251
Notes and bonds	29,505	159,370	188,875	30,030	195,485	225,515
	70,206	213,401	283,607	66,343	258,738	325,081
Unamortised fair value adjustments arising from acquisitions	–	2,623	2,623	180	2,992	3,172
Subtotal before the following items	70,206	216,024	286,230	66,523	261,730	328,253
Unamortised loan facilities fees and premiums or discounts related to debts	(76)	(1,828)	(1,904)	(66)	(2,292)	(2,358)
Adjustments to carrying amounts pursuant to unrealised losses on interest rate swap contracts	–	–	–	(96)	–	(96)
	70,130	214,196	284,326	66,361	259,438	325,799

26 Bank and other debts (continued)

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

	2022			2021		
	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	40,697	53,806	94,503	36,309	63,006	99,315
Other loans	4	225	229	4	247	251
Notes and bonds						
HK\$2,413 million notes, 3-mth HIBOR [^] + 0.32% due 2024	–	2,413	2,413	–	2,413	2,413
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$1,500 million notes, 4.625% due 2022	–	–	–	11,700	–	11,700
US\$1,000 million notes, 2.875% due 2022	–	–	–	7,800	–	7,800
US\$500 million notes, 3.25% due 2022	–	–	–	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, 1.5% due 2026	–	3,900	3,900	–	3,900	3,900
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	–	5,850	5,850
US\$850 million notes, 2.5% due 2031	–	6,630	6,630	–	6,630	6,630
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\$650 million notes, 3.125% due 2041	–	5,070	5,070	–	5,070	5,070
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	–	5,850	5,850
EUR750 million notes, 3.625% due 2022	–	–	–	6,630	–	6,630
EUR1,350 million notes, 1.25% due 2023	11,205	–	11,205	–	11,934	11,934
EUR1,500 million notes, 0.375% due 2023	12,450	–	12,450	–	13,260	13,260
EUR600 million bonds, 1% due 2024	–	4,980	4,980	–	5,304	5,304
EUR1,000 million notes, 0.875% due 2024	–	8,300	8,300	–	8,840	8,840
EUR750 million notes, 1.25% due 2025	–	6,225	6,225	–	6,630	6,630
EUR1,000 million notes, 0.75% due 2026	–	8,300	8,300	–	8,840	8,840
EUR650 million notes, 2% due 2028	–	5,395	5,395	–	5,746	5,746
EUR1,000 million notes, 1.125% due 2028	–	8,300	8,300	–	8,840	8,840
EUR500 million notes, 0.75% due 2029	–	4,150	4,150	–	4,420	4,420
EUR500 million notes, 2% due 2030	–	4,150	4,150	–	4,420	4,420
EUR750 million notes, 1.5% due 2031	–	6,225	6,225	–	6,630	6,630
EUR500 million notes, 1% due 2033	–	4,150	4,150	–	4,420	4,420
GBP303 million notes, 5.625% due 2026	–	2,866	2,866	–	3,147	3,147
GBP500 million notes, 2% due 2027	–	4,730	4,730	–	5,195	5,195
GBP300 million notes, 2.625% due 2034	–	2,837	2,837	–	3,117	3,117
JPY15,000 million notes, 2.6% due 2027	–	886	886	–	1,016	1,016
	29,505	159,370	188,875	30,030	195,485	225,515
	70,206	213,401	283,607	66,343	258,738	325,081

[^] HIBOR represents the Hong Kong Interbank Offered Rate

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

	2022			2021		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Bank loans						
Within a year	40,697	-	40,697	36,309	-	36,309
After 1 year, but within 2 years	-	13,007	13,007	-	41,824	41,824
After 2 years, but within 5 years	-	40,799	40,799	-	21,182	21,182
	40,697	53,806	94,503	36,309	63,006	99,315
Other loans						
Within a year	4	-	4	4	-	4
After 1 year, but within 2 years	-	156	156	-	4	4
After 2 years, but within 5 years	-	10	10	-	178	178
After 5 years	-	59	59	-	65	65
	4	225	229	4	247	251
Notes and bonds						
Within a year	29,505	-	29,505	30,030	-	30,030
After 1 year, but within 2 years	-	33,243	33,243	-	31,044	31,044
After 2 years, but within 5 years	-	43,617	43,617	-	60,524	60,524
After 5 years	-	82,510	82,510	-	103,917	103,917
	29,505	159,370	188,875	30,030	195,485	225,515
	70,206	213,401	283,607	66,343	258,738	325,081

(b) By secured and unsecured borrowings

	2022			2021		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Secured borrowings	1	1,524	1,525	1,442	3	1,445
Unsecured borrowings	70,205	211,877	282,082	64,901	258,735	323,636
	70,206	213,401	283,607	66,343	258,738	325,081

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

	2022			2021		
	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	29,509	157,183	186,692	30,043	193,320	223,363
Borrowings at floating rate	40,697	56,218	96,915	36,300	65,418	101,718
	70,206	213,401	283,607	66,343	258,738	325,081

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

	2022			2021		
	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	47,449	160,603	208,052	26,935	214,110	241,045
Borrowings at floating rate	22,757	52,798	75,555	39,408	44,628	84,036
	70,206	213,401	283,607	66,343	258,738	325,081

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 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 2022, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$11,220 million and HK\$10,140 million respectively (2021: HK\$13,002 million and HK\$10,140 million respectively) (See note 41(i)(ii)).

At 31 December 2021, the Group had also 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. The notional amount of the outstanding interest rate swap agreements amounted to HK\$5,460 million (See note 41(i)(i)).

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

	2022			2021		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollar	9%	40%	49%	12%	37%	49%
Euro	12%	23%	35%	2%	32%	34%
HK dollar	1%	1%	2%	1%	2%	3%
British Pound	1%	4%	5%	–	5%	5%
Other currencies	2%	7%	9%	5%	4%	9%
	25%	75%	100%	20%	80%	100%

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

	2022			2021		
	Current portion Percentage	Non-current portion Percentage	Total Percentage	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollar	4%	39%	43%	10%	31%	41%
Euro	17%	25%	42%	5%	37%	42%
HK dollar	1%	1%	2%	1%	2%	3%
British Pound	1%	3%	4%	–	5%	5%
Other currencies	2%	7%	9%	5%	4%	9%
	25%	75%	100%	21%	79%	100%

As at 31 December 2022, the Group had currency swap agreements with banks to swap US dollar principal amount of borrowings equivalent to HK\$15,990 million (2021: HK\$23,790 million) and British Pound principal amount of borrowings equivalent to HK\$4,730 million (2021: nil) (see note 41(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. For information, the Hong Kong dollar equivalent amount of HK\$15,990 million (2021: HK\$23,790 million) mentioned in the preceding sentence includes the Hong Kong dollar equivalent amount of HK\$10,140 million (2021: HK\$10,140 million) disclosed under item (d) above.

27 Trade payables and other current liabilities

	2022 HK\$ million	2021 HK\$ million
Trade payables ^(a)	21,356	23,382
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	–	77
Forward foreign exchange contracts	2	–
Other contracts	151	–
Net investment hedges		
Forward foreign exchange contracts	891	68
Cross currency swaps	–	17
Other derivative financial instruments	795	14
Interest free loans from non-controlling shareholders	472	427
Contract liabilities	6,027	6,933
Obligations for telecommunications licences and other rights	680	4,526
Provisions (see note 28)	1,341	2,710
Expenses and other accruals	35,995	40,636
Other payables	21,419	17,775
	89,129	96,565

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

	2022 HK\$ million	2021 HK\$ million
Less than 31 days	13,566	14,172
Within 31 to 60 days	2,912	2,956
Within 61 to 90 days	1,427	1,605
Over 90 days	3,451	4,649
	21,356	23,382

(b) The Group's five largest suppliers accounted for less than 17% of the Group's cost of purchases for the year ended 31 December 2022 (2021: less than 16%).

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 2021	23,513	92	2,163	1,402	27,170
Additions	–	57	115	273	445
Interest accretion	–	–	65	–	65
Utilisations	(1,339)	(8)	(92)	(210)	(1,649)
Write back	–	(25)	–	(72)	(97)
Relating to subsidiaries disposed (see note 34(d))	–	–	(441)	(19)	(460)
Exchange translation differences	(502)	(6)	(85)	(92)	(685)
At 31 December 2021 and 1 January 2022	21,672	110	1,725	1,282	24,789
Additions	–	43	1	305	349
Interest accretion	–	–	10	–	10
Utilisations	(656)	(10)	(90)	(162)	(918)
Write back	–	(59)	–	(78)	(137)
Relating to subsidiaries disposed (see note 34(d))	(2,175)	–	(13)	–	(2,188)
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	–	–	(205)	–	(205)
Exchange translation differences	(364)	(4)	(156)	(58)	(582)
At 31 December 2022	18,477	80	1,272	1,289	21,118

Provisions are analysed as:

	2022 HK\$ million	2021 HK\$ million
Current portion (see note 27)	1,341	2,710
Non-current portion (see note 31)	19,777	22,079
	21,118	24,789

The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value. The provision for closure obligations represents the estimated 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

	2022 HK\$ million	2021 HK\$ million
Interest bearing loans from non-controlling shareholders	2,567	759

At 31 December 2022, these loans bear interest at rates at EURIBOR+2.0% and Stockholm Interbank Offered Rate +0.7% (2021: EURIBOR+2.0%) per annum. The carrying amounts of the borrowings approximate their fair values.

30 Pension plans

	2022 HK\$ million	2021 HK\$ million
Defined benefit assets (see note 21)	1,311	1,032
Defined benefit liabilities	2,730	3,466
Net defined benefit liabilities	1,419	2,434

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:

	2022	2021
Discount rates	3.2% – 4.8%	0.2% – 2.0%
Future salary increases	2.3% – 3.5%	1.7% – 3.5%
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:

	2022 HK\$ million	2021 HK\$ million
Present value of defined benefit obligations	15,163	23,686
Fair value of plan assets	13,750	21,255
	1,413	2,431
Restrictions on assets recognised	6	3
Net defined benefit liabilities	1,419	2,434

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 2022	23,686	(21,255)	3	2,434
Net charge (credit) to the consolidated income statement				
Current service cost	561	18	–	579
Past service cost and gains and losses on settlements	8	–	–	8
Interest cost (income)	358	(326)	–	32
	927	(308)	–	619
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in financial assumptions	(6,700)	–	–	(6,700)
Actuarial loss arising from experience adjustment	32	–	–	32
Return on plan assets excluding interest income	–	6,047	–	6,047
Change in asset ceiling	–	–	3	3
Exchange translation differences	(1,933)	1,750	–	(183)
	(8,601)	7,797	3	(801)
Contributions paid by the employer	–	(711)	–	(711)
Contributions paid by the employee	103	(103)	–	–
Benefits paid	(783)	783	–	–
Relating to subsidiaries disposed (see note 34(d))	(119)	3	–	(116)
Transfer from (to) other liabilities	(50)	44	–	(6)
At 31 December 2022	15,163	(13,750)	6	1,419

30 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows (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 2021	24,502	(20,859)	3	3,646
Net charge (credit) to the consolidated income statement				
Current service cost	612	17	–	629
Past service cost and gains and losses on settlements	57	–	–	57
Interest cost (income)	241	(194)	–	47
	910	(177)	–	733
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	58	–	–	58
Actuarial gain arising from change in financial assumptions	(124)	–	–	(124)
Actuarial gain arising from experience adjustment	(127)	–	–	(127)
Return on plan assets excluding interest income	–	(814)	–	(814)
Exchange translation differences	(769)	607	–	(162)
	(962)	(207)	–	(1,169)
Contributions paid by the employer	–	(741)	–	(741)
Contributions paid by the employee	108	(108)	–	–
Benefits paid	(859)	859	–	–
Relating to subsidiaries acquired (see note 34(c))	66	(101)	–	(35)
Transfer from (to) other liabilities	(79)	79	–	–
At 31 December 2021	23,686	(21,255)	3	2,434

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 1 January 2022 reported a funding level of 164% 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 4% per annum, salary increases of 3.5% 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 Stewart Chan, 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 2022, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$21 million (2021: HK\$22 million) were used to reduce the current year's level of contributions and HK\$1 million forfeited contribution was available at 31 December 2022 (2021: HK\$1 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 GBP8.5 million in 2020, GBP9.0 million in 2021 and GBP9.5 million in 2022 and will make further aggregate additional contributions of GBP15.2 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. The last triennial valuation was undertaken on 31 March 2021. This was an independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2021 which reported a funding level of 91% of the accrued actuarial liabilities on an ongoing basis. A schedule of contributions was agreed with GBP10 million to pay in 2022 and 2023, and GBP0.3 million in 2024 to eliminate the shortfall by February 2024. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.14% to 2.35% per annum and pension increases of 1.74% to 3.64% 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 contributions of GBP10.0 million in 2022 (2021: GBP10.4 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2022 Percentage	2021 Percentage
Equity instruments		
Consumer markets and manufacturing	6%	8%
Energy and utilities	2%	2%
Financial institutions and insurance	4%	6%
Telecommunications and information technology	6%	7%
Units trust and equity instrument funds	4%	5%
Others	8%	9%
	30%	37%
Debt instruments		
US Treasury notes	1%	1%
Government and government guaranteed notes	19%	15%
Financial institutions notes	7%	5%
Others	8%	5%
	35%	26%
Qualifying insurance policies	26%	31%
Other assets	9%	6%
	100%	100%

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

	2022 Percentage	2021 Percentage
Aaa / AAA	7%	8%
Aa1 / AA+	20%	20%
Aa2 / AA	41%	36%
Aa3 / AA-	2%	1%
A1 / A+	3%	3%
A2 / A	4%	3%
Other investment grades	17%	24%
No investment grades	6%	5%
	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\$13,750 million (2021: HK\$21,255 million) includes investments in the Company's shares with a fair value of HK\$11 million (2021: HK\$16 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 2022 is 17 years (2021: 19 years).

The Group expects to make contributions of HK\$1,282 million (2021: HK\$727 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 analysis 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 analysis due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.8% or increase by 3.0% respectively (2021: decrease by 3.2% or increase by 3.5% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.8% or decrease by 0.5% respectively (2021: increase by 0.6% or decrease by 0.6% 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 consolidated statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,420 million (2021: HK\$1,430 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$15 million (2021: HK\$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2022 (2021: nil) to reduce future years' contributions.

31 Other non-current liabilities

	2022 HK\$ million	2021 HK\$ million
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	–	133
Cross currency interest rate swaps	–	399
Net investment hedges		
Cross currency swaps	314	31
Other derivative financial instruments	–	105
Obligations for telecommunications licences and other rights	3,309	7,032
Other non-current liabilities	6,333	5,873
Liabilities relating to the economic benefits agreements ^(a)	2,166	2,166
Provisions (see note 28)	19,777	22,079
	31,899	37,818

- (a) In October 2018, the Group completed the divesture 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.

Notes to the Financial Statements

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 1 January 2021	3,856,240,500	3,856	244,377	248,233
Cancellation of issued shares ⁽ⁱ⁾	(21,606,000)	(22)	(1,208)	(1,230)
At 31 December 2021 and 1 January 2022	3,834,634,500	3,834	243,169	247,003
Cancellation of issued shares ⁽ⁱ⁾	(100,000)	–	(5)	(5)
Cancellation of issued shares ⁽ⁱⁱ⁾	(4,490,000)	(4)	(192)	(196)
At 31 December 2022	3,830,044,500	3,830	242,972	246,802

- (i) During the year ended 31 December 2021, the Company acquired a total of 21,706,000 of its own ordinary shares through purchases on the Stock Exchange. Of these 21,706,000 shares, 21,606,000 shares were cancelled before the reporting date of 31 December 2021 and 100,000 shares were cancelled subsequent to the reporting date on 18 January 2022. The total amount paid to acquire these 21,706,000 shares was approximately HK\$1,239 million, of which approximately HK\$22 million and HK\$1,208 million have been deducted from share capital and share premium respectively, and the remaining balance of HK\$9 million has been charged to retained profit. Upon the cancellation of the 100,000 shares on 18 January 2022, HK\$5 million have been deducted from share premium with a corresponding credit to retained profit.
- (ii) During the year ended 31 December 2022, the Company acquired a total of 4,490,000 of its own ordinary shares through purchases on the Stock Exchange. The purchased shares were cancelled before the reporting date of 31 December 2022. The total amount paid to acquire these shares was approximately HK\$197 million, of which approximately HK\$4 million and HK\$192 million have been deducted from share capital and share premium respectively, and the remaining balance of HK\$1 million has been charged to retained profit.

(b) Perpetual capital securities

	2022 HK\$ million	2021 HK\$ million
US\$1,000 million issued in 2017	–	7,842
EUR500 million issued in 2018	4,561	4,572
	4,561	12,414

In May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amounts 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.

In May 2022, the Group had redeemed US\$1,000 million (approximately HK\$7,800 million) nominal amount of the perpetual capital securities that were originally issued in May 2017 for US\$1,000 million (approximately HK\$7,800 million).

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

(c) Capital management

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

At 31 December 2022, total equity amounted to HK\$647,309 million (2021: HK\$644,255 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$132,042 million (2021: HK\$166,893 million). The Group's net debt to net total capital ratio decreased to 16.9% from 20.5% 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:

	2022	2021
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	16.9%	20.5%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	18.4%	21.8%
B1 – including interest-bearing loans from non-controlling shareholders as debt	17.2%	20.6%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	18.8%	21.9%

- (i) Net debt is defined in 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.

Notes to the Financial Statements

33 Reserves

	2022				
	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 2022	631,181	(20,925)	(1,378)	(342,729)	266,149
Profit for the year	36,680	–	–	–	36,680
Other comprehensive income (losses) ^(c)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(1,493)	(1,493)
Debt securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(369)	(369)
Valuation losses previously in reserves recognised in income statement	–	–	–	2	2
Remeasurement of defined benefit obligations recognised directly in reserves	569	–	–	–	569
Gains on cash flow hedges recognised directly in reserves	–	–	2,127	–	2,127
Gains on net investment hedges recognised directly in reserves	–	3,380	–	–	3,380
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(14,538)	–	–	(14,538)
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint venture disposed during the year recognised in income statement	–	2,035	55	–	2,090
Share of other comprehensive income (losses) of associated companies	(38)	(3,981)	1,539	(96)	(2,576)
Share of other comprehensive income (losses) of joint ventures	(385)	(6,174)	2,998	(17)	(3,578)
Tax relating to components of other comprehensive income (losses)	(209)	–	(9)	–	(218)
Other comprehensive income (losses), net of tax	(63)	(19,278)	6,710	(1,973)	(14,604)
Impact of hyperinflation	(23)	–	–	–	(23)
Transfer of gains on disposal of equity securities at FVOCI to retained profit	17	–	–	(17)	–
Transactions with owners in their capacity as owners:					
Dividends paid relating to 2021	(7,132)	–	–	–	(7,132)
Dividends paid relating to 2022	(3,221)	–	–	–	(3,221)
Buy-back and cancellation of issued shares (see note 32(a)(ii))	4	–	–	–	4
Relating to purchase of non-controlling interests ^(b)	–	–	–	(1,133)	(1,133)
Relating to partial disposal of subsidiary companies	–	–	–	(9)	(9)
At 31 December 2022	657,443	(40,203)	5,332	(345,861)	276,711

33 Reserves (continued)

	2021				
	Attributable to ordinary shareholders				Total HK\$ million
	Retained profit HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2021	604,451	(12,162)	(3,321)	(342,905)	246,063
Profit for the year	33,484	–	–	–	33,484
Other comprehensive income (losses) ^(c)					
Equity securities at FVOCI					
Valuation gains recognised directly in reserves	–	–	–	266	266
Debt securities at FVOCI					
Valuation losses recognised directly in reserves	–	–	–	(60)	(60)
Valuation gains previously in reserves recognised in income statement	–	–	–	(7)	(7)
Remeasurement of defined benefit obligations recognised directly in reserves	845	–	–	–	845
Gains on cash flow hedges recognised directly in reserves	–	–	954	–	954
Gains on net investment hedges recognised directly in reserves	–	1,337	–	–	1,337
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(9,603)	–	–	(9,603)
Losses (gains) previously in exchange and other reserves related to subsidiaries and associated companies disposed during the year recognised in income statement	–	2,941	(25)	(3)	2,913
Share of other comprehensive income (losses) of associated companies	634	(1,397)	654	24	(85)
Share of other comprehensive income (losses) of joint ventures	1,274	(2,041)	366	21	(380)
Tax relating to components of other comprehensive income (losses)	56	–	(6)	–	50
Other comprehensive income (losses), net of tax	2,809	(8,763)	1,943	241	(3,770)
Impact of hyperinflation	5	–	–	–	5
Transfer of gains on disposal of equity securities at FVOCI to retained profit	65	–	–	(65)	–
Transactions with owners in their capacity as owners:					
Dividends paid relating to 2020	(6,555)	–	–	–	(6,555)
Dividends paid relating to 2021	(3,072)	–	–	–	(3,072)
Transaction costs in relation to equity contribution from non-controlling interests	(24)	–	–	–	(24)
Buy-back and cancellation of issued shares (see note 32(a)(i))	(9)	–	–	–	(9)
Unclaimed dividends write back of a subsidiary	27	–	–	–	27
At 31 December 2021	631,181	(20,925)	(1,378)	(342,729)	266,149

34 Notes to the 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

	2022 HK\$ million	2021 HK\$ million
Profit after tax	43,659	40,472
Less: share of profits less losses of		
Associated companies	(11,822)	(5,718)
Joint ventures	(7,422)	(6,393)
	24,415	28,361
Adjustments for:		
Current tax charge	5,435	4,029
Deferred tax charge (credit)	2,839	(1,799)
Interest expenses and other finance costs	9,052	10,608
Depreciation and amortisation	39,788	45,256
EBITDA of Company and subsidiaries ^(a)	81,529	86,455
Dividends received from associated companies and joint ventures	12,783	11,102
Impairment loss against goodwill and other assets on telecommunications business in Sri Lanka (see note 7(c))	1,000	–
Impairment loss against goodwill on telecommunications business in Italy (see note 7(c))	11,039	15,472
Foreign exchange reclassification adjustment (see note 7(d))	–	3,514
Loss on disposal of fixed assets	196	51
Gains on disposals of unlisted investments (see note 7)	(515)	–
Gains on disposals of interests in associated companies and joint ventures (see note 7)	(947)	(751)
Losses (gains) on disposal of subsidiaries (see note 7(g))		
European telecommunications tower assets	(19,060)	(25,316)
Indonesia telecommunications businesses	(7,245)	–
Other businesses	37	–
Customer acquisition and retention costs capitalised in the year	(3,586)	(3,725)
Other non-cash items	(1,334)	(869)
	73,897	85,933

Notes to the Financial Statements

34 Notes to the 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:

	2022 HK\$ million	2021 HK\$ million
EBITDA of Company and subsidiaries	81,529	86,455
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	11,822	5,718
Joint ventures	7,422	6,393
Adjustments for:		
Depreciation and amortisation	24,355	21,853
Interest expenses and other finance costs	9,346	8,233
Current tax charge	3,983	3,600
Deferred tax charge	3,923	3,731
Non-controlling interests	608	654
	61,459	50,182
EBITDA (see note 5(b)(ii))	142,988	136,637

(b) Changes in working capital

	2022 HK\$ million	2021 HK\$ million
Increase in inventories	(1,401)	(46)
Increase in trade receivables and other current assets	(493)	(5,736)
Decrease in trade payables and other current liabilities	(2,581)	(11,485)
Other non-cash items	(105)	(1,813)
	(4,580)	(19,080)

34 Notes to the 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:

	2022 HK\$ million	2021 HK\$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	–	461
Non-cash consideration	–	358
	–	819
Fair value		
Fixed assets	–	789
Right-of-use assets	–	494
Brand names and other rights	–	12
Pension assets	–	35
Cash and cash equivalents	–	323
Trade receivables and other current assets	–	474
Inventories	–	27
Trade payables and other current liabilities and current tax liabilities	–	(628)
Bank and other debts	–	(997)
Lease liabilities	–	(252)
Interest bearing loans from non-controlling shareholders	–	(17)
Deferred tax liabilities	–	(76)
Net identifiable assets acquired	–	184
Non-controlling interests	–	12
	–	196
Goodwill	–	623
Total consideration	–	819
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	–	461
Cash and cash equivalents acquired	–	(323)
Total net cash outflow	–	138

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 2021, the acquisition related cost and the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the year since the respective date of acquisition are not material.

Notes to the Financial Statements

34 Notes to the consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2022 HK\$ million	2021 HK\$ million
Equity securities received	24,089	–
Net cash consideration	14,077	38,425
Carrying amount of net assets (excluding cash and cash equivalents) disposed	(10,015)	(13,696)
Cumulative exchange gain (loss) in respect of the net assets of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(1,883)	587
Gains on disposal	26,268	25,316
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	18,607	38,425
Less: Cash and cash equivalents disposed	(1,511)	–
Sub-total ⁽ⁱ⁾	17,096	38,425
Cash and cash equivalents paid ⁽ⁱⁱ⁾	(3,019)	–
Net cash consideration	14,077	38,425
Analysis of assets and liabilities over which control was lost		
Fixed assets	12,252	4,832
Right-of-use assets	9,564	4,238
Telecommunications licences	3,836	–
Goodwill	1,119	7,681
Brand names and other rights	–	333
Deferred tax assets	266	58
Trade receivables and other current assets	2,252	446
Inventories	78	–
Assets classified as held for sale	–	1,241
Trade payables and other current liabilities and current tax liabilities	(4,089)	–
Bank and other debts	(356)	–
Lease liabilities	(10,315)	(4,389)
Deferred tax liabilities	(233)	–
Pension obligations	(116)	–
Other non-current liabilities	(4,243)	(460)
Liabilities directly associated with assets classified as held for sale	–	(284)
Net assets (excluding cash and cash equivalents) disposed	10,015	13,696
Cash and cash equivalents disposed	1,511	–
Net assets disposed	11,526	13,696

Disposal of subsidiary companies for the year ended 31 December 2022 mainly related to the disposal of the Group's former subsidiary H3I and the disposal of interests in tower assets in the UK (see note 5(b)(xvi) and 5(b)(xvii)). For comparative year ended 31 December 2021, amount mainly related to the disposal of interests in tower assets in Sweden and Italy (see note 5(b)(xvi)). The gains on disposals for both years were recognised in the consolidated income statement and were included in the line item titled "Other income and gains". See note 7(g).

Saved as disclosed for the effect arising from the gains 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 2022 and 2021.

- (i) Presented as "Proceeds from disposal of subsidiary companies, net of cash disposed" in the consolidated statement of cash flows.
- (ii) Included in "Purchase of and advances to associated companies and joint ventures" in the consolidated statement of cash flows.

34 Notes to the 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
1 January 2021	349,071	94,265	798	380	2,166	446,680
Financing cash flows						
New borrowings	70,901	–	–	–	–	70,901
Repayment of borrowings	(83,546)	–	–	–	–	(83,546)
Principal elements of lease payments (see note 13(c))	–	(17,407)	–	–	–	(17,407)
Net loans from non-controlling shareholders	–	–	–	47	–	47
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to debts (see note 8)	329	–	–	–	–	329
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 41(h))	(104)	–	–	–	–	(104)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 8(a))	(709)	–	–	–	–	(709)
Increase in lease liabilities from entering into new leases (see note 13(a))	–	11,223	–	–	–	11,223
Interest on lease liabilities (see note 8)	–	3,577	–	–	–	3,577
Interest element of lease liabilities paid (included in "Net cash from operating activities")	–	(3,536)	–	–	–	(3,536)
Remeasurement / write off of lease liabilities						
Rental concessions (see note 7)	–	(497)	–	–	–	(497)
Others	–	5,808	–	–	–	5,808
Relating to subsidiaries acquired (see note 34(c))	997	252	17	–	–	1,266
Relating to subsidiaries disposed (see note 34(d))	–	(4,389)	–	–	–	(4,389)
Exchange translation differences	(11,140)	(4,217)	(56)	–	–	(15,413)
At 31 December 2021 and 1 January 2022	325,799	85,079	759	427	2,166	414,230
Financing cash flows						
New borrowings	37,147	–	–	–	–	37,147
Repayment of borrowings	(68,063)	–	–	–	–	(68,063)
Principal elements of lease payments (see note 13(c))	–	(14,307)	–	–	–	(14,307)
Net loans from non-controlling shareholders	–	–	2,073	45	–	2,118
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to debts (see note 8)	243	–	–	–	–	243
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 41(h))	(4)	–	–	–	–	(4)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 8(a))	(420)	–	–	–	–	(420)
Increase in lease liabilities from entering into new leases (see note 13(a))	–	6,528	–	–	–	6,528
Interest on lease liabilities (see note 8)	–	2,270	–	–	–	2,270
Interest element of lease liabilities paid (included in "Net cash from operating activities")	–	(2,071)	–	–	–	(2,071)
Remeasurement / write off of lease liabilities						
Rental concessions (see note 7)	–	(188)	–	–	–	(188)
Others	–	4,182	–	–	–	4,182
Relating to subsidiaries disposed (see note 34(d))	(356)	(10,315)	–	–	–	(10,671)
Transfer to liabilities directly associated with assets classified as held for sale (see note 25)	–	(920)	–	–	–	(920)
Exchange translation differences	(10,020)	(4,199)	(265)	–	–	(14,484)
At 31 December 2022	284,326	66,059	2,567	472	2,166	355,590

Notes to the Financial Statements

35 Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2022 and 31 December 2021. Certain of the Company's 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 2022, assets of the Group totalling HK\$1,442 million (2021: HK\$1,440 million) were pledged as security for bank and other debts.

37 Contingent liabilities and guarantees

At 31 December 2022, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$4,856 million (2021: HK\$5,058 million).

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

	2022 HK\$ million	2021 HK\$ million
To associated companies	3,527	3,367
To joint ventures	1,096	1,235

At 31 December 2022, the Group had provided performance and other guarantees of HK\$5,033 million (2021: HK\$8,353 million).

38 Commitments

The Group's outstanding commitments contracted for at 31 December 2022, where material, not provided for in the consolidated financial statements at 31 December 2022 are as follows:

Capital commitments

- (a) Ports and Related Services: HK\$582 million (2021: HK\$157 million)
- (b) 3 Group Europe: HK\$183 million (2021: HK\$423 million)
- (c) Telecommunications, Hong Kong and Asia: HK\$308 million (2021: HK\$1,088 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 2022, 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.

41 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\$154,188 million at 31 December 2022 (2021: HK\$161,360 million). The decrease was mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings, redemption of perpetual capital securities, capital expenditure and investment spending, partly offset by proceeds received from tower sales, cash arising from positive funds from operations from the Group's businesses and cash from new borrowings. Liquid assets were denominated as to 15% in HK dollar, 55% in US dollar, 3% in Renminbi, 14% in Euro, 7% in British Pound and 6% in other currencies (2021: 18% were denominated in HK dollar, 60% in US dollar, 4% in Renminbi, 9% in Euro, 4% in British Pound and 5% in other currencies).

Cash and cash equivalents represented 90% (2021: 95%) of the liquid assets, US Treasury notes and other listed debt securities 4% (2021: 4%) and listed equity securities 6% (2021: 1%). The US Treasury notes and other listed debt securities, including those held under managed funds, consisted of US Treasury notes of 73% (2021: 77%), government and government guaranteed notes of 23% (2021: 14%), and others of 4% (2021: 9%). Of these US Treasury notes and listed debt securities, 99% (2021: 99%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.6 years (2021: 1.7 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Notes to the Financial Statements

41 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 2022, approximately 34% (2021: approximately 31%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 66% (2021: approximately 69%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$21,360 million (2021: HK\$23,142 million) principal amount of floating interest rate borrowings that were used to finance long term investments to fixed interest rate borrowings. For the year ended December 2021, the Group further swap approximately HK\$5,460 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% (2021: approximately 26%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% (2021: approximately 74%) were at fixed rates at 31 December 2022. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

For subsidiaries, associated companies, joint arrangements, branches and other investments (the activities of which are based or conducted in non-HK dollar or non-US dollar), the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For businesses (the activities of which are based or conducted in non-HK dollar or non-US dollar) 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 flows 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 foreign operations, except in relation to certain infrastructure investments. At 31 December 2022, the Group had cross currency interest rate swaps, foreign exchange forward contracts and cross currency swaps with banks to hedge these investments. The total notional amount of the net investment hedges amounted to HK\$53,725 million (2021: HK\$52,103 million).

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

As at 31 December 2022, the Group's total principal amount of bank and other debts are denominated as follows: 49% in US dollar, 35% in Euro, 2% in HK dollar, 5% in British Pound and 9% in other currencies (2021: 49% in US dollar, 34% in Euro, 3% in HK dollar, 5% in British Pound and 9% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$15,990 million (2021: HK\$23,790 million) and British Pound principal amount of borrowings equivalent to HK\$4,730 million (2021: nil) 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: 43% in US dollar, 42% in Euro, 2% in HK dollar, 4% in British Pound and 9% in other currencies (2021: 41% in US dollar, 42% in Euro, 3% in HK dollar, 5% in British Pound and 9% in other currencies).

41 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 10% (2021: 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 analysis

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 the 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 is before the related tax effect and the related amount attributable to non-controlling interests, and 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 that 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 analysis 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 analysis 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.

Notes to the Financial Statements

41 Financial risk management (continued)

(f) Market risks sensitivity analysis (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 the consolidated 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 (2021: 100 basis points) increase in market interest rate at 31 December 2022, with all other variables held constant:

- profit for the year would increase by HK\$656 million due to the increase in interest income (2021: HK\$671 million);
- total equity would increase by HK\$656 million due to the increase in interest income (2021: HK\$671 million); and
- total equity would increase by HK\$85 million due to the change in fair value of derivative financial instruments (2021: HK\$596 million).

41 Financial risk management *(continued)*

(f) Market risks sensitivity analysis *(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 the consolidated 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:

Notes to the Financial Statements

41 Financial risk management (continued)

(f) Market risks sensitivity analysis (continued)

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

	2022		2021	
	Hypothetical increase (decrease) in profit for the year HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million	Hypothetical increase (decrease) in profit for the year HK\$ million	Hypothetical increase (decrease) in total equity HK\$ million
Euro	60	(356)	39	(421)
British Pound	356	(807)	105	(1,207)
Australian dollar	33	(371)	40	(435)
Renminbi	63	63	75	75
US dollar	2,921	2,921	2,240	2,251
Japanese Yen	(89)	(89)	(102)	(102)

(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)

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

- no impact to profit for the year (2021: nil), and consequently no impact to total equity for the year (2021: nil); and
- other comprehensive income would increase by HK\$803 million (2021: HK\$409 million) due to the increase in gains on financial assets at FVOCI, and consequently, total equity would increase by the same amount for both years.

41 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 2022						
Trade payables	21,356	-	-	21,356	-	21,356
Expenses and other accruals	35,995	-	-	35,995	-	35,995
Other payables	21,419	-	-	21,419	-	21,419
Interest free loans from non-controlling shareholders	472	-	-	472	-	472
Lease liabilities	13,063	30,683	39,922	83,668	(17,609)	66,059
Bank loans	40,697	53,806	-	94,503	(235)	94,268
Other loans	4	166	59	229	-	229
Notes and bonds	29,505	76,860	82,510	188,875	954	189,829
Interest bearing loans from non-controlling shareholders	743	1,824	-	2,567	-	2,567
Obligations for telecommunications licences and other rights	682	1,585	2,128	4,395	(406)	3,989
Liabilities relating to the economic benefits agreements	-	2,166	-	2,166	-	2,166
Amounts due to associated companies	569	-	-	569	-	569
Amounts due to joint ventures	319	-	-	319	-	319
	164,824	167,090	124,619	456,533	(17,296)	439,237

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$7,129 million in "within 1 year" maturity band, HK\$16,905 million in "after 1 year, but within 5 years" maturity band, and HK\$17,046 million in "after 5 years" maturity band. These estimates are calculated assuming the effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in the aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Notes to the Financial Statements

41 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 2022				
Cash flow hedges				
Forward foreign exchange contracts				
Net outflow	(2)	–	–	(2)
Other contracts				
Outflow	(151)	–	–	(151)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	22,223	–	–	22,223
Outflow	(23,187)	–	–	(23,187)
Cross currency swaps				
Inflow	48	3,494	–	3,542
Outflow	–	(3,735)	–	(3,735)
Other derivative financial instruments				
Net outflow	(821)	–	–	(821)

41 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 2021						
Trade payables	23,382	–	–	23,382	–	23,382
Expenses and other accruals	40,636	–	–	40,636	–	40,636
Other payables	17,775	–	–	17,775	–	17,775
Interest free loans from non-controlling shareholders	427	–	–	427	–	427
Lease liabilities	17,688	42,075	51,213	110,976	(25,897)	85,079
Bank loans	36,309	63,006	–	99,315	(349)	98,966
Other loans	4	182	65	251	–	251
Notes and bonds	30,030	91,568	103,917	225,515	1,067	226,582
Interest bearing loans from non-controlling shareholders	759	–	–	759	–	759
Obligations for telecommunications licences and other rights	4,587	4,818	3,824	13,229	(1,671)	11,558
Liabilities relating to the economic benefits agreements	–	2,166	–	2,166	–	2,166
Amounts due to associated companies	567	–	–	567	–	567
Amounts due to joint ventures	381	–	–	381	–	381
	172,545	203,815	159,019	535,379	(26,850)	508,529

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$5,618 million in “within 1 year” maturity band, HK\$15,968 million in “after 1 year, but within 5 years” maturity band, and HK\$20,428 million in “after 5 years” maturity band. These estimates are calculated assuming the effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in the aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Notes to the Financial Statements

41 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 2021				
Cash flow hedges				
Interest rate swaps				
Net outflow	(97)	(163)	–	(260)
Cross currency interest rate swaps				
Net outflow	–	(418)	–	(418)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	9,222	–	–	9,222
Outflow	(9,369)	–	–	(9,369)
Cross currency swaps				
Inflow	1,522	674	–	2,196
Outflow	(1,526)	(701)	–	(2,227)
Other derivative financial instruments				
Net outflow	(108)	(53)	(3)	(164)

41 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 consolidated income statement:

	2022 HK\$ million	2021 HK\$ million
Dividends from equity securities at FVOCI – related to investments held at the end of the reporting period	119	87
Interest from debt securities at FVOCI	94	101
Interest from assets held at amortised cost	2,017	658
Fair value losses on equity securities at fair value through profit or loss (“FVPL”)	(6)	(329)
Fair value gains (losses) on debt securities at FVPL	(15)	52
Net impairment expense recognised on trade receivables	(937)	(1,737)
Losses arising on derivatives in a designated fair value hedge	(4)	(104)
Gains arising on adjustment for hedged items in a designated fair value hedge	4	104

(i) Hedge accounting

- (i) Fair value hedges

2022				
Hedging instruments	Number of hedged shares in million	Carrying amount of the hedging instrument HK\$ million	Change in value used for calculating hedge ineffectiveness HK\$ million	Line item in the statement of financial position in which the hedging instrument is included
Collar agreements	32.4	216	216	Liquid funds and other listed investments

2022				
Hedged items	Carrying amount of the hedged item HK\$ million	Change in value used for calculating hedge ineffectiveness HK\$ million	Line item in the statement of financial position in which the hedged item is included	
Listed equity securities, outside Hong Kong	8,317	(1,409)	Liquid funds and other listed investments	

Notes to the Financial Statements

41 Financial risk management (continued)

(i) Hedge accounting (continued)

(i) Fair value hedges (continued)

		2021							
				Carrying amount of derivatives included in					
		Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency	Notional Amount	Other current assets	Other non- current assets	Other current liabilities	Other non- current liabilities
Hedging instruments		Percentage	Percentage	million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Interest rate swap									
– receive fixed and pay floating maturing in									
2022		4.63%	5.28%	US\$700	5,460	4	–	–	–
					5,460	4	–	–	–
		2021							
Hedged items				Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	
				HK\$ million		HK\$ million			
USD Fixed rate debts				5,444		4		Bank and other debts	

41 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

2022								
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								
2023	2.95%	0.94%	US\$ 1,000	7,800	153	-	-	-
2025	3.81%	3.58%	AUD 509	2,682	-	64	-	-
2025	5.43%	5.13%	NZD 150	738	-	20	-	-
				11,220	153	84	-	-
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2023	2.37%	0.05%	US\$ 1,300	10,140	277	-	-	-
– receive fixed and pay fixed maturing in								
2023	2.75%	0.03%	US\$ 750	5,850	345	-	-	-
2027	2.00%	0.05%	GBP 500	4,730	-	132	-	-
				20,720	622	132	-	-

2022							
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							
2023	0.94	EUR 85	709	1	-	-	-
2023	1.01	US\$ 4	35	-	-	(2)	-
			744	1	-	(2)	-

2022			
Hedged items	Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in 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
Foreign exchange risk	(1,107)	(886)	-

Notes to the Financial Statements

41 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges (continued)

2021								
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	0.67%	2.47%	GBP 150	1,558	–	–	(75)	–
2022	1.68%	1.96%	NZD 150	794	–	–	(2)	–
2023	0.74%	0.94%	US\$ 1,000	7,800	–	42	–	–
2025	0.85%	3.58%	AUD 509	2,850	–	–	–	(133)
				13,002	–	42	(77)	(133)
Cross currency interest rate swaps								
– receive floating and pay fixed maturing in								
2023	0.62%	0.05%	US\$ 1,300	10,140	–	–	–	(399)
– receive fixed and pay fixed maturing in								
2022 – 2023	2.82%	0.01%	US\$ 1,750	13,650	57	118	–	–
				23,790	57	118	–	(399)
2021								
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								
2022	0.95	US\$13	101	2	–	–	–	–
2021								
Hedged items	Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in 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					
			Change in value used for calculating hedge ineffectiveness HK\$ million	Surplus (deficit) in reserve for continuing hedges HK\$ million				
Interest rate risk	(267)	136	–	–				
Foreign exchange risk	(2,220)	221	–	–				

Notes to the Financial Statements

41 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges (continued)

2021							
	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							
2022	6.10	CAD 277	1,688	4	–	(5)	–
2022	5.60	AUD 159	892	20	–	–	–
2022	5.29	NZD 280	1,481	59	–	–	–
2022	10.68	GBP 2,487	25,845	425	–	(63)	–
2022	8.84	EUR 65	574	47	–	–	–
			30,480	555	–	(68)	–
Cross currency swaps maturing in							
2022 – 2027	9.23	EUR 965	8,531	199	266	–	–
2022 – 2025	6.10	CAD 847	5,169	14	22	(17)	(31)
2027	5.86	AUD 1,415	7,923	–	153	–	–
			21,623	213	441	(17)	(31)
2021							
				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			(1,750)	(4,370)		(716)	

41 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 *	2022		2021	
			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	40	40	41	41
Listed equity securities, Hong Kong	20	FVOCI	608	608	701	701
Listed equity securities, outside Hong Kong	20	FVOCI	8,880	8,880	557	557
Fair value hedges - Collar agreements	20	Fair value - hedges	216	216	-	-
Listed equity securities (included in Managed funds)	20	FVOCI	-	-	260	260
Listed debt securities (included in Managed funds)	20	FVOCI	6,359	6,359	6,668	6,668
Unlisted investments						
Unlisted equity securities	21	FVOCI	2,451	2,451	2,506	2,506
Unlisted equity securities	21	FVPL	417	417	2,648	2,648
Unlisted debt securities	21	FVPL	555	555	165	165
Derivative financial instruments						
Fair value hedges - Interest rate swaps	24	Fair value - hedges	-	-	4	4
Cash flow hedges						
Interest rate swaps	21 & 24	Fair value - hedges	237	237	42	42
Cross currency interest rate swaps	21 & 24	Fair value - hedges	754	754	175	175
Forward foreign exchange contracts	24	Fair value - hedges	1	1	2	2
Other contracts	21 & 24	Fair value - hedges	3,248	3,248	771	771
Net investment hedges						
Cross currency interest rate swaps	24	Fair value - hedges	112	112	-	-
Forward foreign exchange contracts	24	Fair value - hedges	44	44	555	555
Cross currency swaps	21 & 24	Fair value - hedges	1,173	1,173	654	654
Other derivative financial instruments	21	FVPL	-	-	37	37
Lease receivables	21	Amortised cost	542	542	232	232
Cash and cash equivalents	23	Amortised cost	138,085	138,085	153,133	153,133
Trade receivables	24	Amortised cost	14,945	14,945	16,697	16,697
Other receivables	24	Amortised cost	13,433	13,433	15,123	15,123
Amounts due from associated companies	17	Amortised cost	3,542	3,542	3,734	3,734
Amounts due from joint ventures	18	Amortised cost	29,792	29,792	37,616	37,616
			225,434	225,434	242,321	242,321

Notes to the Financial Statements

41 Financial risk management (continued)

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

	Note	Classification under HKFRS 9 *	2022		2021	
			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	284,326	265,418	325,799	336,283
Trade payables	27	Amortised cost	21,356	21,356	23,382	23,382
Derivative financial instruments						
Cash flow hedges						
Interest rate swaps	27 & 31	Fair value - hedges	–	–	210	210
Cross currency interest rate swaps	31	Fair value - hedges	–	–	399	399
Forward foreign exchange contracts	27	Fair value - hedges	2	2	–	–
Other contracts	27	Fair value - hedges	151	151	–	–
Net investment hedges						
Forward foreign exchange contracts	27	Fair value - hedges	891	891	68	68
Cross currency swaps	27 & 31	Fair value - hedges	314	314	48	48
Other derivative financial instruments	27 & 31	FVPL	795	795	119	119
Interest free loans from non-controlling shareholders	27	Amortised cost	472	472	427	427
Expenses and other accruals	27	Amortised cost	35,995	35,995	40,636	40,636
Other payables	27	Amortised cost	21,419	21,419	17,775	17,775
Lease liabilities	13	Amortised cost	66,059	66,059	85,079	85,079
Interest bearing loans from non-controlling shareholders	29	Amortised cost	2,567	2,567	759	759
Obligations for telecommunications licences and other rights	27 & 31	Amortised cost	3,989	3,989	11,558	11,558
Liabilities relating to the economic benefits agreements	31	Amortised cost	2,166	2,166	2,166	2,166
Amounts due to associated companies	17	Amortised cost	569	569	567	567
Amounts due to joint ventures	18	Amortised cost	319	319	381	381
			441,390	422,482	509,373	519,857

* see note 47(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.

41 Financial risk management (continued)

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

	2022		2021	
	Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Representing:				
Financial assets measured at				
Amortised cost	200,379	200,379	226,576	226,576
FVOCI	18,298	18,298	10,692	10,692
FVPL	972	972	2,850	2,850
Fair value - hedges	5,785	5,785	2,203	2,203
	225,434	225,434	242,321	242,321
Financial liabilities measured at				
Amortised cost	439,237	420,329	508,529	519,013
FVPL	795	795	119	119
Fair value - hedges	1,358	1,358	725	725
	441,390	422,482	509,373	519,857

(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).

Notes to the Financial Statements

41 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	2022				2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	20	608	-	-	608	701	-	-	701
Listed equity securities, outside Hong Kong	20	8,880	-	-	8,880	557	-	-	557
Fair value hedges - Collar agreement	20	-	-	216	216	-	-	-	-
Listed equity securities (included in Managed funds)	20	-	-	-	-	260	-	-	260
Listed debt securities (included in Managed funds)	20	6,359	-	-	6,359	6,668	-	-	6,668
Unlisted investments									
Unlisted equity securities - FVOCI	21	-	-	2,451	2,451	-	-	2,506	2,506
Unlisted equity securities - FVPL	21	-	46	371	417	-	2,262	386	2,648
Unlisted debt securities	21	-	-	555	555	-	-	165	165
Derivative financial instruments									
Fair value hedges - Interest rate swaps									
Cash flow hedges									
Interest rate swaps	21 & 24	-	237	-	237	-	42	-	42
Cross currency interest rate swaps	21 & 24	-	754	-	754	-	175	-	175
Forward foreign exchange contracts	24	-	1	-	1	-	2	-	2
Other contracts	21 & 24	-	3,248	-	3,248	-	771	-	771
Net investment hedges									
Cross currency interest rate swaps	24	-	112	-	112	-	-	-	-
Forward foreign exchange contracts	24	-	44	-	44	-	555	-	555
Cross currency swaps	21 & 24	-	1,173	-	1,173	-	654	-	654
Other derivative financial instruments	21	-	-	-	-	-	37	-	37
		15,847	5,615	3,593	25,055	8,186	4,502	3,057	15,745
Financial liabilities									
Derivative financial instruments									
Cash flow hedges									
Interest rate swaps	27 & 31	-	-	-	-	-	210	-	210
Cross currency interest rate swaps	31	-	-	-	-	-	399	-	399
Forward foreign exchange contracts	27	-	2	-	2	-	-	-	-
Other contracts	27	-	151	-	151	-	-	-	-
Net investment hedges									
Forward foreign exchange contracts	27	-	891	-	891	-	68	-	68
Cross currency swaps	27 & 31	-	314	-	314	-	48	-	48
Other derivative financial instruments	27 & 31	-	795	-	795	-	119	-	119
		-	2,153	-	2,153	-	844	-	844

41 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 2022 and 2021, there were no transfer between the Level 1 and Level 2 fair value measurements, and no transfer 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:

	2022 HK\$ million	2021 HK\$ million
At 1 January	3,057	3,003
Total gains (losses) recognised in		
Income statement	(21)	(329)
Other comprehensive income	44	97
Additions	561	325
Disposals	–	(14)
Exchange translation differences	(48)	(25)
At 31 December	3,593	3,057
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	(21)	(329)

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.

Notes to the Financial Statements

41 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 41(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 2022				
Bank and other debts	167,251	98,167	–	265,418
At 31 December 2021				
Bank and other debts	233,152	103,131	–	336,283

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.

41 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 2022						
Financial assets						
Trade receivables	314	(314)	-	-	-	-
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	42	-	42	(42)	-	-
Cross currency swaps	168	-	168	(168)	-	-
Other receivables and prepayments	11	(11)	-	-	-	-
	535	(325)	210	(210)	-	-
Financial liabilities						
Trade payables	(941)	314	(627)	-	-	(627)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(543)	-	(543)	42	-	(501)
Cross currency swaps	(314)	-	(314)	168	-	(146)
Other payables and accruals	(97)	11	(86)	-	-	(86)
	(1,895)	325	(1,570)	210	-	(1,360)
At 31 December 2021						
Financial assets						
Trade receivables	46	(30)	16	(7)	-	9
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	422	-	422	(68)	-	354
Cross currency swaps	27	-	27	(31)	-	(4)
Other receivables and prepayments	496	(24)	472	-	-	472
	991	(54)	937	(106)	-	831
Financial liabilities						
Trade payables	(502)	30	(472)	-	-	(472)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(68)	-	(68)	68	-	-
Cross currency swaps	(31)	-	(31)	31	-	-
Other payables and accruals	(31)	24	(7)	7	-	-
	(632)	54	(578)	106	-	(472)

Notes to the Financial Statements

42 Statement of financial position of the Company, as at 31 December 2022

	2022 HK\$ million	2021 HK\$ million
Non-current assets		
Subsidiary companies - Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	15,575	13,139
Other receivables	1	11
Cash	8	2
Current liabilities		
Other payables and accruals	101	97
Net current assets	15,483	13,055
Net assets	370,647	368,219
Capital and reserves		
Share capital (see note 32(a))	3,830	3,834
Share premium (see note 32(a))	242,972	243,169
Reserves - Retained profit ^(c)	123,845	121,216
Shareholders' funds	370,647	368,219

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

42 Statement of financial position of the Company, as at 31 December 2022 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 263 to 266.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves – Retained profit

	HK\$ million
At 1 January 2021	117,934
Profit for the year	12,918
Buy-back and cancellation of issued shares (see note 32(a)(i))	(9)
Dividends paid relating to 2020	(6,555)
Dividends paid relating to 2021	(3,072)
At 31 December 2021	121,216
Profit for the year	12,978
Buy-back and cancellation of issued shares (see note 32(a)(ii))	4
Dividends paid relating to 2021	(7,132)
Dividends paid relating to 2022	(3,221)
At 31 December 2022	123,845

- (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\$12,978 million (2021: HK\$12,918 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2022, the Company's share premium and retained profit amounted to HK\$242,972 million (2021: HK\$243,169 million) and HK\$123,845 million (2021: HK\$121,216 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

43 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.

44 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 2022, 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.

45 Rounding of amounts

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

Notes to the Financial Statements

46 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, which are described in note 47, 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 judgements and assumptions are based on historical factors that are considered to be relevant and reasonable under the circumstance. Although our current estimates experience and other contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual achievements, results, performance or other future events or conditions could differ from those on which the estimates are based. 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 if the Group has control, joint control or significant influence 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.

46 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 47(c), 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 consolidated 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.

Notes to the Financial Statements

46 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(i) Impairment of goodwill and long-lived assets

Goodwill and intangible assets that have an indefinite useful life (including telecommunication licences and brand names) are not subject to amortisation and are tested for impairment annually and when there is an indication that the asset may be impaired. Other assets 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, if any, of the impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In assessing whether these assets have suffered any impairment, the carrying value of the asset or its respective business unit, including the goodwill, 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 Enterprise value/EBITDA, Enterprise value/Sales, Price/Earnings) 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 discounted cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgement 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 models will be used to estimate the present value of the estimated future cash flows expected to be generated from the operations and from the ultimate disposal of the investment. The cash flows used in the financial projections (discounted cash flow models) 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 estimates and assumptions 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. Significant estimates and assumptions inherent in the discounted cash flow models include the amount and timing of future cash flows attributable to the respective business unit. Other key estimates and 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 judgements, estimates and assumptions described above could change in future periods. Further, unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. Changes to the judgements, estimates and assumptions can significantly affect the carrying amount of the asset in future periods.

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

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

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

Investments accounted for using equity method are subject to impairment testing requirements. The requirements to test for impairment are applied to the net investment in the equity accounted investee. Fair value adjustments and goodwill recognised on acquisitions of equity-accounted investees are not recognised separately. Goodwill recognised on acquisitions of an equity-accounted investee is not subject to annual impairment test. Instead, after applying equity accounting method, the net investment is tested for impairment when there is an indication of possible impairment. The guidance in HKAS 28 “Investments in Associates and Joint Ventures” is used to determine whether it is necessary to perform an impairment test for investments in equity-accounted investees. If there is an indication of impairment, then the impairment test applied follows the principles in HKAS 36 “Impairment of Assets”.

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 Enterprise value/EBITDA, Enterprise value/Sales, Price/Earnings) 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 discounted cash flow projections (Level 3 of the HKFRS 13 fair value hierarchy). The selection of comparable companies requires management judgement 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 in an equity-accounted investee, discounted cash flow models will be used to estimate (i) the Group’s share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and from the ultimate disposal of the investment; or (ii) the present value of the estimated future cash flows to the Group expected to arise from dividends to be received from the investment and from its ultimate disposal.

Significant estimates and assumptions inherent in the discounted cash flow models include the amount and timing of future cash flows attributable to the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture, the present value of the estimated future cash flows to the Group expected to arise from dividends to be received from the investment and the ultimate disposal of the investment. Other key estimates and assumptions, where applicable, include estimates of the investee’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, where applicable, dividend yield, and the estimated terminal value assumptions.

It is reasonably possible that the judgements, estimates and assumptions described above could change in future periods. Further, unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions. Changes to the judgements, estimates and assumptions can significantly affect the carrying amount of the investment in future periods.

Notes to the Financial Statements

46 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 consolidated 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.

46 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

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.

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 consolidated 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 an 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 consolidated income statement.

Notes to the Financial Statements

46 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

- (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 consolidated 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 consolidated income statement.

47 Significant accounting policies

In the current year, the Group has adopted the below amendments as well as the annual improvements to HKFRS issued by HKICPA.

(i) Reference to the Conceptual Framework – Amendments to HKFRS 3 “Business Combinations”

The amendments replace a reference to a previous version of the Conceptual Framework for Financial Reporting with a reference to the current version issued in June 2018 without significantly changing its requirements. Minor amendments were made to HKFRS 3 to update the references to the Conceptual Framework and to add an exception for the recognition of liabilities and contingent liabilities within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

(ii) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16 “Property, Plant and Equipment”

The amendments to HKAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

(iii) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”

The amendments to HKAS 37 clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

47 Significant accounting policies *(continued)*

(iv) Annual Improvements to HKFRS Standards 2018–2020

- HKFRS 9 “Financial Instruments” – clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- HKFRS 16 “Leases” – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- HKFRS 1 “First-time Adoption of Hong Kong Financial Reporting Standards” – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same HKFRS 1 exemption.
- HKAS 41 “Agriculture” – removes the requirement in paragraph 22 of HKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of HKAS 41.

The adoption of these amendments as well as annual improvement to HKFRS does not have a material impact on the Group’s 2022 financial statements. 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 2021 Annual Financial Statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting year and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

These new accounting standards and interpretations are effective for annual periods beginning after 1 January 2022 and include:

- 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.
- Amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:
 - right-of-use assets and lease liabilities, and
 - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

Notes to the Financial Statements

47 Significant accounting policies *(continued)*

New standards and interpretations not yet adopted (continued)

- Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements require companies to disclose their material rather than their significant accounting policies. The amendments define what is “material accounting policy information” and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.
- Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
- Amendments to HKFRS 16 Leases (Lease Liability in a Sale and Leaseback) provide a requirement for the seller-lessee to determine “lease payments” or “revised lease payments” in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right-of-use retained by the seller-lessee.
- Amendments to HKAS 1 Presentation of Financial Statements (Non-current Liabilities with Covenants) clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. The amendments also introduce additional disclosure requirements. When an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period.

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.

Set out below is a summary of the 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 periods presented, unless otherwise stated.

(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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

47 Significant accounting policies (continued)

(b) Associated companies and joint arrangements

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.

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 associated companies and 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.

Under the equity method, an investment in an associated company or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associated company or joint venture. When the Group's share of losses of an associated company or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company or joint venture.

An investment in an associated company or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

(c) 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.

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Financial Statements

47 Significant accounting policies (continued)

(c) Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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 (see above), based on new information obtained about the facts and circumstances that existed as of the acquisition date.

(d) Goodwill

Goodwill is initially recognised and measured as set out in note 47(c) Business combinations.

Goodwill is not amortised but is subject to impairment test annually and when there is an indication that the carrying value may not be recoverable. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (but does not include any attributable goodwill previously eliminated against reserves).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described in note 47(b) above.

(e) 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.

47 Significant accounting policies (continued)

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

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

(f) Fixed assets

Fixed assets other than freehold lands, are stated at cost less depreciation and any impairment loss. Freehold lands included in land and buildings are not depreciated. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached.

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

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 1/3 - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 20%
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.

(g) 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.

Notes to the Financial Statements

47 Significant accounting policies (continued)

(g) Leases (continued)

(i) Group as a lessee (continued)

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).

(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.

(h) 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 consolidated statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the consolidated income statement.

47 Significant accounting policies (continued)

(i) Leasehold land

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

(j) 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 an indication that they may be impaired.

(k) 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 consolidated 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.

(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.

Notes to the Financial Statements

47 Significant accounting policies (continued)

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

“Liquid funds and other listed investments” are investments in listed debt securities, listed equity securities and cash and cash equivalents.

“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.

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, unlisted investments, and other current assets within Trade receivables and other current assets) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

47 Significant accounting policies *(continued)*

(o) Derivative financial instruments and hedging activities

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

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

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

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

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 41(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 except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in other comprehensive income. 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 (if applicable) 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.

Notes to the Financial Statements

47 Significant accounting policies (continued)

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

Cash flow hedges

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

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

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

Hedge of net investments in foreign operations

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

(p) 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.

(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) 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 receivables and contract assets are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate, less allowance for expected credit losses.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses.

47 Significant accounting policies *(continued)*

(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 consolidated income statement in the period in which they are incurred.

(t) Trade and other payables, and contract liabilities

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

Contract liability is recognised in the amount of the prepayment from customers for the Group's performance obligation to transfer, or to stand ready to transfer, goods or services in future. The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

(u) Customer loyalty credits

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

(v) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs. Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the ordinary shareholders.

(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 an 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 of disposal and value-in-use. Such impairment loss is recognised in the consolidated 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.

Notes to the Financial Statements

47 Significant accounting policies (continued)

(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 consolidated 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 consolidated 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 consolidated income statement within staff costs.

(z) Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2022 and 31 December 2021 but certain of the Company's 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 dollar using the year end rates of exchange for the consolidated 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.

47 Significant accounting policies (continued)

(aa) Foreign exchange (continued)

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 1,115 in December 2022 (2021: 582) 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 dollar. 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 consolidated income statement.

(ab) Revenue recognition

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

Ports and Related Services

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

Retail

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

Notes to the Financial Statements

47 Significant accounting policies (continued)

(ab) 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 consolidated 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 consolidated 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.

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.

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.