CK Hutchison Group Telecom Finance S.A.

CK HUTCHISON GROUP TELECOM FINANCE S.A.
(*incorporated with limited liability under the laws of the Grand Duchy of Luxembourg*)
7, rue du Marché-aux-Herbes
L-1728 Luxembourg
RCS Luxembourg: B236170
(the "Issuer")

€1,500,000,000 0.375% Guaranteed Notes due 2023
(ISIN XS2056572154/Common Code 205657215)

€1,000,000,000 0.750% Guaranteed Notes due 2026
(ISIN XS2057069093/Common Code 205706909)

€1,000,000,000 1.125% Guaranteed Notes due 2028
(ISIN XS2057069762/Common Code 205706976)

€750,000,000 1.500% Guaranteed Notes due 2031
(ISIN XS2057070182/Common Code 205707018)

£500,000,000 2.000% Guaranteed Notes due 2027
(ISIN XS2057072121/Common Code 205707212)

and

£300,000,000 2.625% Guaranteed Notes due 2034
(ISIN XS2057072477/Common Code 205707247)

in each case
unconditionally and irrevocably guaranteed by

CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED
(*incorporated in the Cayman Islands with limited liability*)
(the "Guarantor")

In accordance with Regulation (EU) No. 596/2014 on market abuse and the law of 11 January 2008 on transparency requirements, as amended, the Issuer is filing with the *Commission de Surveillance du Secteur Financier* and storing with the Officially Appointed Mechanism the attached results for the year ended 31 December 2019 of the Guarantor.

CK Hutchison Group Telecom Finance S.A.

Edith Shih
Director

19 March 2020

CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Highlights

	Post-IFRS 16 [1] Basis					
	2019 HK$ million	2018 [2] HK$ million	Local currencies change	Reported currency change	**2019 [3] EUR million**	2018 [3] EUR million
Total Revenue [4]	**93,517**	86,733	+12%	+8%	**10,786**	10,004
Total EBITDA [4]	**42,417**	30,357	+44%	+40%	**4,892**	3,501
Total EBIT [4]	**21,987**	18,409	+24%	+19%	**2,536**	2,123
Profit attributable to ordinary shareholders [5]	**15,128**	15,169	+3%	–	**1,745**	1,750

	Pre-IFRS 16 [1] Basis					
	2019 HK$ million	2018 [2] HK$ million	Local currencies change	Reported currency change	**2019 [3] EUR million**	2018 [3] EUR million
Total Revenue [4]	**93,517**	86,733	+12%	+8%	**10,786**	10,004
Total EBITDA [4]	**35,341**	30,357	+21%	+16%	**4,076**	3,501
Total EBIT [4]	**21,131**	18,409	+19%	+15%	**2,437**	2,123
Profit attributable to ordinary shareholders [5]	**15,327**	15,169	+4%	+1%	**1,768**	1,750

Note 1: Following the adoption of International Financial Reporting Standard 16 "Leases" ("IFRS 16") on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior year results, and better reflects management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended 31 December 2019. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Refer to Note 1 in the Financial Statements for the basis of preparation and presentation.

Note 3: The translation into EUR (or "€") of the results for the years ended 31 December 2019 and 2018 is for convenience only and has been made at the rate of HK$8.67 to EUR1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into EUR at this or any other rate.

Note 4: Total revenue, EBITDA and EBIT include the Group's proportionate share of joint ventures' respective items.

Note 5: Profit attributable to ordinary shareholders for 2018 excluded the one-off re-measurement and other gains of HK$8,600 million from the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre.

CK Hutchison Group Telecom Key Strategies

Operational strategies

CK Hutchison Group Telecom ("CKH Group Telecom", "CKHGT" or the Group) aims to offer its customers the best network quality and coverage. Key operational strategies include:

Network

CK Hutchison Group Telecom focuses on improving its network through data-centric digitisation to optimise service quality, whilst also increasing overall network coverage to expand market share.

- CK Hutchison Group Telecom has completed network transformation and consolidation in Italy in the second half of 2019.

IT platform

CK Hutchison Group Telecom's focus on its IT transformation program encompasses customer relationship management, retail point-of-sales, billing systems and new product catalogues to enhance the customer experience.

- CK Hutchison Group Telecom has completed its IT transformation for certain countries in late 2019 and expects further enhancements in 2020 to provide a leading customer experience that is online, multi-channel and real-time.

5G readiness

CK Hutchison Group Telecom is actively involved in developing and standardising the fifth generation mobile communications standard ("5G"). 5G is anticipated to make it possible to operate fixed and mobile communications networks more efficiently and to improve the quality of critical services.

- Spectrum: CK Hutchison Group Telecom has already obtained sufficient spectrum for 5G in most operations and is 5G-ready in almost all markets in which it operates. Key developments in select markets include:

  Italy – sufficient 5G spectrum with existing 30MHz of 2.6GHz 5G-ready spectrum, together with 20MHz of 3.6-3.8GHz 5G-ready spectrum acquired in 2018. CK Hutchison Group Telecom's network site modernisation project, which was completed in the second half of 2019, will enable a much more expedient upgrade to 5G in anticipation of 5G rollout. In 2020, our network will have the largest 5G handset ready network coverage of all operators.

  UK – only operator to have a 100MHz contiguous block of 5G-ready spectrum in the country and the only operator with available >6GHz frequency spectrum. CK Hutchison Group Telecom will roll out its 5G mobile network in the UK offering all new and existing customers access to 5G with no speed caps and at no extra costs on all contract, SIM only and PAYG mobile plans.

  Denmark – acquired 20MHz of 700MHz and 20MHz of 900MHz spectrum in 2019, in order to complement 5G rollout.

  Austria – acquired 100MHz of 3.5GHz spectrum as part of the 5G licence auction held in 2019 and 5G service launched in 2019, 5G network expansion planned for 2020.

  Ireland – acquired 100MHz of 3.6GHz 5G-ready spectrum as part of the 5G licence auction held in 2017. Ireland will launch 5G services during 2020 including fixed wireless access and a host of connected home and liftstyle products.

- Digitisation of core network: CK Hutchison Group Telecom through digitisation aims to give customers a leading experience that is online, multi-channel and real-time. CK Hutchison Group Telecom has continued to focus on standardisation and automation across operation support systems and core networks, with the introduction of new technologies such as virtualisation, orchestration and network slicing, to ensure the customer journey meets the evolving needs of digital consumers and enterprises. Through its 50% holding in Delta CK, CK Hutchison Group Telecom has established a central digital aggregation platform to deliver value creation and innovation on a global scale, as well as leveraging on partnership ecosystems.

Business strategies

Key business strategies include:

- Increase contract customer base: CK Hutchison Group Telecom continues to target to increase its contract customer base to protect short term volatility, through flexible tariff propositions and handset financing arrangements.
- Expanding revenue streams: CK Hutchison Group Telecom continues to expand its revenue streams to increase margins and drive growth. Key 'other revenue' segments include:

  Fixed-wireless access - in the UK and Ireland, CK Hutchison Group Telecom is focusing on developing revenues from the broadband market and has launched home broadband service in UK in 2019 with Ireland expecting to launch fixed wireless access offerings in 2020. In Denmark, CK Hutchison Group Telecom recently started offering broadband connections to homes via 4G routers and increased its market share of mobile broadband subscriptions.

  Data analytics - in Italy and Austria, CK Hutchison Group Telecom has improved margins through data analytics to reduce churn at a lower cost and more effectively up/cross-sell into the customer base, as well as through better customer lifecycle management.

  Accessories sales - CK Hutchison Group Telecom has started accessories sales through an online sales channel in Sweden, and will revamp its retail footprint in Ireland to showcase its connected products and 5G services.

  Financial services - in Italy, CK Hutchison Group Telecom is expanding the range of insurance products available to its customers.
- Enhancing cost structure: CK Hutchison Group Telecom continues to increase margins by enhancing its cost structures, capturing full cost efficiencies from network and IT transformations, as well as higher than expected level of synergies from Italy operations.

  Wind Tre – following the completion of the acquisition of the remaining 50% interest from Veon, Wind Tre continues to contribute accretive earnings and cash flows. Furthermore, synergy targets have since increased by €50 million (from €490 million to €540 million), as CK Hutchison Group Telecom continues to drive cost synergies to improve margins.

  3 Austria & 3 Ireland – achieved synergy targets post in-market consolidations.

Financial strategies

CK Hutchison Group Telecom has strong EBITDA margins demonstrating its operational efficiency and disciplined cost control. CK Hutchison Group Telecom's financial strategy also ensures that company's balance sheet remains strong. Key financial strategies include:

Prudent financial management and strong financial flexibility: regular and close cash flow monitoring for all operating units, ensuring no major deviations from projections and appropriate rectification or mitigation actions are taken properly. Aims to maintain investment grade rating and CKHH's standard of financial management, discipline and system.

- At the end of 2019, CK Hutchison Group Telecom has a net leverage[1] of less than 1.9x EBITDA.

Stringent capex approval policies consistent with CKHH standards: rigorous process to control capex and investment spending.

Strict dividend policy: strict dividend payouts with net debt to EBITDA threshold to provide an implicit form of parental support to maintain liquidity of all operating units.

Note 1: Net leverage ratio is defined as total cash and cash equivalents less total gross principal amount of bank and other debts to EBITDA ratio.

Management Discussion and Analysis

2019 Results

In July 2019, CK Hutchison Holdings Limited ("CKHH") formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings, which consolidates CKHH's **3** Group Europe and Hutchison Telecommunications Hong Kong Holdings ("HTHKH") under one holding entity (collectively "CKH Group Telecom" or the Group), providing a diversified telecommunication asset platform across eight geographical locations. In August 2019, the investment grade-rated CKH Group Telecom refinanced all external debt of Wind Tre of approximately €10 billion, which is expected to generate significant interest cost savings from 2020 onwards. Total revenue, EBITDA and EBIT of CKH Group Telecom of HK$93,517 million (€10,786 million), HK$35,341 million (€4,076 million) and HK$21,131 million (€2,437 million) respectively were 8%, 16% and 15% higher than 2018 respectively in reported currency, and were 12%, 21% and 19% higher respectively in local currencies, driven by the higher contribution from 3 Group Europe in 2019 and stable performance of HTHKH.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the year ended 31 December 2019 of HK$15,327 million (€1,768 million) was an increase of 1% in reported currency and an increase of 4% in local currencies compared to 2018, primarily reflecting the aforementioned performance improvement and interest cost savings, partly offset by higher tax charges as certain one-off deferred tax credits upon finalisation of tax dispute recognised in 2018 did not recur in 2019.

On a Post-IFRS 16 basis and in reported currency, EBITDA and EBIT increased by 40% and 19% respectively, and profit attributable to ordinary shareholders was flat when compared to 2018.

3 Group Europe

In million	2019 HK$	2018 HK$	Change	Local currencies change
Total Revenue	**87,516**	78,411	+12%	+17%
Total Margin	**60,229**	53,461	+13%	+18%
Total CACs	**(17,257)**	(15,813)	-9%	
Less: Handset revenue	**13,761**	12,282	+12%	
Total CACs (net of handset revenue)	**(3,496)**	(3,531)	+1%	
Operating Expenses	**(23,222)**	(21,169)	-10%	
Opex as a % of total margin	***39%***	*40%*		
EBITDA (3)	**33,511**	28,761	+17%	+21%
EBITDA Margin % (2)	***45%***	*43%*		
Depreciation & Amortisation	**(13,399)**	(11,098)	-21%	
EBIT (3)	**20,112**	17,663	+14%	+18%

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

Note 3: Under Post-IFRS 16 basis, EBITDA was HK$40,126 million (€4,628 million); EBIT was HK$20,952 million (€2,417 million).

3 Group Europe's revenue and total margin of HK$87,516 million (€10,094 million) and HK$60,229 million (€6,947 million) increased 17% and 18% in local currencies respectively when compared to 2018. The growth primarily reflecting the full year impact of the additional 50% share in Wind Tre which reported solid results in the second half of 2019. Wind Tre completed its network consolidation and modernisation in the second half of 2019, and is already benefiting from higher than planned synergy realisations, churn reduction and stabilising ARPU.

3 Group Europe's active customer base stands at 40.6 million as at 31 December 2019, 5% lower against 2018 mainly from a lower Wind Tre base impacted by the aggressive competition in Italy, partly offset by net additions in other operations. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base improved from 1.4% in 2018 to 1.3% for the year.

3 Group Europe's net ARPU and net AMPU decreased by 8% and 7% to €12.94 and €11.04 respectively compared to 2018, primarily due to the increased proportion of Wind Tre customers which have a lower net ARPU and net AMPU, as well as keen competition in all markets and certain EU regulatory adverse impacts on intra-EU calls and SMS chargeable rates.

Total data usage increased 35% compared to last year to approximately 4,054 petabytes in 2019. Data usage per active customer was approximately 102.3 gigabytes per user in 2019 compared to 71.9 gigabytes per user in 2018.

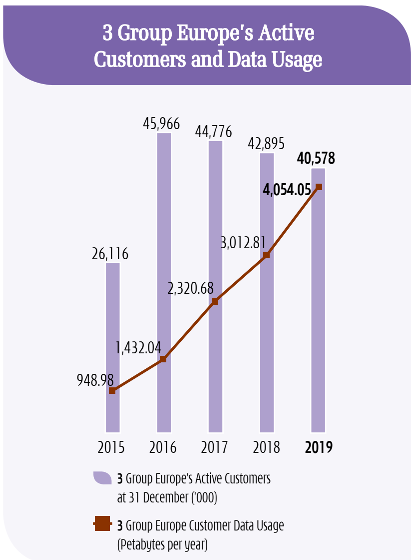
Total CACs, net of handset revenue in contract bundled plans, of HK$3,496 million (€403 million) in 2019 were 1% lower than 2018 from disciplined cost control in most operations to cope with the keen competition, while operating expenses increased 10% to HK$23,222 million (€2,679 million) primarily due to the additional 50% share in Wind Tre.

EBITDA and EBIT of HK$33,511 million (€3,865 million) and HK$20,112 million (€2,320 million) were 21% and 18% higher against 2018 respectively in local currencies, primarily reflecting the full year impact of the additional 50% share in Wind Tre, as well as disciplined spending on customer acquisition costs. 3 Group Europe continued to report a healthy EBITDA margin of 45%, a 2%-point growth compared to 2018. Higher depreciation and amortisation against last year is driven by the enlarged asset base, resulting in lower EBIT growth year on year.

Except for Sweden and Denmark, all the **3** Group Europe operations have sufficient 5G spectrum, with the operation in the UK progressively rolling out 5G in London and 65 other locations starting from 2019, and the operations in Austria and Ireland launching 5G / fixed wireless access offers in 2019 and 2020 respectively.

The structural separation to form a new telecommunication infrastructure company, CK Hutchison Networks, which will group the 28,500 tower asset interests [(4)] of **3** Group Europe into a separately managed wholly-owned subsidiary of CKH Group Telecom, is progressing well and expected to be completed by mid-2020. CK Hutchison Networks will start with an expected tenancy ratio of 1.2x across the six European markets with a projected EBITDA of approximately €300 million on a full year extrapolated basis. Through reorganising the tower and infrastructure asset interests under a specialised management team, CK Hutchison Networks will enable an effective management of these infrastructure-like assets across the European operations and provides optionality for CKH Group Telecom to rationalise and optimise its investment strategies going forward.

Note 4: CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.



CKHGT - Results by operations

In million	UK GBP 2019	UK GBP 2018	Italy [5] EURO 2019 Wind Tre (100%)	Italy [5] EURO 2018 Wind Tre (100%)	Italy [5] EURO 2018 Wind Tre (50%/100%)	Sweden SEK 2019	Sweden SEK 2018	Denmark DKK 2019	Denmark DKK 2018
Total Revenue	**2,384**	2,439	**4,854**	4,926	3,271	**6,757**	7,113	**2,182**	2,186
% change	***-2%***		***-1%***			***-5%***		**–**	
Total margin	**1,441**	1,491	**3,548**	3,654	2,416	**3,909**	4,091	**1,720**	1,700
% change	***-3%***		***-3%***			***-4%***		***+1%***	
TOTAL CACs	**(882)**	(840)	**(464)**	(341)	(227)	**(2,563)**	(2,745)	**(244)**	(285)
Less: Handset Revenue	**680**	675	**382**	195	137	**2,045**	2,198	**100**	120
Total CACs (net of handset revenue)	**(202)**	(165)	**(82)**	(146)	(90)	**(518)**	(547)	**(144)**	(165)
Operating Expenses	**(526)**	(574)	**(1,366)**	(1,500)	(954)	**(1,212)**	(1,263)	**(732)**	(807)
Opex as a % of total margin	***37%***	*38%*	***39%***	*41%*	*39%*	***31%***	*31%*	***43%***	*47%*
EBITDA	**713**	752	**2,100**	2,008	1,372	**2,179**	2,281	**844**	728
% change	***-5%***		***+5%***			***-4%***		***+16%***	
EBITDA margin % [6]	***42%***	*43%*	***47%***	*42%*	*44%*	***46%***	*46%*	***41%***	*35%*
Depreciation & Amortisation	**(334)**	(311)	**(743)**	(729)	(472)	**(962)**	(843)	**(373)**	(318)
EBIT	**379**	441	**1,357**	1,279	900	**1,217**	1,438	**471**	410
% change	***-14%***		***+6%***			***-15%***		***+15%***	
Capex (excluding licence)	**(426)**	(462)	**(1,190)**	(968)		**(1,170)**	(1,254)	**(215)**	(225)
EBITDA less Capex	**287**	290	**910**	1,040		**1,009**	1,027	**629**	503
Licence [7]	**–**	(166)	**–**	(517)		**–**	–	**(485)**	–
HK dollar equivalents of EBITDA and EBIT are summarised as follows:									
EBITDA-pre IFRS 16 basis (HK$)	***7,164***	*7,860*	***18,426***	*18,575*	*12,601*	***1,806***	*2,066*	***990***	*906*
EBITDA-post IFRS 16 basis in 2019 (HK$)	***7,984***	*7,860*	***22,994***	*18,575*	*12,601*	***2,083***	*2,066*	***1,165***	*906*
EBIT-pre IFRS 16 basis (HK$)	***3,815***	*4,594*	***11,914***	*11,812*	*8,246*	***1,008***	*1,305*	***552***	*511*
EBIT-post IFRS 16 basis in 2019 (HK$)	***3,988***	*4,594*	***12,349***	*11,812*	*8,246*	***1,040***	*1,305*	***577***	*511*

In million	Austria EURO 2019	Austria EURO 2018	Ireland EURO 2019	Ireland EURO 2018	3 Group Europe [5] HK$ 2019	3 Group Europe [5] HK$ 2018	HTHKH HK$ 2019	HTHKH HK$ 2018	Corporate and Others HK$ 2019	Corporate and Others HK$ 2018	CKHGT [5] HK$ 2019	CKHGT [5] HK$ 2018	CKHGT [8] EURO 2019	CKHGT [8] EURO 2018
Total Revenue	**867**	881	**603**	591	**87,516**	78,411	**5,582**	7,912	**419**	410	**93,517**	86,733	**10,786**	10,004
% change	***-2%***		***+2%***		***+12%***		***-29%***		***+2%***		***+8%***		***+8%***	
Local currencies growth %					***+17%***						***+12%***			
Total margin	**622**	619	**454**	440	**60,229**	53,461	**3,551**	3,654	**64**	24	**63,844**	57,139	**7,364**	6,590
% change	**–**		***+3%***		***+13%***		***-3%***		***+167%***		***+12%***		***+12%***	
Local currencies growth %					***+18%***						***+16%***			
TOTAL CACs	**(136)**	(141)	**(87)**	(90)	**(17,257)**	(15,813)	**(797)**	(959)	**-**	-	**(18,054)**	(16,772)	**(2,082)**	(1,935)
Less: Handset Revenue	**121**	125	**82**	77	**13,761**	12,282	**472**	667	**-**	-	**14,233**	12,949	**1,641**	1,494
Total CACs (net of handset revenue)	**(15)**	(16)	**(5)**	(13)	**(3,496)**	(3,531)	**(325)**	(292)	**-**	-	**(3,821)**	(3,823)	**(441)**	(441)
Operating Expenses	**(234)**	(228)	**(238)**	(227)	**(23,222)**	(21,169)	**(1,837)**	(1,991)	**377**	201	**(24,682)**	(22,959)	**(2,847)**	(2,648)
Opex as a % of total margin	***38%***	*37%*	***52%***	*52%*	***39%***	*40%*	***52%***	*54%*	***N/A***	*N/A*	***39%***	*40%*	***39%***	*40%*
EBITDA	**373**	375	**211**	200	**33,511**	28,761	**1,389**	1,371	**441**	225	**35,341**	30,357	**4,076**	3,501
% change	***-1%***		***+6%***		***+17%***		***+1%***		***+96%***		***+16%***		***+16%***	
Local currencies growth %					***+21%***						***+21%***			
EBITDA margin % [6]	***50%***	*50%*	***40%***	*39%*	***45%***	*43%*	***27%***	*19%*	***105%***	*55%*	***45%***	*41%*	***45%***	*41%*
Depreciation & Amortisation	**(140)**	(146)	**(122)**	(105)	**(13,399)**	(11,098)	**(808)**	(818)	**(3)**	(32)	**(14,210)**	(11,948)	**(1,639)**	(1,378)
EBIT	**233**	229	**89**	95	**20,112**	17,663	**581**	553	**438**	193	**21,131**	18,409	**2,437**	2,123
% change	***+2%***		***-6%***		***+14%***		***+5%***		***+127%***		***+15%***		***+15%***	
Local currencies growth %					***+18%***						***+19%***			
Capex (excluding licence)	**(129)**	(123)	**(133)**	(118)	**(18,132)**		**(503)**	(513)	**(7)**	(1)	**(18,642)**		**(2,150)**	
EBITDA less Capex	**244**	252	**78**	82	**15,379**		**886**	858	**434**	224	**16,699**		**1,926**	
Licence [7]	**(52)**	–	**(1)**	(1)	**(1,026)**		**(203)**	–	-	-	**(1,229)**		**(142)**	
HK dollar equivalents of EBITDA and EBIT are summarised as follows:														
EBITDA-pre IFRS 16 basis (HK$)	***3,268***	*3,475*	***1,857***	*1,853*	***33,511***	*28,761*	***1,389***	*1,371*	***441***	*225*	***35,341***	*30,357*	***€4,076***	*€3,501*
EBITDA-post IFRS 16 basis in 2019 (HK$)	***3,698***	*3,475*	***2,202***	*1,853*	***40,126***	*28,761*	***1,850***	*1,371*	***441***	*225*	***42,417***	*30,357*	***€4,892***	*€3,501*
EBIT-pre IFRS 16 basis (HK$)	***2,043***	*2,125*	***780***	*882*	***20,112***	*17,663*	***581***	*553*	***438***	*193*	***21,131***	*18,409*	***€2,437***	*€2,123*
EBIT-post IFRS 16 basis in 2019 (HK$)	***2,123***	*2,125*	***875***	*882*	***20,952***	*17,663*	***597***	*553*	***438***	*193*	***21,987***	*18,409*	***€2,536***	*€2,123*

Note 5: CKHGT and **3** Group Europe 2019 includes 100% share of Wind Tre's results, of which fixed line business revenue was €967 million and EBITDA was €320 million, while 2018 included 50% share of Wind Tre's results from January to August 2018 and 100% share from September to December 2018, of which fixed line business revenue was €675 million and EBITDA was €226 million. For comparability purposes in the Italy section above, 100% Wind Tre results in 2018 have also been presented and the % changes are calculated based on the 100% Wind Tre numbers.

Note 6: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 7: 2019 licence cost for Austria represents investment for 10x10 MHz of 3500 MHz spectrum acquired in March 2019, the licence cost for Denmark represents investment for 2x10 MHz of 700 MHz spectrum and 2x10 MHz of 900MHz spectrum acquired in March 2019, and the licence cost for Hong Kong mainly represents investment for 30 MHz of 3300 MHz spectrum acquired in November 2019. 2018 licence cost for UK represents investment for 4x5 MHz of 3400 MHz spectrum acquired in April 2018 and the licence cost for Wind Tre represents investment for 20 MHz of 3600 - 3800 MHz and 200 MHz of 26.5 - 27.5 GHz spectrums in October 2018.

Note 8: The translation of HK$ into Euro is for illustrative purpose only and was made at the rate of HK$8.67 to €1.

	UK 2019	UK 2018	Italy [9] 2019	Italy [9] 2018	Sweden 2019	Sweden 2018	Denmark 2019	Denmark 2018	Austria 2019	Austria 2018	Ireland 2019	Ireland 2018	3 Group Europe 2019	3 Group Europe 2018	HTHKH 2019	HTHKH 2018
Total registered customer base (million)	**13.7**	13.2	**23.8**	27.1	**2.1**	2.0	**1.5**	1.4	**3.7**	3.7	**3.9**	3.6	**48.7**	51.0	**4.3**	3.5
Total active customer base (million)	**10.3**	10.0	**21.5**	24.5	**2.0**	2.0	**1.4**	1.3	**3.0**	2.9	**2.4**	2.2	**40.6**	42.9	**3.7**	3.3
Contract customers as a % of the total registered customer base	**53%**	53%	**44%**	27%	**70%**	75%	**58%**	60%	**71%**	69%	**38%**	38%	**50%**	40%	**35%**	43%
Average monthly churn rate of the total contract registered customer base (%)	**1.3%**	1.2%	**1.5%**	2.0%	**1.6%**	1.8%	**1.8%**	1.9%	**0.2%**	0.2%	**1.0%**	1.1%	**1.3%**	1.4%	**1.2%**	1.3%
Active contract customers as a % of the total contract registered customer base	**98%**	98%	**93%**	92%	**100%**	100%	**100%**	100%	**100%**	100%	**99%**	98%	**96%**	97%	**100%**	100%
Active customers as a % of the total registered customer base	**75%**	76%	**90%**	90%	**97%**	96%	**97%**	97%	**80%**	80%	**60%**	62%	**83%**	84%	**86%**	95%
LTE coverage by population (%)	**94%**	94%	**100%**	97%	**88%**	86%	**100%**	98%	**98%**	98%[10]	**98%**	98%	**–**	–	**90%**	90%
Full year data usage per active customer (Gigabyte)													**102.3**	71.9	**4.9**	3.3

Note 9: Italy KBIs were calculated based on 100% of Wind Tre's figures. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of **3**, the comparative KBIs have not been restated due to limitations of the data tracking system.

Note 10: 2018 LTE coverage by population for Austria is restated to conform with current year presentation.

Key Business Indicators

Registered Customer Base

	Registered Customers at 31 December 2019 ('000)			Registered Customer Growth (%) from 30 June 2019 to 31 December 2019			Registered Customer Growth (%) from 31 December 2018 to 31 December 2019		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	6,428	7,267	**13,695**	+3%	+2%	**+3%**	+3%	+4%	**+3%**
Italy (12)	13,348	10,467	**23,815**	-10%	-3%	**-7%**	-33%	+44%	**-12%**
Sweden	620	1,470	**2,090**	+8%	–	**+2%**	+19%	-3%	**+3%**
Denmark	615	853	**1,468**	+5%	+1%	**+3%**	+12%	+4%	**+7%**
Austria	1,089	2,608	**3,697**	-2%	+2%	**+1%**	-3%	+2%	**+1%**
Ireland	2,431	1,492	**3,923**	+4%	+5%	**+5%**	+9%	+11%	**+10%**
3 Group Europe Total	24,531	24,157	**48,688**	-5%	–	**-2%**	-19%	+18%	**-4%**
HTHKH	2,795	1,475	**4,270**	+24%	-1%	**+14%**	+42%	-2%	**+23%**

Active (11) Customer Base

	Active Customers at 31 December 2019 ('000)			Active Customer Growth (%) from 30 June 2019 to 31 December 2019			Active Customer Growth (%) from 31 December 2018 to 31 December 2019		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	3,146	7,153	**10,299**	-3%	+2%	**+1%**	+1%	+4%	**+3%**
Italy (12)	11,815	9,711	**21,526**	-8%	-3%	**-6%**	-33%	+45%	**-12%**
Sweden	550	1,470	**2,020**	+9%	–	**+2%**	+26%	-3%	**+3%**
Denmark	570	853	**1,423**	+5%	+1%	**+3%**	+12%	+4%	**+7%**
Austria	356	2,603	**2,959**	-3%	+2%	**+1%**	-8%	+2%	**+1%**
Ireland	870	1,481	**2,351**	-1%	+6%	**+3%**	-1%	+12%	**+7%**
3 Group Europe Total	17,307	23,271	**40,578**	-6%	–	**-3%**	-25%	+18%	**-5%**
HTHKH	2,180	1,475	**3,655**	+19%	-1%	**+10%**	+23%	-2%	**+12%**

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

Note 12: Italy's KBIs were calculated based on 100% Wind Tre's figures. In addition to the above, Wind Tre's has 2.7 million fixed line customers. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of **3**, the comparative KBIs have not been restated due to limitations of the data tracking system.

	12-month Trailing Average Revenue per Active User [13] ("ARPU") to 31 December 2019			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2018
United Kingdom	£4.77	£23.73	**£17.79**	-2%
Italy	€9.90	€11.78	**€10.72**	-6%
Sweden	SEK117.54	SEK339.52	**SEK283.22**	-6%
Denmark	DKK88.01	DKK147.95	**DKK124.43**	-3%
Austria	€10.86	€22.05	**€20.62**	-2%
Ireland	€15.16	€21.88	**€19.28**	-4%
3 Group Europe Average [16]	€9.49	€19.72	**€15.19**	-8%
HTHKH	HK$13.66	HK$205.43	**HK$100.17**	-3%

	12-month Trailing Net Average Revenue per Active User [14] ("Net ARPU") to 31 December 2019			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2018
United Kingdom	£4.77	£16.36	**£12.73**	-6%
Italy	€9.90	€11.78	**€10.72**	-6%
Sweden	SEK117.54	SEK213.86	**SEK189.43**	-7%
Denmark	DKK88.01	DKK137.22	**DKK117.91**	-2%
Austria	€10.86	€18.14	**€17.21**	-2%
Ireland	€15.16	€17.35	**€16.51**	-5%
3 Group Europe Average [16]	€9.49	€15.67	**€12.94**	-8%
HTHKH	HK$13.66	HK$176.07	**HK$86.93**	-1%

	12-month Trailing Net Average Margin per Active User [15] ("Net AMPU") to 31 December 2019			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2018
United Kingdom	£4.12	£14.17	**£11.02**	-7%
Italy	€8.13	€10.00	**€8.94**	-4%
Sweden	SEK93.80	SEK181.86	**SEK159.52**	-7%
Denmark	DKK74.70	DKK116.20	**DKK99.91**	–
Austria	€9.51	€16.27	**€15.41**	–
Ireland	€13.83	€15.24	**€14.70**	-4%
3 Group Europe Average [16]	€7.92	€13.53	**€11.04**	-7%
HTHKH	HK$10.80	HK$160.69	**HK$78.42**	-1%

Note 13: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 14: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 15: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

Note 16: **3** Group Europe ARPU, Net ARPU and Net AMPU in 2019 were calculated based on 100% contribution from Wind Tre, whereas 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards.

United Kingdom

EBITDA and EBIT decreased by 5% and 14% in local currency compared to 2018 respectively mainly due to lower margin driven by regulatory reduction in the UK and within EU in 2019, increased annual spectrum licence fee imposed by Ofcom, as well as increased network & IT transformation spend, partly offset by improvements in other margins from MVNOs and various initiatives as well as more stringent operating costs control.

Italy

EBITDA and EBIT in local currency grew by 53% and 51% respectively over 2018, reflecting the full year accretive contribution from the acquisition of the additional 50% share in Wind Tre since September 2018.

On a comparable basis, Wind Tre's EBITDA and EBIT increased 5% and 6% respectively against last year mainly driven by disciplined cost control, further realisation of synergies, and more efficient network through consolidation and modernisation substantially completed in 2019. The decrease in operating expenses more than mitigates the margin shortfall due to intense competition.

Sweden

Sweden, where the Group has a 60% interest, reported 4% and 15% decrease in EBITDA and EBIT in local currency respectively compared to last year, mainly due to lower total margin as VAT reclaim was not recognised from December 2018 onwards. Underlying EBITDA, without the VAT reclaim benefits would be 6% higher than last year primarily driven by higher customer base and lower operating costs from stringent cost control. Underlying EBIT would be 1% higher than last year primarily due to the higher depreciation and amortisation from an enlarged asset base, particularly the ongoing LTE network rollout since 2018.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 16% and 15% growth in EBITDA and EBIT in local currency respectively compared to last year, mainly due to 1% growth in total margin and lower operating costs from good cost controls. The EBITDA growth was partly offset by higher depreciation and amortisation from an enlarged asset base.

Austria

Austria reported a 1% decrease in EBITDA in local currency compared to 2018, mainly due to higher network and IT costs to cope with network capacity expansion. EBIT in local currency was 2% higher from last year primarily due to lower amortisation from capitalised customer value from Orange acquisition being fully amortised at the end of 2018, partly offset by higher depreciation from an enlarged asset base.

Ireland

EBITDA in local currency increased by 6% compared to 2018 driven by improved margin of 3% from a higher customer base, as well as stringent control on total CACs, partly offset by higher operating cost due to inclusion of certain provision releases in 2018 which did not recur in 2019. EBIT in local currency decreased by 6% from last year due to higher depreciation and amortisation from an enlarged asset base. 3 Ireland continued to realise synergies during the year and have substantially achieved the operating expense synergy run rate of €103 million targeted at the time of the acquisition of O_2 Ireland in 2014.

Hutchison Telecommunications Hong Kong Holdings

HTHKH announced Post-IFRS 16 profit attributable to shareholders of HK$429 million (€49 million) and earnings per share of 8.90 HK cents (1.03 EUR cents). HTHKH's revenue of HK$5,582 million (€644 million) was 29% lower than 2018, primarily due to lower hardware revenue from softer demand for new smartphones. On a Pre-IFRS 16 basis, EBITDA[17] was 1% higher as compared to last year mainly due to tight cost controls to improve operational efficiency. In addition to the improved EBITDA performance, lower amortisation of acquisition and retention costs from contract customers resulted in a 5% improvement in EBIT[17].

As of 31 December 2019, HTHKH had approximately 3.7 million active mobile customers in Hong Kong and Macau.

Note 17: Under Post-IFRS 16 basis, EBITDA was HK$1,850 million (€213 million); EBIT was HK$597 million (€69 million).

Capital Expenditure and Licences

	2019				
HK$ million	Fixed assets	Telecommunications licences	Brand names and other rights	Total	EURO million[18] Total
United Kingdom	4,329	–	–	4,329	499
Italy	7,585	–	2,732	10,317	1,190
Sweden	969	–	–	969	112
Denmark	250	568	–	818	94
Austria	1,111	451	3	1,565	181
Ireland	1,153	7	–	1,160	134
Hong Kong	503	203	–	706	81
Corporate and others	4	–	3	7	1
Total	**15,904**	**1,229**	**2,738**	**19,871**	**2,292**

	2018				
HK$ million	Fixed assets	Telecommunications licences	Brand names and other rights	Total	EURO million[18] Total
United Kingdom	4,576	1,750	–	6,326	730
Italy	2,938	4,623	1,314	8,875	1,024
Sweden	1,095	–	–	1,095	126
Denmark	271	–	–	271	31
Austria	1,078	–	27	1,105	128
Ireland	1,032	11	–	1,043	120
Hong Kong	513	–	–	513	59
Corporate and others	–	–	1	1	–
Total	**11,503**	**6,384**	**1,342**	**19,229**	**2,218**

Note 18: The translation of HK$ into Euro is for illustrative purpose only and was made at the rate of HK$8.67 to €1.

The Group's capital expenditure, excluding licences, of HK$18,642 million (€2,150 million) has increased HK$5,797 million (€668 million), primarily due to the full year capex of the Italian operation being included in the Group's results in 2019. Other operations' capex spending remained stable with cautious spending on networks, and a continuation of IT and network modernisation during the year. Network consolidation in Italy has completed with over 99% of the traffic is now on the consolidated 4G network covering over 99% of the population. Capex, excluding licences, as a percentage of total revenue was 20% in 2019, reflecting the intensive rollout schedule in Italy and the IT transformation project in the UK.

Majority of the Group's 5G licences have been acquired prior to 2019 and the spectrum spending of HK$1,229 million (€142 million) during the year represented 3500 MHz spectrum in Austria acquired in March 2019, 700 MHz spectrum and 900 MHz spectrum in Denmark acquired in March 2019, and the licence cost for Hong Kong the 3300 MHz spectrum acquired in November 2019. In 2020, expected new licence auctions include 700 MHz and 3600 MHz for UK; 2300 MHz for Sweden, 3500 MHz for Denmark and 700 MHz and 1500 MHz auction as well as 2100 MHz reassignemnt for Austria.

Summary

In light of the increasingly volatile and uncertain conditions in financial markets, and the significant disruptions to the movement of people, goods and supply chains resulting from the COVID-19 outbreak, as well as the significant drop and volatility of crude oil prices, the Group will adopt strongly prudential measures and will prioritise financial strength over investment and growth.

The Telecommunications division in Europe is currently not affected and is experiencing much reduced churn and much higher voice and data usage. The operations will focus on maintaining network quality and services for customers, and at the same time keeping employees safe.

The Group will prioritise maintenance of the health and safety of our personnel and staff, as well as on customers around the world and will take all available precautionary steps available to us to achieve these objectives.

Additional Information

Summary of licence investments

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
United Kingdom	800 MHz	5 MHz	1	Paired	10 MHz
	1400 MHz	5 MHz	4	Unpaired	20 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3400 MHz	5 MHz	4	Unpaired	20 MHz
	3500 MHz	40 MHz	1	Unpaired	40 MHz
	3600 MHz	80 MHz	1	Unpaired	80 MHz
	3900 MHz	84 MHz	1	Unpaired	84 MHz
	28 GHz (National)	112 MHz	2	Unpaired	224 MHz
	28 GHz (Regional)	112 MHz	2	Unpaired	224 MHz
	40 GHz	1000 MHz	2	Unpaired	2000 MHz
Italy	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2000 MHz	5 MHz	2	Unpaired	10 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	15 MHz	2	Unpaired	30 MHz
	3600 MHz	20 MHz	1	Unpaired	20 MHz
	27 GHz	200 MHz	1	Unpaired	200 MHz
Austria	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	5 MHz	5	Paired	50 MHz
	2600 MHz	25 MHz	1	Unpaired	25 MHz
	3500 MHz	10 MHz	10	Unpaired	100 MHz
Sweden	800 MHz	10 MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	1	Paired	10 MHz
	2100 MHz	20 MHz	1	Paired	40 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	50 MHz	1	Unpaired	50 MHz
Denmark	700 MHz	10MHz	1	Paired	20 MHz
	900 MHz	10MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	10 MHz	2	Paired	40 MHz
	2100 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	5 MHz	5	Unpaired	25 MHz
Ireland	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	5 MHz	7	Paired	70 MHz
	2100 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3600 MHz	5 MHz	20	Unpaired	100MHz

Additional Information

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
Hong Kong [3]	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz [1]	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz [1]	11.6 MHz	1	Paired	23.2 MHz
	2100 MHz	14.8 MHz	1	Paired	29.6 MHz
	2300 MHz	30 MHz	1	Unpaired	30 MHz
	2600 MHz [2]	5 MHz	1	Paired	10 MHz
	2600 MHz [2]	15 MHz	1	Paired	30 MHz
	3300 MHz	30 MHz	1	Unpaired	30 MHz
Macau	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	1	Paired	10 MHz

Note 1: After the spectrum auction and licence renewal in 2018, HTHKH will hold 10 MHz in 900 MHz band and 30 MHz in 1800 MHz band from 2021 to 2036 upon expiry of the existing licences.

Note 2: Spectrum held by 50/50 joint venture with PCCW.

Note 3: After the spectrum auction in 2019, HTHKH will hold 40 MHz in 3500 MHz band from 2020 to 2035.

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Global Economy

As a global mobile telecommunications operators, the Group is exposed to the developments in the global economy as well as developments in the telecommunications industry and geographical markets in which it operates. In general, volatility in worldwide credit and financial markets, fluctuations in commodity prices, rising geopolitical risks and political turbulence and global trade competition have all contributed to the increased uncertainty of global economic prospects. Any adverse economic developments, whether as a result of a global recession or a recession in one or more of the Group's key markets, credit and capital markets volatility, an economic or financial crisis, or otherwise, could result in reduced consumer spending on telecommunications products and services, which in turn could result in lower revenue and reduced profit for the Group. As a result, the Group's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

Industry Trends, Interest Rates and Currency Markets

The Group's results are affected by trends in the telecommunications industry. While the Group believes that its geographical spread and extensive customer base reduce its exposure, its results have in the past been adversely affected by industry trends. For example, the Group's results have been negatively impacted by keen competition and volatility in currencies and interest rates. There can be no assurance that the combination of industry trends, currencies and interest rates experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon interest rates, the currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not materially and adversely affect the Group's financial condition and results of operations.

Cashflow and Liquidity

From time to time, the Group accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions may be impacted by many factors which include, among others, liquidity in the capital markets and the Group's credit ratings. Although the Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings, actual credit ratings may deviate from these levels due to economic circumstances or other factors such as how the Group formulates, implements and integrates its Environmental, Social and Governance ("ESG") strategies in relation to its core businesses. If liquidity in the capital markets declines and/or credit ratings of the Group decline or other factors, such as ESG considerations, the availability and cost of borrowings could be affected and thereby impact the Group's financial condition and results of operations, liquidity and cash flows.

Currency Fluctuations

The Group reports its results in Hong Kong dollars but its subsidiaries and joint ventures receive revenue and incur expenses in various local currencies. The Group's subsidiaries and joint ventures may also incur debt in these local currencies. Consequently, the Group is exposed to potential adverse impact of currency fluctuations on translation of the results and balance sheet items of these subsidiaries and joint ventures and also on repatriation of earnings, equity investments and loans. Although the Group actively manages its currency exposures, depreciation or fluctuation of the currencies in which the Group conducts its operations relative to the Hong Kong dollar could have a material adverse effect on the Group's financial condition and results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. Competition among providers of mobile and fixed-line telecommunications services, including new market entrants (such as mobile virtual network operators), intensification of price competition by existing competitors, product innovation or technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenue it receives as a major provider of telecommunications services; and

- risk of competition from disruptive alternate telecommunications technologies and potential competition in the future from substitute telecommunications technologies being developed or to be developed or if the Group fails to develop, or obtain timely access to new technologies and equipment.

In addition, mobile number portability policies and procedures in markets where the Group currently operates enable customers to switch their providers of mobile telecommunications services without changing their mobile phone numbers. This has led to increased movement of customers among providers of mobile telecommunications services. Such movements increase marketing, distribution and administrative costs, slow growth in customer numbers and reduce revenues. The Group's marketing position also depends on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the industry. This includes new services, pricing strategies by competitors and changes in consumer preferences and economic, political and social conditions in the countries in which it operates. Any failure by the Group to compete effectively, including in terms of pricing of services, acquisition of customers and retention of existing customers, could decrease the revenue that the Group receives as a major provider of telecommunications services and negatively impact its profitability and financial condition. Furthermore, competition in the Group's principal lines of business could lead to price and margin erosion for its traditional products and services, loss of market share in the Group's core markets, loss of existing or prospective customers and greater difficulty in retaining existing customers.

Strategic and Business Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries and joint ventures in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries and joint ventures may undergo a change of control or financial difficulties, which may negatively impact the Group's financial condition and results of operations.

The Group's ability to provide high quality mobile and fixed-line telecommunications services depends on its ability to interconnect with the telecommunications networks and services of other mobile and fixed-line operators, particularly those of the Group's competitors. The Group also relies on third-party operators for the provision of international roaming services for its mobile subscribers. While the Group has interconnection agreements and international roaming agreements in place with other telecommunication operators, it does not have direct control over the quality of their networks and the interconnections and roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to the Group on a consistent basis, could result in a loss of subscribers or a decrease in traffic for the Group, which would reduce the Group's revenues and adversely affect the Group's business, financial condition and results of operations. There can be no assurance that the Group will be able to maintain its interconnection and international roaming agreements on terms that are commercially acceptable to it.

The Group has relationships with a number of key vendors for mobile and fixed-line network equipment, software and for the provision of content. The Group's ability to grow its subscriber base depends in part on its ability to source adequate supplies of network equipment, mobile handsets, software and content in a timely manner. Suppliers of network equipment have limited resources, which may impact the speed at which the Group expands its network. The business operation and provision of related services by the third party vendors are also regulated to varying degrees by national, state, regional or local governmental and regulatory authorities in the countries where the Group operates. The Group does not have direct operational or financial control over its key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. The Group's reliance on these suppliers exposes it to risks related to delays in the delivery of their services, and, from time to time, the Group has experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors. There can also be no assurance that the relevant authorities will not take any action that could materially adversely affect the third party vendors' operations. The Group's business and financial performance could be materially harmed if export and re-export restrictions impact its suppliers' ability to procure products, technology, or software from the United States or other jurisdictions that are necessary for the production and timely and satisfactory delivery of the supplies and equipment that the Group sources from these suppliers.

It cannot be assured that the Group's suppliers will continue to provide equipment and services to the Group at acceptable prices or that the Group will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames the Group requires, if at all. In such event, the Group's ability to attract subscribers or offer attractive product offerings could be negatively affected, which in turn could materially adversely affect the Group's business, financial condition and results of operations.

Equipment and Network Stability

The Group's technological infrastructure (including its network infrastructure for mobile telecommunications and fixed-line services, including Internet services) is vulnerable to damage or disruptions from numerous events, including fire, flood, windstorms or other natural disasters, power outages, terrorist acts, cyberattacks, equipment or system failures, human errors or intentional wrongdoings, including breaches of the Group's network or information technology security. Unanticipated problems at the Group's facilities, network or system failures or hardware or software failures or computer viruses, or the occurrence of such unanticipated problems at the facilities, network or systems of third party-owned local and long distance networks on which the Group relies for the provision of interconnection and roaming services could result in reduced user traffic and revenue as a result of subscriber dissatisfaction with poor performance and reliability, result in regulatory penalties or require unanticipated capital expenditures. The occurrence of network or system failures could also harm the Group's reputation or impair its ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on its business, financial condition and results of operations.

Technology

The telecommunications industry is characterised by rapid technological change and frequent introductions of new products. For example, many Internet products have been developed with the proliferation of Internet usage. The development of Internet products and applications such as over-the-top content and voice-over-IP have resulted in a reduction in the usage of traditional text messaging and long distance voice call services provided by the Group. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that the Group provides may render its services less profitable, less viable or obsolete. At the time the Group selects and advances one technology over another, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting subscribers or stimulating usage and the Group may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies. Furthermore, the Group's competitors or new market entrants may introduce new or technologically superior mobile and fixed-line services before the Group does. In addition, the Group may not receive the necessary licences to provide services based on these new technologies or may be negatively impacted by unfavourable regulation regarding the usage of these technologies. If the Group is unable to effectively anticipate or react to technological changes in the telecommunications market, it could lose subscribers, provide a diminishing portion of its subscribers' total telecommunications usage or fail to attract new subscribers, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group must continue to upgrade its existing mobile and fixed-line networks in a timely manner in order to retain and expand its customer base in each of its markets and to successfully implement its strategy. Among other things, the needs of the Group's business could require it to:

- upgrade the functionality of the Group's networks to allow for the increased customisation of services;
- increase its UMTS/HSDPA coverage in some of its markets;
- enhance its LTE network based on customers' demand and on coverage requirements;
- maintain, expand and enhance customer service, network management and administrative systems;
- upgrade older systems and networks to adapt them to new technologies (e.g. 5G); and
- acquire or renew its telecom licences.

Many of these tasks, which require substantial additional investments, could create additional financial strain on the Group's business and financial condition, are not entirely under the Group's control and may be affected by applicable regulation. If the Group fails to execute them successfully, the Group's services and products may be less attractive to new customers and the Group may lose existing customers to its competitors, which could adversely affect its business, financial condition and results of operations. In addition, the Group may not be able to fund such capital expenditures or source the necessary resources to keep pace with technological developments or successfully anticipate or react to these changes, which could have a material adverse effect on the Group's financial condition and results of operations.

Risk Factor

Future Growth

The degree to which the mobile telecommunications market may expand is uncertain and will depend on numerous factors. Such factors include, among others, the business strategies and capabilities of the Group and its competitors, prevailing market conditions, the development of new and/ or alternate technologies for mobile telecommunications products and services, the development of new devices that require a mobile connection and the effect of applicable regulations. Many of these factors are beyond the Group's control. The Group's ability to attract new and retain existing subscribers or to grow its ARPU from both new and existing subscribers will depend in large part upon its ability to offer innovative services on new devices, stimulate and increase subscriber usage, convince subscribers to switch from competing mobile operators to its services and its ability to minimise subscriber discontinuation. In addition, the success of the Group relies on increasing its customer base and operating margins to remain profitable as well as growing profitability. In order to grow and retain its customer base, the Group has made significant investments in CACs in each of the markets in which it operates. The Group may need to incur more capital expenditure to expand or improve its mobile network and incur more CACs to retain and build its customer base. The Group may not be successful in growing its customer base and improving operating margins to a level sufficient for covering incremental operating costs, customer acquisition and retention costs and capital expenditure requirements.

The Group continues to cautiously expand through undertaking selective mergers, acquisitions and disposal activities if appropriate opportunities in the market arise. Success of the Group's mergers and acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the merged or acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the merged or acquired businesses successfully or a longer than projected period to realise the expected synergies will not have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer bases in Europe, Hong Kong and Macau. The Group may need to incur more capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to retain and build its customer bases. There can be no assurance that any additional investments will further increase customer levels and operating margins, and consequently, additional investments may materially and adversely impact the Group's financial condition and results of operations.

Realisation of Deferred Tax Assets

As of 31 December 2019, the Group had a total deferred tax asset balance [1] of HK$17,510 million. The ultimate realisation of deferred tax assets recognised depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. In the UK, Ireland, Austria, Sweden and Denmark, taxation losses may be carried forward indefinitely. In addition, in the UK, the Group benefits from the availability of group relief in relation to taxation losses generated by its mobile telecommunications operations to offset taxable profits from other businesses of the parent company, CKHH, in the same period. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections. If there is a significant adverse change in taxation rates and legislations, or in the projected performance and resulting cash flow projections of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the income statement, which could have a material adverse effect on the Group's financial condition and results of operations.

Completion risk of mergers and acquisitions

The Group may from time to time engage in mergers, acquisitions, joint ventures or other consolidation transactions between its businesses and certain third party companies (including competitors). Such transactions are typically subject to merger and other regulatory approvals by the competent authorities who may only approve the transaction subject to conditions, or who may prohibit the transaction. There can be no assurance that such approvals or other conditions would be obtained or satisfied and even if such approvals are obtained, third parties may initiate proceedings to appeal against such approvals. If a proposed transaction is prohibited or the relevant approvals are revoked and the transaction cannot be completed, the Group will have incurred significant legal, accounting and other costs in connection with the transaction without realising its anticipated benefits, which may have included increased earnings, scale, competitive strength and market share. As a consequence, the Group's financial position and results of operation could be negatively impacted. Such third party companies may also choose to merge with or be acquired by another of the Group's competitors, which could result in a new competitor with greater scale, financial strength and other resources. As a result, if a transaction is prohibited by a competent authority or if a transaction is approved but such approval is subsequently revoked, it could have a material adverse impact on the Group's business, financial condition and results of operation.

Note 1: Under Post-IFRS 16 basis, the Group had a total deferred tax asset balance of HK$17,704 million.

Impact of National, European Union and International Law and Regulatory Requirements

As a global business, the Group is exposed to local business risks in several different countries, which could have a material adverse effect on its financial condition and results of operations. The Group operates in various countries around the world and may increasingly become exposed to different and changing government policies, political, social, legal and regulatory requirements at the national or international level, including but not limited to those required by the European Union ("EU") or the World Trade Organisation ("WTO") or national authorities. These include:

- changes in tariffs and trade barriers;
- changes in taxation regulations and interpretations;
- competition (anti-trust) laws applicable to the Group's activities, including the regulation of monopolies and the conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and laws requiring the approval of certain mergers, acquisitions and joint ventures which could restrict the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions and/or result in imposition of fines on the relevant operations;
- changes in the process of or the conditions or criteria to obtaining or maintaining licences, permits and governmental approvals necessary to operate certain businesses;
- conditions or criteria to obtaining or maintaining assets that may be viewed by governments or regulatory authorities as critical assets for national security purposes;
- telecommunications and broadcasting regulations; and
- environmental, safety, employee and consumer protection laws, rules and regulations.

There can be no assurance that the European institutions and/or the regulatory authorities of the countries in which the Group operates will not make decisions or interpret and implement regulations in a manner that materially and adversely affects the Group's financial condition and results of operations in the future.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities in each country in which it operates. Some of these licences have historically been issued for fixed terms and subsequently renewed. There can be no assurance, however, that any application for the renewal of one or more of these licences upon expiry of their respective terms will be successful or would be renewed on equivalent or satisfactory terms. In addition, the Group may not be successful in obtaining new licences for the provision of mobile services using new technologies that may be developed in the future and will likely face competition for any such licences. Due to changes in legislation, the Group's mobile telecommunications licences in the UK and Italy effectively provide for perpetual renewal rights. However, all of these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct its businesses, as well as network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), or changes to the process of or the conditions or criteria to obtaining or maintaining spectrum or other licences necessary for the Group's mobile telecommunications business, could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

Accounting

The International Accounting Standards Board ("IASB"), issuer of International Financial Reporting Standards ("IFRS"), may in the future issue more new and revised standards, amendments and interpretations, including those required to conform to standards, amendments and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the Group's financial condition and results of operations.

Impact of Regulatory Reviews

A subsidiary of the Group and investments issued by subsidiaries of the Group are listed on various stock exchanges around the world and are subject to regulatory reviews of their various filings by the respective stock exchange's regulatory bodies and/or other regulatory authorities. While such subsidiaries of the Group endeavour to comply with all regulatory requirements of the various stock exchanges and other authorities in the countries in which they operate, and obtain independent professional advice as appropriate, there can be no assurance that the regulatory bodies' review will not result in a disagreement with the Group's interpretations and judgements and that any required actions mandated by the authorities will not have an adverse impact on the Group's reported financial position and results of operations.

Outbreak of Highly Contagious Disease

The Severe Acute Respiratory Syndrome outbreak in 2003 had a significant adverse impact on the economies of the affected countries. Since then, there have been media reports regarding the spread of the H5N1 virus or "Avian Influenza A", the spread of H1N1 virus or "Swine Flu" among humans, the outbreak of H7N9 virus in the Mainland, an epidemic of the Ebola virus and the Zika virus. Currently, extensive disruption on movement of people and goods is occurring due to the global outbreak of COVID-19, which the World Health Organization has declared to be a pandemic. COVID-19 or other outbreaks of contagious disease can disrupt the Group's operations, supply chains and customer facing businesses, with potential adverse effects on the Group's operating results.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods and typhoons. The occurrence of any such damage could disrupt the Group's business materially and adversely affect the Group's financial condition and results of operations.

Although the Group has not experienced any significant structural damage to assets from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's assets, or on the general supporting facilities in the vicinity, which could materially and adversely affect the Group's financial condition and results of operations.

Climate Change

Global climate change has already impacted many parts of the environment including loss of sea ice, accelerated sea level rise and more intense and longer heat waves. Scientists predict the global mean temperature will continue to rise and will produce beneficial impact to some regions while harmful in others.

Some of the Group's assets and businesses, and many of the Group's customers and suppliers are located in areas that would be affected in the medium to long term by such climate changes. It may also increase the frequency and intensity of extreme weather events some of which can result in natural disasters. These climate changes could disrupt supply chains, interrupt business operations and cause financial and physical damages. Alternation in weather patterns, such as typhoons, droughts, or rain amount may cause shortage of crops for food and other natural resources. The harsher temperatures in some locations may also pose increased risk for colleagues working in those locations. Changes in microclimates for certain locations may render certain businesses obsolete. Some governments are also beginning to introduce legislations or requirements to restrict emissions and other environmental protective measures. Regulations, disruption and damage arising from climate change could have a material impact on the Group's business and adversely affect the Group's financial condition and results of operations.

Although the Group has not experienced any significant disruption or damage from climate change thus far, there can be no assurance that rising sea levels, prolonged droughts or heat waves and other extreme weather patterns will not occur and result in major disruption or damage to the Group's assets and businesses, which could materially and adversely affect the Group's financial condition and results of operations.

Political Unrest and Terrorist Attacks

The Group has presence in various countries around the world. There can be no assurance that all of these countries will remain politically stable or immune to terrorist attacks, and if any of these countries suffers from political unrest or terrorist attacks, it may have an adverse impact on the Group's financial condition and results of operations.

Impact of Possible Economic Sanctions on Business Partners, Suppliers or Businesses in General

Governments and multinational organisations (including the State Department and the Department of the Treasury's Office of Foreign Assets Control (OFAC) of the US and the United Nations), from time to time administer certain laws and regulations that impose restrictions with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of economic sanctions. There can be no assurance that such sanctions will not affect the jurisdictions in which the Group conducts its business, any of the Group's business partners or suppliers or otherwise. To the extent that any such sanction is imposed in any jurisdictions where the Group's business operates, the Group may need to cease operations in those jurisdictions and suffer losses in that regard. If any of the Group's business partners or suppliers is impacted by sanctions, provision of goods, services or support by them may be disrupted or discontinued, which may affect the Group's ability to continue to operate related businesses. If any of the Group's business partners is affected by sanctions, the continuation or disruption of strategic alliance with such business partners may also affect the Group's ability to continue to operate related businesses and/or may result in suspension of operations. There can be no assurance that the Group will be able to obtain alternative goods, services, support or alliance it needs for the operation of its business, in a timely manner or at competitive terms, and no assurance that any compensation recoverable from business partners or suppliers for the discontinued or disrupted supply, service, support or alliance will be available or adequate. Any of these factors could have a material adverse effect on the Group's financial condition and results of operations.

Cyber Security Risks

Cyber attacks, including through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means for obtaining unauthorised access to or disrupting the operation of the networks, systems and data base of the Group or its suppliers, vendors and other service providers, could have an adverse effect on the Group's business, operations and reputation. Cyber attacks may cause equipment failures, loss or leakage of data, including personal data of customers or employees and technical and trade information, as well as disruptions to the Group's or its customers' operations. Corporate cyber attacks have increased in frequency, scale and severity in recent years. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external parties operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. The measures deployed by the Group may not be able to prevent, eliminate or minimise the risks associated with cyber attacks.

Any operational impacts caused by cyber attacks to the networks, systems and data base of the Group or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or a loss of business. The costs required to remedy a major cyber attack on the Group could include expensive incentives to certain existing customers and business partners, increased expenditures on cyber security measures and the use of alternate resources. The Group may also suffer a loss of revenue owing to business interruption and claims from regulators and other third parties. The potential costs or losses associated with these attacks could exceed the insurance coverage the Group maintains. In addition, a compromise of security or leakage of data, such as personal data and technical and trade information, could result in third party claims and/or regulatory claims or investigations. Any of these occurrences could damage the Group's reputation, adversely impact customer and investor confidence, and materially and adversely affect the Group's financial condition and results of operations.

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group collect, store and use data that is protected by data protection laws in the different countries in which they operate. As regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within the Group's business are expected to intensify. For example, the General Data Protection Regulation (2016/679/EU), which came into effect in May 2018, introduced a number of changes to EU data protection legislation such as permitting national supervisory authorities in the EU to levy administrative penalties of up to 4 per cent. of companies' global annual turnover in cases of significant non-compliance and direct liability for breach by data processors.

In the event that any relevant member of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial condition and results of operations.

Labour disputes

In case of material changes to current terms and conditions of employment, and the Group's employees react adversely to any such changes, the Group may experience significant labour disputes and work disruption at one or more of its operating offices. The Group also relies on a number of third parties, for example equipment and telecommunications providers. Labour disputes involving such third parties may affect provision of services or products to the Group. Both cases could materially adversely affect the Group's business, financial condition and results of operations.

UK's Exit from the EU

In June 2016, a majority of voters in the UK elected to withdraw from the EU in a national referendum. On 29 March 2017, the UK Prime Minister formally notified withdrawal, triggering the two-year negotiating period set out in Article 50 of the Treaty of Lisbon. In November 2018, the EU and the UK Government finalised negotiations on the legally-binding withdrawal agreement and associated political declaration on their future relationship. However, the UK Parliament failed to ratify the agreement and the UK's departure date was postponed from 29 March 2019.

In October 2019, a revised withdrawal agreement and political declaration was agreed between the EU and the UK Government. Both documents were subsequently ratified by the UK Parliament and the European Parliament. The UK formally left the EU on 31 January 2020. The withdrawal agreement includes a transition period until 31 December 2020, during which time EU laws and regulations will continue to apply broadly as now. The long-term impact of the UK's decision to leave the EU is not known and will depend on the final terms agreed (if any) between the UK and the EU during the course of 2020 as well as on the UK's ability to secure favourable trade and investment terms with countries outside the EU. There is considerable uncertainty as to the impact of the UK's exit from the EU on the general economic conditions in the UK or its wider impact in the EU. As such, no assurance can be given as to the impact of the UK's departure from the EU and, in particular, no assurance can be given that such matters would not adversely affect the Group's financial condition and results of operations

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this Results Announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Results Announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Results Announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Environmental, Social and Governance

The Group was formed in 2019. While the individual operating companies have been actively involved in their own ESG initiatives including energy reduction, community engagement, and music and sports sponsorships, the formation of the Group has allowed for greater synergies and cross operational target settings. The Group has formed an ESG committee to explore such synergies and exchange best practices. The Group has communicated its carbon disclosure project ("CDP") disclosure commitment to report by July 2020, which will be its first CDP report on climate issues. The ESG Committee is also working on setting emissions targets in alignment with the mobile sector pathway. Committee members are also exploring different ways to reduce emissions from equipment sourcing to including renewable energy in its fuel mix where available.

CK Hutchison Group Telecom Financial Performance Summary

Pre-IFRS 16 [3] 2019 EUR million		Pre-IFRS 16 [1] 2019 HK$ million	2018 [2] HK$ million	Change %	Local currencies change %
	Total Revenue [4]				
10,094	**3** Group Europe	**87,516**	78,411	12%	17%
2,754	- UK	**23,876**	25,525	-6%	-2%
4,911	- Italy	**42,581**	30,109	41%	48%
646	- Sweden	**5,597**	6,435	-13%	-5%
296	- Denmark	**2,563**	2,717	-6%	–
877	- Austria	**7,608**	8,157	-7%	-2%
610	- Ireland	**5,291**	5,468	-3%	2%
644	HTHKH	**5,582**	7,912	-29%	-29%
48	Corporate and others	**419**	410	2%	2%
10,786	**Total Revenue**	**93,517**	86,733	8%	12%
	EBITDA [4]				
3,865	**3** Group Europe	**33,511**	28,761	17%	21%
826	- UK	**7,164**	7,860	-9%	-5%
2,125	- Italy	**18,426**	12,601	46%	53%
209	- Sweden	**1,806**	2,066	-13%	-4%
114	- Denmark	**990**	906	9%	16%
377	- Austria	**3,268**	3,475	-6%	-1%
214	- Ireland	**1,857**	1,853	–	6%
160	HTHKH	**1,389**	1,371	1%	1%
51	Corporate and others	**441**	225	96%	96%
4,076	**Total EBITDA**	**35,341**	30,357	16%	21%
	EBIT [4]				
2,320	**3** Group Europe	**20,112**	17,663	14%	18%
440	- UK	**3,815**	4,594	-17%	-14%
1,374	- Italy	**11,914**	8,246	44%	51%
116	- Sweden	**1,008**	1,305	-23%	-15%
64	- Denmark	**552**	511	8%	15%
236	- Austria	**2,043**	2,125	-4%	2%
90	- Ireland	**780**	882	-12%	-6%
67	HTHKH	**581**	553	5%	5%
50	Corporate and others	**438**	193	127%	127%
2,437	**Total EBIT**	**21,131**	18,409	15%	19%
(401)	Interest expenses and other finance costs [4]	**(3,484)**	(4,622)	25%	
2,036	**Profit before tax**	**17,647**	13,787	28%	
	Tax [4]				
(48)	Current tax	**(419)**	453	-193%	
(148)	Deferred tax	**(1,279)**	1,589	-181%	
(196)		**(1,698)**	2,042	-183%	
1,840	**Profit after tax**	**15,949**	15,829	1%	
(72)	Non-controlling interests	**(622)**	(660)	6%	
1,768	**Profit attributable to ordinary shareholders ("NPAT") [5]**	**15,327**	15,169	1%	4%

Note 1: Following the adoption of International Financial Reporting Standard 16 "Leases" ("IFRS 16") on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior year results, and better reflects management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the year ended 31 December 2019. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Refer to Note 1 in the Financial Statements for the basis of preparation and presentation.

Note 3: The translation into EUR of the results for the year ended 31 December 2019 is for convenience only and has been made at the rate of HK$8.67 to EUR1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into EUR at this or any other rate.

Note 4: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of joint ventures' respective items.

Note 5: 2018 NPAT presented above excluded the one-off re-measurement and other gains of HK$8,600 million from the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre. Reconciliation of NPAT is as follows:

	2019 HK$ million	2018 HK$ million	Change %	Local currencies change %
NPAT presented above	**15,327**	15,169	1%	4%
One-off re-measurement and other gains	**–**	8,600		
Total NPAT	**15,327**	23,769	-36%	-33%

CK Hutchison Group Telecom Financial Performance Summary

Post-IFRS 16 [3] 2019 EUR million		Post-IFRS 16 [1] 2019 HK$ million	2018 [2] HK$ million	Change %	Local currencies change %
	Total Revenue [4]				
10,094	3 Group Europe	**87,516**	78,411	12%	17%
2,754	- UK	**23,876**	25,525	-6%	-2%
4,911	- Italy	**42,581**	30,109	41%	48%
646	- Sweden	**5,597**	6,435	-13%	-5%
296	- Denmark	**2,563**	2,717	-6%	–
877	- Austria	**7,608**	8,157	-7%	-2%
610	- Ireland	**5,291**	5,468	-3%	2%
644	HTHKH	**5,582**	7,912	-29%	-29%
48	Corporate and others	**419**	410	2%	2%
10,786	**Total Revenue**	**93,517**	86,733	8%	12%
	EBITDA [4]				
4,628	3 Group Europe	**40,126**	28,761	40%	44%
921	- UK	**7,984**	7,860	2%	5%
2,652	- Italy	**22,994**	12,601	82%	88%
240	- Sweden	**2,083**	2,066	1%	9%
134	- Denmark	**1,165**	906	29%	35%
427	- Austria	**3,698**	3,475	6%	12%
254	- Ireland	**2,202**	1,853	19%	24%
213	HTHKH	**1,850**	1,371	35%	35%
51	Corporate and others	**441**	225	96%	96%
4,892	**Total EBITDA**	**42,417**	30,357	40%	44%
	EBIT [4]				
2,417	3 Group Europe	**20,952**	17,663	19%	23%
460	- UK	**3,988**	4,594	-13%	-11%
1,424	- Italy	**12,349**	8,246	50%	55%
120	- Sweden	**1,040**	1,305	-20%	-13%
67	- Denmark	**577**	511	13%	19%
245	- Austria	**2,123**	2,125	–	5%
101	- Ireland	**875**	882	-1%	4%
69	HTHKH	**597**	553	8%	8%
50	Corporate and others	**438**	193	127%	127%
2,536	**Total EBIT**	**21,987**	18,409	19%	24%
(520)	Interest expenses and other finance costs [4]	**(4,507)**	(4,622)	2%	
2,016	**Profit before tax**	**17,480**	13,787	27%	
	Tax [4]				
(51)	Current tax	**(439)**	453	-197%	
(148)	Deferred tax	**(1,287)**	1,589	-181%	
(199)		**(1,726)**	2,042	-185%	
1,817	**Profit after tax**	**15,754**	15,829	–	
(72)	Non-controlling interests	**(626)**	(660)	5%	
1,745	**Profit attributable to ordinary shareholders ("NPAT")** [5]	**15,128**	15,169	–	3%

Note 1: Following the adoption of International Financial Reporting Standard 16 "Leases" ("IFRS 16") on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding year ended 31 December 2018 are on the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") basis.

Note 2: Refer to Note 1 in the Financial Statements for the basis of preparation and presentation.

Note 3: The translation into EUR of the results for the year ended 31 December 2019 is for convenience only and has been made at the rate of HK$8.67 to EUR1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into EUR at this or any other rate.

Note 4: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of joint ventures' respective items.

Note 5: 2018 NPAT presented above excluded the one-off re-measurement and other gains of HK$8,600 million from the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre. Reconciliation of NPAT is as follows:

	2019 HK$ million	2018 HK$ million	Change %	Local currencies change %
NPAT presented above	**15,128**	15,169	–	3%
One-off re-measurement and other gains	**–**	8,600		
Total NPAT	**15,128**	23,769	-36%	-34%

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED (THE "COMPANY")
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Group Telecom Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 101 which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in Operations Review and Others and Financial Performance Summary, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2020

CK Hutchison Group Telecom Holdings Limited
Consolidated Income Statement
for the year ended 31 December 2019

2019 # **EUR million**		Note	**2019** **HK$ million**	2018* HK$ million
10,770	Revenue	2, 3	**93,379**	71,045
(250)	Cost of inventories sold		**(2,170)**	(3,645)
(2,026)	Expensed customer acquisition and retention costs		**(17,562)**	(15,693)
(705)	Staff costs		**(6,113)**	(4,482)
(2,351)	Depreciation and amortisation	3	**(20,383)**	(9,490)
(2,903)	Other operating expenses		**(25,170)**	(22,915)
-	Profits on disposal of investments and others	4	**-**	8,600
(2)	Share of profits less losses of joint ventures		**(21)**	2,418
2,533			**21,960**	25,838
(518)	Interest expenses and other finance costs	5	**(4,486)**	(3,540)
2,015	**Profit before tax**		**17,474**	22,298
(50)	Current tax credit (charge)	6	**(433)**	511
(148)	Deferred tax credit (charge)	6	**(1,287)**	1,620
1,817	**Profit after tax**		**15,754**	24,429
(72)	**Profit attributable to non-controlling interests**		**(626)**	(660)
1,745	**Profit attributable to owners of the Company**		**15,128**	23,769

See note 40.
* See note 36.

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

2019 # **EUR million**		Note	**2019** **HK$ million**	2018* HK$ million
1,817	**Profit after tax**		**15,754**	24,429
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
(2)	Remeasurement of defined benefit obligations recognised directly in reserves		**(16)**	(11)
-	Share of other comprehensive income (losses) of joint ventures		**-**	(10)
-	Tax relating to items that will not be reclassified to profit or loss	26	**-**	3
(2)			**(16)**	(18)
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)			
(16)	Gains (losses) recognised directly in reserves		**(139)**	124
(382)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves		**(3,316)**	(1,718)
-	Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement		**-**	(1,866)
-	Share of other comprehensive income (losses) of joint ventures		**-**	(914)
1	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	26	**13**	(41)
(397)			**(3,442)**	(4,415)
(399)	Other comprehensive income (losses), net of tax		**(3,458)**	(4,433)
1,418	**Total comprehensive income**		**12,296**	19,996
(39)	**Total comprehensive income attributable to non-controlling interests**		**(338)**	(237)
1,379	**Total comprehensive income attributable to owners of the Company**		**11,958**	19,759

See note 40.
* See note 36.

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Financial Position
at 31 December 2019

2019 # **EUR million**		Note	**2019** **HK$ million**	2018* HK$ million
	Non-current assets			
6,867	Fixed assets	7	**59,533**	53,657
2,947	Right-of-use assets	8	**25,549**	-
6,941	Telecommunications licences	9	**60,181**	60,758
4,026	Brand names and other rights	10	**34,907**	35,006
14,189	Goodwill	11	**123,019**	126,750
43	Interests in joint ventures	12	**372**	406
2,042	Deferred tax assets	13	**17,704**	18,917
778	Other non-current assets	14	**6,744**	4,644
37,833			**328,009**	300,138
	Current assets			
2,376	Cash and cash equivalents	15	**20,603**	22,941
233	Inventories		**2,024**	2,279
3,207	Trade receivables and other current assets	16	**27,792**	36,213
5,816			**50,419**	61,433
17	Assets classified as held for sale	17	**149**	2,352
5,833			**50,568**	63,785
	Current liabilities			
-	Bank and other debts	18	-	1,557
9	Current tax liabilities		**76**	31
758	Lease liabilities	8	**6,577**	-
4,448	Trade payables and other current liabilities	19	**38,561**	57,078
-	Amounts due to CKHH group entities	21	-	34,610
5,215			**45,214**	93,276
618	Net current assets (liabilities)		**5,354**	(29,491)
38,451	Total assets less current liabilities		**333,363**	270,647
	Non-current liabilities			
9,911	Bank and other debts	18	**85,925**	92,583
2,447	Lease liabilities	8	**21,217**	-
24	Deferred tax liabilities	13	**206**	310
77	Pension obligations	22	**668**	660
2,219	Other non-current liabilities	23	**19,240**	16,500
-	Amounts due to CKHH group entities	21	-	51,754
14,678			**127,256**	161,807
23,773	**Net assets**		**206,107**	108,840

See note 40.
* See note 36.

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Financial Position
at 31 December 2019

2019 # EUR million		Note	2019 HK$ million	2018* HK$ million
	Capital and reserves			
-	Share capital	24 (a)	-	-
21,424	Share premium	24 (a)	**185,743**	-
1,084	Reserves		**9,398**	96,089
22,508	Equity attributable to owners of the Company		**195,141**	96,089
1,265	Non-controlling interests		**10,966**	12,751
23,773	**Total equity**		**206,107**	108,840

See note 40.
* See note 36.

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

Total equity # EUR million		Share capital and share premium (a) HK$ million	Exchange reserve HK$ million	Hedging reserve HK$ million	Other reserves including earnings (b) HK$ million	Sub-total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
		Attributable to						
		Owners of the Company						
12,554	At 31 December 2018, as previously reported, and 1 January 2019	**-**	**(5,006)**	**87**	**101,008**	**96,089**	**12,751**	**108,840**
(112)	Effect on adoption of IFRS 16 (see note 36)	**-**	**-**	**-**	**(943)**	**(943)**	**(25)**	**(968)**
12,442	At 1 January 2019, as adjusted	**-**	**(5,006)**	**87**	**100,065**	**95,146**	**12,726**	**107,872**
1,817	Profit for the year	**-**	**-**	**-**	**15,128**	**15,128**	**626**	**15,754**
	Other comprehensive income (losses)							
(2)	Remeasurement of defined benefit obligations recognised directly in reserves	**-**	**-**	**-**	**(19)**	**(19)**	**3**	**(16)**
	Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)							
(16)	Losses recognised directly in reserves	**-**	**-**	**(139)**	**-**	**(139)**	**-**	**(139)**
(382)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**(3,025)**	**-**	**-**	**(3,025)**	**(291)**	**(3,316)**
1	Tax relating to components of other comprehensive income (losses)	**-**	**-**	**13**	**-**	**13**	**-**	**13**
(399)	Other comprehensive income (losses), net of tax	**-**	**(3,025)**	**(126)**	**(19)**	**(3,170)**	**(288)**	**(3,458)**
1,418	Total comprehensive income (losses)	**-**	**(3,025)**	**(126)**	**15,109**	**11,958**	**338**	**12,296**
(411)	Dividends paid to CKHH group entities prior to the Reorganisation (c)	**-**	**-**	**-**	**(3,560)**	**(3,560)**	**-**	**(3,560)**
(210)	Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(1,821)**	**(1,821)**
(54)	Relating to purchase of non-controlling interests	**-**	**-**	**-**	**(194)**	**(194)**	**(277)**	**(471)**
21,424	Issue of new shares pursuant to the Reorganisation	**185,743**	**-**	**-**	**-**	**185,743**	**-**	**185,743**
(10,836)	Arising from the Reorganisation	**-**	**-**	**-**	**(93,952)**	**(93,952)**	**-**	**(93,952)**
9,913		**185,743**	**-**	**-**	**(97,706)**	**88,037**	**(2,098)**	**85,939**
23,773	At 31 December 2019	**185,743**	**(8,031)**	**(39)**	**17,468**	**195,141**	**10,966**	**206,107**

See note 40.

(a) See note 24(a).

(b) See note 25.

(c) Dividends during the years ended 31 December 2018 and 2019 represented dividends declared by the companies now comprising the Group to the then owners of the companies, after eliminating intra-group dividends. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.

No dividend has been paid or declared by the Company since its incorporation.

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

Total equity [#] EUR million		Attributable to Owners of the Company: Exchange reserve [*] HK$ million	Hedging reserve [*] HK$ million	Other reserves including earnings [*(b)] HK$ million	Sub-total [*] HK$ million	Non-controlling interests [*] HK$ million	Total equity [*] HK$ million
7,443	At 1 January 2018	(1,024)	96	52,618	51,690	12,837	64,527
2,817	Profit for the year	-	-	23,769	23,769	660	24,429
	Other comprehensive income (losses)						
	Remeasurement of defined benefit obligations						
(1)	recognised directly in reserves	-	-	(12)	(12)	1	(11)
	Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)						
14	Gains recognised directly in reserves	-	124	-	124	-	124
	Losses on translating overseas subsidiaries' net						
(198)	assets recognised directly in reserves	(1,294)	-	-	(1,294)	(424)	(1,718)
	Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed						
(215)	during the year recognised in income statement	(1,941)	75	-	(1,866)	-	(1,866)
	Share of other comprehensive income (losses) of						
(107)	joint ventures	(747)	(167)	(10)	(924)	-	(924)
	Tax relating to components of other comprehensive						
(4)	income (losses)	-	(41)	3	(38)	-	(38)
(511)	Other comprehensive income (losses), net of tax	(3,982)	(9)	(19)	(4,010)	(423)	(4,433)
2,306	Total comprehensive income (losses)	(3,982)	(9)	23,750	19,759	237	19,996
	Issue of shares by subsidiary companies to						
3,129	CKHH group entities	-	-	27,136	27,136	-	27,136
	Distribution by subsidiary companies to						
(225)	CKHH group entities	-	-	(1,955)	(1,955)	-	(1,955)
(62)	Dividends paid to CKHH group entities [(c)]	-	-	(541)	(541)	-	(541)
(37)	Dividends paid to non-controlling interests	-	-	-	-	(323)	(323)
2,805		-	-	24,640	24,640	(323)	24,317
12,554	At 31 December 2018	(5,006)	87	101,008	96,089	12,751	108,840

See note 40.
* See note 36.

(a) See note 24(a).

(b) See note 25.

(c) Dividends during the years ended 31 December 2018 and 2019 represented dividends declared by the companies now comprising the Group to the then owners of the companies, after eliminating intra-group dividends. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.

No dividend has been paid or declared by the Company since its incorporation.

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Cash Flows
for the year ended 31 December 2019

2019 # EUR million		Note	2019 HK$ million	2018* HK$ million
	Operating activities			
	Cash generated from operating activities before interest expenses			
4,507	and other finance costs, tax paid and changes in working capital	27 (a)	**39,073**	22,390
(479)	Interest expenses and other finance costs paid (net of capitalisation)		**(4,156)**	(3,390)
(112)	Tax recovered (paid)		**(971)**	259
3,916	**Funds from operations (before payment of lease liabilities)**		**33,946**	19,259
(584)	Changes in working capital	27 (b)	**(5,065)**	720
3,332	**Net cash from operating activities**		**28,881**	19,979
	Investing activities			
(1,831)	Purchase of fixed assets		**(15,873)**	(11,503)
(142)	Additions to telecommunications licences		**(1,229)**	(6,384)
(316)	Additions to brand names and other rights		**(2,738)**	(1,342)
-	Purchase of subsidiary companies, net of cash acquired	27 (c)	**-**	(14,348)
(12)	Purchase of and advances to joint ventures		**(104)**	(72)
7	Proceeds from disposal of fixed assets		**59**	29
	Cash flows used in investing activities before purchase of /			
(2,294)	disposal of other listed investments		**(19,885)**	(33,620)
-	Disposal of other listed investments		**-**	387
-	Purchase of other listed investments issued by joint ventures		**-**	(5,766)
(2,294)	**Cash flows used in investing activities**		**(19,885)**	(38,999)
1,038	**Net cash inflows (outflows) before financing activities**		**8,996**	(19,020)
	Financing activities			
20,459	New borrowings	27 (d)	**177,380**	1,631
(21,116)	Repayment of borrowings	27 (d)	**(183,075)**	(3,907)
(623)	Payment of lease liabilities	27 (d)	**(5,398)**	-
597	Net loans from CKHH group entities	27 (d)	**5,179**	965
-	Issue of shares by subsidiary companies to CKHH group entities		**-**	27,136
(54)	Payment to acquire additional interests in subsidiary companies		**(471)**	-
50	Proceeds from issue of shares		**432**	-
	Distributions and dividends paid to CKHH group entities prior to			
(411)	the Reorganisation		**(3,560)**	(2,496)
(210)	Dividends paid to non-controlling interests		**(1,821)**	(323)
(1,308)	**Cash flows from (used in) financing activities**		**(11,334)**	23,006
(270)	Increase (decrease) in cash and cash equivalents		**(2,338)**	3,986
2,646	Cash and cash equivalents at 1 January		**22,941**	18,955
2,376	**Cash and cash equivalents at 31 December**		**20,603**	22,941
2,376	Cash and cash equivalents	15	**20,603**	22,941
9,971	Total principal amount of bank and other debts	18	**86,452**	94,161
7,595	**Net debt**		**65,849**	71,220

\# See note 40.
* See note 36.

1 Basis of preparation and presentation

(a) Basis of presentation

CK Hutchison Group Telecom Holdings Limited (the "Company"), formerly known as CK Group Telecom Holdings Limited, is a limited liability company incorporated in the Cayman Islands on 26 June 2019. On 24 July 2019, the name of the Company has been changed from CK Group Telecom Holdings Limited to CK Hutchison Group Telecom Holdings Limited. The Company is an indirect wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH" or the "Parent company"), a limited liability company incorporated in the Cayman Islands and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company and its subsidiaries are collectively referred to as the "Group". CKHH and its subsidiaries are collectively referred to as the "CKHH Group". CKHH and its subsidiaries other than the Group are collectively referred to as the "CKHH group entities".

Pursuant to an internal reorganisation exercise implemented by CKHH, which was completed on 30 July 2019, (the "Reorganisation"), companies comprising the telecommunications businesses of CKHH Group in Europe, Hong Kong and Macau (collectively the "Telecommunications Businesses") have been reorganised under the Group, including:

- 100% interests in Hutchison 3G UK Limited which provides mobile telecommunications services in the United Kingdom;
- 60% interests in Hi3G Access AB and Hi3G Denmark ApS which provides mobile telecommunications services in Sweden and Denmark respectively;
- 100% interests in Hutchison Drei Austria GmbH which provides mobile telecommunications services in Austria;
- 100% interests in Three Ireland (Hutchison) Limited which provides mobile telecommunications services in Ireland;
- 100% interests in Wind Tre S.p.A. which provides mobile telecommunications services in Italy; and
- 66.09% interests in Hutchison Telecommunications Hong Kong Holdings Limited which provides mobile telecommunications services in Hong Kong and Macau.

The Reorganisation was effected by the allotment of shares of the Company to Barusley Limited, the immediate holding company of the Company, for the acquisition of CKHH Group's telecommunication businesses in Europe and Hong Kong and the assignment of the Group of loans owed by these businesses to CKHH group entities (see note 24(a)(ii)).

As the Reorganisation only involved acquisitions of businesses under the common control of CKHH before and after the Reorganisation, the consolidated financial statements have been presented by applying the principles of merger accounting and using the existing book values from CKHH Group's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2019 and 31 December 2018, and the consolidated statement of financial position as at 31 December 2019 and 31 December 2018 have been prepared as if the current group structure had been in existence throughout the two years presented.

(b) Basis of preparation

The consolidated financial statements of the Companies and its subsidiaries for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except that defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) are measured at fair values, and non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. In these financial statements, non-current assets classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Major classes of assets classified as held for sale are disclosed separately in note 17.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting the new lease accounting standard International Financial Reporting Standard 16 "Leases" ("IFRS 16"). Other than changes in accounting policies resulting from application of IFRS 16, the accounting policies and methods of computation used in the preparation of these financial statements are consistent with those used in the comparative financial statements for the year ended 31 December 2018. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 35.

In adopting IFRS 16, the Group has elected to adopt IFRS 16 retrospectively and taken transitional provisions in the new standard not to restate comparative information for prior periods. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening statement of financial position on 1 January 2019. The adoption of IFRS 16 has resulted in a HK$968 million decrease in the opening balance of total equity on 1 January 2019. The effect of adoption of IFRS 16 is summarised in note 36.

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

2 Revenue

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

	2019 HK$ million	2018 HK$ million
Sale of goods	**16,106**	16,784
Revenue from services	**77,020**	53,997
Interest	**253**	264
	93,379	71,045

(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 IFRS 15 *:

	Revenue from contracts with customers			**Revenue**	
	recognised at a point in time HK$ million	**recognised over time HK$ million**	**Subtotal HK$ million**	**from other sources HK$ million**	**2019 Total HK$ million**
3 Group Europe	**14,137**	**73,368**	**87,505**	**-**	**87,505**
UK	***6,922***	***16,954***	***23,876***	**-**	***23,876***
Italy	***3,358***	***39,223***	***42,581***	**-**	***42,581***
Sweden	***1,774***	***3,823***	***5,597***	**-**	***5,597***
Denmark	***197***	***2,355***	***2,552***	**-**	***2,552***
Austria	***1,150***	***6,458***	***7,608***	**-**	***7,608***
Ireland	***736***	***4,555***	***5,291***	**-**	***5,291***
Hutchison Telecommunications Hong Kong Holdings	**1,969**	**3,613**	**5,582**	**-**	**5,582**
Corporate and Others	**-**	**39**	**39**	**253**	**292**
	16,106	**77,020**	**93,126**	**253**	**93,379**

	Revenue from contracts with customers			Revenue	
	recognised at a point in time HK$ million	recognised over time HK$ million	Subtotal HK$ million	from other sources HK$ million	2018 Total HK$ million
3 Group Europe	12,534	50,321	62,855	-	62,855
UK	*7,186*	*18,339*	*25,525*	-	*25,525*
Italy	*707*	*13,859*	*14,566*	-	*14,566*
Sweden	*2,068*	*4,367*	*6,435*	-	*6,435*
Denmark	*227*	*2,477*	*2,704*		*2,704*
Austria	*1,618*	*6,539*	*8,157*	-	*8,157*
Ireland	*728*	*4,740*	*5,468*	-	*5,468*
Hutchison Telecommunications Hong Kong Holdings	4,250	3,662	7,912	-	7,912
Corporate and Others	-	18	18	264	282
	16,784	54,001	70,785	264	71,049
Intra-group elimination	-	(4)	(4)	-	(4)
	16,784	53,997	70,781	264	71,045

* See note 3(a) for basis of, and changes adopted in the current year for, presentation of segmental information. These amendments and reclassifications have no impact on the profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

2 Revenue (continued)

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

Under IFRS 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 IFRS 15.

	2019 **HK$ million**	2018 HK$ million
Trade receivables (see note 16)	**10,971**	12,886
Contract assets (see notes 14 and 16)	**7,378**	6,943
Contract liabilities (see note 19)	**(3,279)**	(3,171)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2019, HK$1,544 million (2018 - HK$1,418 million) was recognised in the income statement as provision for expected credit losses on trade receivables.

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

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. HK$2,739 million (2018 - HK$1,037 million) was recognised as revenue in 2019 that was included in the contract liability balance at the beginning of the year.

(d) Transaction price allocated to the remaining performance obligations

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

	2019 **HK$ million**	2018 HK$ million
Within one year	**17,293**	17,591
More than one year	**7,534**	7,729
	24,827	25,320

3 Operating segment information

(a) Description of segments and principal activities

The Group is a worldwide operator of mobile telecommunications networks, with operations spanning six European countries and Hong Kong and Macau. The Group's telecom's operations in Europe ("**3** Group Europe") launched commercial operations in 2003 and comprise mobile telecommunications businesses in the UK, Sweden, Denmark, Austria and Ireland, offering mobile telecommunications services under the brand name "Three" or "**3**", and in Italy through its subsidiary Wind Tre S.p.A. ("Wind Tre"), which became a wholly owned subsidiary of CKHH as of September 2018 following the acquisition of the remaining 50% interest from VEON Ltd. ("Veon"). Wind Tre offers mobile telecommunications services under the "Three" or "**3**" and "Wind" brand names, and fixed-line services under the "Infostrada" brand name. The Group's telecom's operations in Hong Kong has operated telecom networks for over 30 years and comprise an approximately 66.09% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), which is listed on the main board of SEHK. HTHKH is a mobile telecommunications operator that provides services in Hong Kong and Macau under the "**3**" Brand.

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on its telecom's operations in Europe (with separate sub-totals for the telecom's operation in each of the six European countries mentioned above) and in Hong Kong. Accordingly, no separate analysis by geographical location is provided in this note. Comparative information for 2018 have been amended accordingly to conform with this change in presentation adopted in the current year. These presentation changes have no impact on the profit for the current and comparative years nor on the assets and liabilities of the Group as at 31 December 2019 and 31 December 2018.

Corporate and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately, and includes centralised procurement, corporate head office operations and the returns earned on the Group's holdings of cash and cash equivalents.

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 JV refers to the Group's share of joint ventures' respective items.

(b) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The Group uses two measures of segment results, EBITDA (see note 3(b)(viii) and EBIT (see note 3(b)(ix)).

In the current year, the Group has adopted the IFRS 16 accounting standard (which relates to accounting for leases) for its statutory reporting, but its management reporting has remained on the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17"). The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), provide useful information to allow comparable growth rates to be calculated and a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performances. Accordingly, segmental information is presented on a IAS 17 basis ("Pre-IFRS 16 basis") as this is the basis of the information used for resource allocation, performance assessment and internal decision-making. As additional information, reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis is included in the following segmental information analysis. The IAS 17 lease accounting policy is disclosed in note 35(f).

3 **Operating segment information (continued)**

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

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries HK$ million	**JV HK$ million**	**2019 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	JV HK$ million	2018 Total HK$ million	%
3 Group Europe	**87,505**	**11**	**87,516**	**94%**	62,855	15,556	78,411	90%
UK	***23,876***	**-**	***23,876***	***25%***	*25,525*	-	*25,525*	*29%*
Italy	***42,581***	**-**	***42,581***	***46%***	*14,566*	*15,543*	*30,109*	*35%*
Sweden	***5,597***	**-**	***5,597***	***6%***	*6,435*	-	*6,435*	*8%*
Denmark	***2,552***	***11***	***2,563***	***3%***	*2,704*	*13*	*2,717*	*3%*
Austria	***7,608***	**-**	***7,608***	***8%***	*8,157*	-	*8,157*	*9%*
Ireland	***5,291***	**-**	***5,291***	***6%***	*5,468*	-	*5,468*	*6%*
Hutchison Telecommunications Hong Kong Holdings	**5,582**	**-**	**5,582**	**6%**	7,912	-	7,912	9%
Corporate and Others	**292**	**127**	**419**	**-**	282	128	410	1%
	93,379	**138**	**93,517**	**100%**	71,049	15,684	86,733	100%
Intra-group elimination	**-**	**-**	**-**	**-**	(4)	-	(4)	-
	93,379	**138**	**93,517**	**100%**	71,045	15,684	86,729	100%
IFRS 16 impact	**-**	**-**	**-**					
	93,379	**138**	**93,517**					

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) [(viii)]							
	Company and Subsidiaries HK$ million	**JV HK$ million**	**2019 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	JV HK$ million	2018 Total HK$ million	%
3 Group Europe	**33,510**	**1**	**33,511**	**95%**	22,787	5,974	28,761	94%
UK	***7,164***	**-**	***7,164***	***20%***	*7,860*	-	*7,860*	*26%*
Italy	***18,426***	**-**	***18,426***	***52%***	*6,627*	*5,974*	*12,601*	*41%*
Sweden	***1,806***	**-**	***1,806***	***5%***	*2,066*	-	*2,066*	*7%*
Denmark	***989***	***1***	***990***	***3%***	*906*	-	*906*	*3%*
Austria	***3,268***	**-**	***3,268***	***9%***	*3,475*	-	*3,475*	*11%*
Ireland	***1,857***	**-**	***1,857***	***6%***	*1,853*	-	*1,853*	*6%*
Hutchison Telecommunications Hong Kong Holdings	**1,320**	**69**	**1,389**	**4%**	1,298	73	1,371	5%
Corporate and Others	**458**	**(17)**	**441**	**1%**	225	-	225	1%
EBITDA before profits on disposal of investments and others	**35,288**	**53**	**35,341**	**100%**	24,310	6,047	30,357	100%
Profits on disposal of investments and others (see note 4)	**-**	**-**	**-**		8,600	-	8,600	
EBITDA	**35,288** ^	**53** ^	**35,341** ^		32,910	6,047	38,957	
Depreciation and amortisation	**(14,163)**	**(47)**	**(14,210)**		(9,490)	(2,458)	(11,948)	
Interest expenses and other finance costs	**(3,463)**	**(21)**	**(3,484)**		(3,540)	(1,082)	(4,622)	
Current tax credit (charge)	**(413)**	**(6)**	**(419)**		511	(58)	453	
Deferred tax credit (charge)	**(1,279)**	**-**	**(1,279)**		1,620	(31)	1,589	
Non-controlling interests	**(622)**	**-**	**(622)**		(660)	-	(660)	
	15,348	**(21)**	**15,327**		21,351	2,418	23,769	
IFRS 16 impact								
EBITDA	**7,076** ^	**-** ^	**7,076** ^					
Depreciation and amortisation	**(6,220)**	**-**	**(6,220)**					
Interest expenses and other finance costs	**(1,023)**	**-**	**(1,023)**					
Current tax	**(20)**	**-**	**(20)**					
Deferred tax	**(8)**	**-**	**(8)**					
Non-controlling interests	**(4)**	**-**	**(4)**					
	15,149	**(21)**	**15,128**					
^ Reconciliation to Post-IFRS 16 basis EBITDA:								
Pre-IFRS 16 basis EBITDA per above	**35,288**	**53**	**35,341**					
IFRS 16 impact per above	**7,076**	**-**	**7,076**					
Post-IFRS 16 basis EBITDA (see note 27(a)(i))	**42,364**	**53**	**42,417**					

3 **Operating segment information (continued)**

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

(iii) An analysis of EBIT by segments

	EBIT (LBIT) [ix]							
	Company and Subsidiaries HK$ million	**JV HK$ million**	**2019 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	JV HK$ million	2018 Total HK$ million	%
3 Group Europe								
EBITDA before the following non-cash items:	**33,510**	**1**	**33,511**		22,787	5,974	28,761	
Depreciation	**(9,139)**	**-**	**(9,139)**		(5,064)	(950)	(6,014)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	**(4,260)**	**-**	**(4,260)**		(3,626)	(1,458)	(5,084)	
EBIT - **3** Group Europe	**20,111**	**1**	**20,112**	**95%**	14,097	3,566	17,663	96%
UK	***3,815***	**-**	***3,815***	***18%***	*4,594*	-	*4,594*	*25%*
Italy	***11,914***	**-**	***11,914***	***56%***	*4,680*	*3,566*	*8,246*	*44%*
Sweden	***1,008***	**-**	***1,008***	***5%***	*1,305*	-	*1,305*	*7%*
Denmark	***551***	***1***	***552***	***2%***	*511*	-	*511*	*3%*
Austria	***2,043***	**-**	***2,043***	***10%***	*2,125*	-	*2,125*	*12%*
Ireland	***780***	**-**	***780***	***4%***	*882*	-	*882*	*5%*
Hutchison Telecommunications Hong Kong Holdings	**559**	**22**	**581**	**3%**	530	23	553	3%
Corporate and Others	**455**	**(17)**	**438**	**2%**	193	-	193	1%
EBIT before profits on disposal of investments and others	**21,125**	**6**	**21,131**	**100%**	14,820	3,589	18,409	100%
Profits on disposal of investments and others (see note 4)	**-**	**-**	**-**		8,600	-	8,600	
EBIT	**21,125 ^**	**6 ^**	**21,131 ^**		23,420	3,589	27,009	
Interest expenses and other finance costs	**(3,463)**	**(21)**	**(3,484)**		(3,540)	(1,082)	(4,622)	
Current tax credit (charge)	**(413)**	**(6)**	**(419)**		511	(58)	453	
Deferred tax credit (charge)	**(1,279)**	**-**	**(1,279)**		1,620	(31)	1,589	
Non-controlling interests	**(622)**	**-**	**(622)**		(660)	-	(660)	
	15,348	**(21)**	**15,327**		21,351	2,418	23,769	
IFRS 16 impact								
EBIT	**856 ^**	**- ^**	**856 ^**					
Interest expenses and other finance costs	**(1,023)**	**-**	**(1,023)**					
Current tax	**(20)**	**-**	**(20)**					
Deferred tax	**(8)**	**-**	**(8)**					
Non-controlling interests	**(4)**	**-**	**(4)**					
	15,149	**(21)**	**15,128**					

^ Reconciliation to Post-IFRS 16 basis EBIT:

Pre-IFRS 16 basis EBIT per above	**21,125**	**6**	**21,131**
IFRS 16 impact per above	**856**	**-**	**856**
Post-IFRS 16 basis EBIT	**21,981**	**6**	**21,987**

3 Operating segment information (continued)

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

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

	Depreciation and amortisation					
	Company and Subsidiaries HK$ million	**JV HK$ million**	**2019 Total HK$ million**	Company and Subsidiaries HK$ million	JV HK$ million	2018 Total HK$ million
3 Group Europe	**13,399**	**-**	**13,399**	8,690	2,408	11,098
UK	***3,349***	**-**	***3,349***	*3,266*	-	*3,266*
Italy	***6,512***	**-**	***6,512***	*1,947*	*2,408*	*4,355*
Sweden	***798***	**-**	***798***	*761*	-	*761*
Denmark	***438***	**-**	***438***	*395*	-	*395*
Austria	***1,225***	**-**	***1,225***	*1,350*	-	*1,350*
Ireland	***1,077***	**-**	***1,077***	*971*	-	*971*
Hutchison Telecommunications Hong Kong Holdings	**761**	**47**	**808**	768	50	818
Corporate and Others	**3**	**-**	**3**	32	-	32
	14,163	**47**	**14,210**	9,490	2,458	11,948
IFRS 16 impact	**6,220**	**-**	**6,220**			
	20,383	**47**	**20,430**			

(v) An analysis of capital expenditure by segments

	Capital expenditure (xiii)							
	Fixed assets HK$ million	**Telecom-munications licences HK$ million**	**Brand names and other rights HK$ million**	**2019 Total HK$ million**	Fixed assets HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2018 Total HK$ million
3 Group Europe	**15,397**	**1,026**	**2,735**	**19,158**	10,990	6,384	1,341	18,715
UK	***4,329***	**-**	**-**	***4,329***	*4,576*	*1,750*	-	*6,326*
Italy	***7,585***	**-**	***2,732***	***10,317***	*2,938*	*4,623*	*1,314*	*8,875*
Sweden	***969***	**-**	**-**	***969***	*1,095*	-	-	*1,095*
Denmark	***250***	***568***	**-**	***818***	*271*	-	-	*271*
Austria	***1,111***	***451***	***3***	***1,565***	*1,078*	-	*27*	*1,105*
Ireland	***1,153***	***7***	**-**	***1,160***	*1,032*	*11*	-	*1,043*
Hutchison Telecommunications Hong Kong Holdings	**503**	**203**	**-**	**706**	513	-	-	513
Corporate and Others	**4**	**-**	**3**	**7**	-	-	1	1
	15,904	**1,229**	**2,738**	**19,871**	11,503	6,384	1,342	19,229
IFRS 16 impact	**(31)**	**-**	**-**	**(31)**				
	15,873	**1,229**	**2,738**	**19,840**				

3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	2019 HK$ million	2018 HK$ million
Segment assets (xi)		
3 Group Europe	**304,498**	309,333
UK	***54,895***	*57,614*
Italy	***191,897***	*193,225*
Sweden	***16,865***	*17,333*
Denmark	***4,210***	*3,747*
Austria	***20,947***	*21,198*
Ireland	***15,684***	*16,216*
Hutchison Telecommunications Hong Kong Holdings	**15,345**	19,469
Corporate and Others	**15,516**	13,446
	335,359	342,248
IFRS 16 impact on segment assets	**24,993**	-
Interests in joint ventures	**372**	406
Deferred tax assets	**17,704**	18,917
Assets classified as held for sale (xii)	**149**	2,352
Total assets	**378,577**	363,923

(vii) An analysis of total liabilities by segments

	2019 HK$ million	2018 HK$ million
Segment liabilities (xi)		
3 Group Europe	**38,428**	55,660
UK	***7,830***	*12,313*
Italy	***23,560***	*34,002*
Sweden	***1,059***	*2,582*
Denmark	***1,227***	*1,216*
Austria	***2,477***	*2,828*
Ireland	***2,275***	*2,719*
Hutchison Telecommunications Hong Kong Holdings	**1,554**	1,804
Corporate and Others	**659**	274
	40,641	57,738
IFRS 16 impact on segment liabilities	**26,382**	-
Current and non-current borrowings and other non-current liabilities	**105,165**	110,640
Current and deferred tax liabilities	**282**	341
Amounts due to CKHH group entities	-	86,364
Total liabilities	**172,470**	255,083

(viii) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of joint ventures. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with IFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under IFRS 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 IFRS.

3 Operating segment information (continued)

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

(ix) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of joint ventures. 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 IFRS 8. EBIT (LBIT) is not a measure of financial performance under IFRS 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 IFRS.

(x) The Company is a limited company incorporated in the Cayman Islands. The Group does not have any revenue and non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) attributable to the Cayman Islands. The geographical location of customers is based on the location at which the services were provided or goods delivered.

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

	2019 **HK$ million**	2018 HK$ million
Hong Kong and Macau	**9,602**	8,831
UK	**53,158**	44,137
Italy	**190,438**	173,680
Sweden	**16,619**	15,386
Denmark	**3,639**	2,664
Austria	**20,178**	18,025
Ireland	**16,603**	13,851
Others	**36**	3
	310,273	276,577

(xii) See note 17.

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

4 Profits on disposal of investments and others

	Attributable to		
	Owners of the Company HK$ million	Non-controlling interests HK$ million	Total HK$ million
Year ended 31 December 2018			
Re-measurement and other gains [(a)]	8,600	-	8,600

(a) In September 2018, the CKHH Group completed the acquisition of the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. The CKHH Group, and therefore the Group, recognised one-off re-measurement and other gains of HK$8,600 million for the year ended 31 December 2018.

5 Interest expenses and other finance costs

	2019 HK$ million	2018 HK$ million
Bank loans and overdrafts	**395**	192
Other loans	**-**	1
Notes and bonds	**1,255**	681
Interest bearing loans from CKHH group entities	**1,350**	2,457
Other finance costs [(a)]	**138**	66
	3,138	3,397
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**126**	7
Notional interest accretions	**204**	143
	3,468	3,547
Less: interest capitalised	**(7)**	(7)
Interest on lease liabilities	**1,025**	-
	4,486	3,540

(a) Net of reimbursement of HK$1,639 million received from the CKHH group entities during the current year (2018 - nil).

6 Tax

	2019 HK$ million	2018 HK$ million
Current tax charge (credit)		
Hong Kong	**11**	16
Outside Hong Kong	**422**	(527)
	433	(511)
Deferred tax charge (credit)		
Hong Kong	**90**	46
Outside Hong Kong	**1,197**	(1,666)
	1,287	(1,620)
	1,720	(2,131)

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

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

	2019 HK$ million	2018 HK$ million
Tax calculated at the domestic rates applicable in the country concerned	**3,132**	1,332
Tax effect of:		
Tax losses not recognised	**749**	88
Income not subject to tax	**(216)**	(164)
Expenses not deductible for tax purposes	**326**	175
Utilisation of previously unrecognised tax losses	**-**	(7)
Overprovision in prior years	**(44)**	(21)
Other temporary differences	**(2,362)**	(3,783)
Effect of change in tax rate	**135**	249
Total tax for the year	**1,720**	(2,131)

7 Fixed assets

	Land and buildings HK$ million	Telecom-munications network assets HK$ million	Other assets [a] HK$ million	Total HK$ million
Cost				
At 1 January 2018	624	30,946	9,918	41,488
Additions	-	1,587	9,916	11,503
Relating to subsidiaries acquired (see note 27(c))	15	14,881	2,908	17,804
Disposals	(2)	(550)	(563)	(1,115)
Transfer between categories	106	2,273	(2,166)	213
Exchange translation differences	(29)	(1,887)	(93)	(2,009)
Transfer to assets classified as held for sale (see note 17)	-	(148)	-	(148)
At 31 December 2018, as previously reported, and 1 January 2019	**714**	**47,102**	**19,920**	**67,736**
Effect on adoption of IFRS 16 (see note 36)	**-**	**(218)**	**(85)**	**(303)**
At 1 January 2019, as adjusted	**714**	**46,884**	**19,835**	**67,433**
Additions	**26**	**1,779**	**14,068**	**15,873**
Disposals	**(19)**	**(425)**	**(196)**	**(640)**
Transfer between categories	**-**	**10,466**	**(10,161)**	**305**
Exchange translation differences	**14**	**(78)**	**(135)**	**(199)**
Transfer to assets classified as held for sale (see note 17)	**-**	**(55)**	**-**	**(55)**
At 31 December 2019	**735**	**58,571**	**23,411**	**82,717**
Accumulated depreciation and impairment				
At 1 January 2018	381	7,748	2,139	10,268
Charge for the year	132	3,469	1,729	5,330
Disposals	(2)	(550)	(550)	(1,102)
Transfer between categories	-	189	24	213
Exchange translation differences	(27)	(338)	(265)	(630)
At 31 December 2018, as previously reported, and 1 January 2019	**484**	**10,518**	**3,077**	**14,079**
Effect on adoption of IFRS 16 (see note 36)	**-**	**(132)**	**(51)**	**(183)**
At 1 January 2019, as adjusted	**484**	**10,386**	**3,026**	**13,896**
Charge for the year	**63**	**7,382**	**2,037**	**9,482**
Disposals	**(18)**	**(398)**	**(165)**	**(581)**
Transfer between categories	**-**	**306**	**(1)**	**305**
Exchange translation differences	**12**	**52**	**18**	**82**
At 31 December 2019	**541**	**17,728**	**4,915**	**23,184**
Net book value				
At 31 December 2019	**194**	**40,843**	**18,496**	**59,533**
At 31 December 2018	230	36,584	16,843	53,657
At 1 January 2018	243	23,198	7,779	31,220

(a) Cost and net book value of other assets include assets under construction of HK$13,379 million (2018 - HK$12,823 million).

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

	2019 HK$ million	2018 HK$ million
Within 1 year	**94**	84
Between 1 and 2 years	**21**	27
Between 2 and 3 years	**4**	10
Between 3 and 4 years	**1**	4
Between 4 and 5 years	**-**	1
	120	126

8 Leases

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

	31 December 2019 HK$ million	1 January 2019 HK$ million
Right-of-use assets		
Retail stores	**1,634**	1,878
Telecommunications network	**22,302**	20,723
Other assets	**1,613**	2,007
	25,549	24,608
Lease liabilities		
Current	**6,577**	4,925
Non-current	**21,217**	21,201
	27,794	26,126

On leases that commenced during the year, the Group has recognised HK$6,837 million of right-of-use assets, and HK$6,834 million of lease liabilities.

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

	2019 HK$ million
Depreciation charge of right-of-use assets	
Retail stores	**432**
Telecommunications network	**5,422**
Other assets	**384**
	6,238
Interest on lease liabilities (included in "Interest expenses and other finance costs")	**1,025**
Expenses relating to short-term leases (included in "other operating expenses")	**341**
Expense relating to leases of low-value assets that are not short term leases (included in "other operating expenses")	**1,344**
Expense relating to variable lease payments not included in lease liabilities (included in "other operating expenses")	**1**
	2,711
Total charges recognised in profit or loss for leases	**8,949**

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

	2019 HK$ million
Within operating cash flows	**2,590**
Within financing cash flows (see note 27(d))	**5,398**
Total cash outflows for leases	**7,988**

8 Leases (continued)

(d) Group as lessee - other lease disclosure

Variable lease payments

Some leases contain variable payment terms that are linked to sales generated from a store. 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. Variable lease payments not included in the measurement of lease liabilities is not significant.

Extension and termination options

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

As at 31 December 2019, in accordance with applicable provision in IFRS 16, potential future cash outflows of HK$7,075 million (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Residual value guarantees

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

Leases not yet commenced to which the lessee is committed

The Group is committed at 31 December 2019 to leases that are not yet commenced, and the lease payments payable under which amounted to HK$15 million. This amount has not been included in calculating the lease liabilities as at 31 December 2019.

Restriction or covenants imposed by leases

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

(e) Group as lessor

	2019 HK$ million
Income from subleasing right-of-use assets (included in “other operating expenses”)	**64**

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

	2019 HK$ million
Within 1 year	**65**
Between 1 and 2 years	**54**
Between 2 and 3 years	**42**
Between 3 and 4 years	**36**
Between 4 and 5 years	**33**
After 5 years	**189**
	419

In addition, the Group has recognised income of HK$110 million (2018 - HK$96 million) from leasing of fixed assets for the year ended 31 December 2019.

9 Telecommunications licences

	2019 HK$ million	2018 HK$ million
Net book value		
At 1 January	**60,758**	25,774
Additions	**1,229**	6,384
Relating to subsidiaries acquired (see note 27(c))	**-**	32,484
Amortisation for the year	**(888)**	(909)
Disposal	**(28)**	-
Exchange translation differences	**(890)**	(1,631)
Transfer to assets classified as held for sale (see note 17)	**-**	(1,344)
At 31 December	**60,181**	60,758
Cost	**63,770**	63,510
Accumulated amortisation and impairment	**(3,589)**	(2,752)
	60,181	60,758

The carrying amount of telecommunications licences primarily arises from the acquisitions of the telecommunications businesses in Italy of HK$34,222 million (2018 - HK$35,325 million) and the UK of HK$17,476 million (2018 - HK$17,091 million).

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life.

10 Brand names and other rights

	Brand names HK$ million	Other rights HK$ million	Total HK$ million
Net book value			
At 1 January 2018	11,743	1,900	13,643
Additions	-	1,342	1,342
Relating to subsidiaries acquired (see note 27(c))	7,652	15,327	22,979
Amortisation for the year	-	(2,063)	(2,063)
Exchange translation differences	(650)	(245)	(895)
At 31 December 2018 and 1 January 2019	**18,745**	**16,261**	**35,006**
Additions	**-**	**2,738**	**2,738**
Amortisation for the year	**-**	**(2,204)**	**(2,204)**
Disposals	**-**	**(4)**	**(4)**
Exchange translation differences	**(336)**	**(293)**	**(629)**
At 31 December 2019	**18,409**	**16,498**	**34,907**
Cost	**18,409**	**22,219**	**40,628**
Accumulated amortisation	**-**	**(5,721)**	**(5,721)**
	18,409	**16,498**	**34,907**

The carrying amount of brand names and other rights primarily arises from the acquisitions of telecommunications businesses in Italy of HK$22,898 million (2018 - HK$22,604 million), the UK of HK$5,270 million (2018 - HK$5,120 million) and Austria of HK$2,734 million (2018 - HK$2,918 million). At 31 December 2019,

- brand names are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK$394 million (2018 - HK$547 million), operating and service content rights of HK$7,264 million (2018 - HK$5,970 million), resource consents and customer lists of HK$8,840 million (2018 - HK$9,744 million) are amortised over their finite useful lives.

11 Goodwill

	2019 HK$ million	2018 HK$ million
Cost		
At 1 January	**126,750**	32,238
Relating to subsidiaries acquired (see note 27(c))	**-**	97,160
Exchange translation differences	**(3,731)**	(2,648)
At 31 December	**123,019**	126,750

Goodwill arises from the acquisitions of the telecommunications businesses in Austria of HK$6,651 million (2018 - HK$6,866 million), Hong Kong of HK$3,952 million (2018 - HK$3,952 million), Ireland of HK$5,676 million (2018 - HK$5,859 million), Italy of HK$92,876 million (2018 - HK$95,875 million), Denmark and Sweden of HK$9,219 million (2018 - HK$9,663 million) and the UK of HK$4,645 million (2018 - HK$4,535 million).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units as described in notes 9, 10 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the IFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 1.1% to 9.7% (2018 - 3.3% to 5.2%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1.0% to 2.0% (2018 - 1.0% to 2.0%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2019 and 2018 indicated no impairment charge was necessary.

12 Interests in joint ventures

	2019 HK$ million	2018 HK$ million
Unlisted shares	-	-
Share of undistributed post acquisition reserves	**(60)**	(27)
	(60)	(27)
Amounts due from joint ventures [(a)]	**432**	433
	372	406

There are no material contingent liabilities relating to the Group's interests in the joint ventures, saved as for those disclosed in note 30.

(a) Amounts due from joint ventures

	2019 HK$ million	2018 HK$ million
Amounts due from joint ventures [(i)]		
Interest free	**54**	-
Interest bearing at floating rates [(ii)]	**378**	433
	432	433

(i) At 31 December 2019 and 2018, the amounts due from joint ventures are unsecured and have no fixed terms of repayment.

(ii) At 31 December 2019, HK$378 million (2018 - HK$433 million) bear interests at floating rates at approximately 3.98% to 5.71% (2018 - 3.70% to 5.40%) per annum with reference to Hong Kong Interbank Offered Rate, as applicable.

(b) Material joint ventures

	2018 Wind Tre [(ii)] HK$ million
Gross amount of the following items of the joint ventures [(i)]:	
Total revenue	31,086
EBITDA	11,948
EBIT	7,132
Other comprehensive income (losses)	(1,848)
Total comprehensive income	2,996

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

(ii) As Wind Tre became a wholly owned subsidiary of the Group during the year ended 31 December 2018, Wind Tre's respective profit and loss items are included in the summarised financial information for the Group's material joint ventures above up to the effective date it became a wholly owned subsidiary, and Wind Tre's respective statement of financial position items as at 31 December 2018 are not included above as it is no longer a joint venture and its assets and liabilities are consolidated in the Group's statement of financial position as at that date.

Set out below are additional information in respect of the Group's material joint ventures:

	2019		2018		
	Other joint ventures HK$ million	**Total HK$ million**	Wind Tre HK$ million	Other joint ventures HK$ million	Total HK$ million
Profits less losses after tax	**(21)**	**(21)**	2,422	(4)	2,418
Other comprehensive income (losses)	**-**	**-**	(924)	-	(924)
Total comprehensive income (losses)	**(21)**	**(21)**	1,498	(4)	1,494

13 Deferred tax

	2019	2018
	HK$ million	HK$ million
Deferred tax assets	**17,704**	18,917
Deferred tax liabilities	**206**	310
Net deferred tax assets	**17,498**	18,607

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

	2019	2018
	HK$ million	HK$ million
At 1 January	**18,607**	17,994
Effect on adoption of IFRS 16 (see note 36)	**207**	-
Effect on adoption of IFRS 9 and IFRS 15	**-**	(186)
Transfer to current tax	**(4)**	-
Net credit (charge) to other comprehensive income	**13**	(38)
Net credit (charge) to the income statement		
Tax losses	**(1,051)**	396
Accelerated depreciation allowances	**(58)**	27
Fair value adjustments arising from acquisitions	**(164)**	(471)
Other temporary differences	**(14)**	1,668
Exchange translation differences	**(38)**	(783)
At 31 December	**17,498**	18,607

Analysis of net deferred tax assets (liabilities):

	2019	2018
	HK$ million	HK$ million
Tax losses	**15,383**	16,943
Accelerated depreciation allowances	**(1,261)**	(1,229)
Fair value adjustments arising from acquisitions	**1,053**	593
Revaluation of other investments	**26**	124
Other temporary differences	**2,297**	2,176
	17,498	18,607

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

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

Note 37(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unutilised tax losses carried forward.

The Group has not recognised deferred tax assets of HK$17,055 million at 31 December 2019 (2018 - HK$16,798 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$71,754 million (2018 - HK$70,632 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income indefinitely.

14 Other non-current assets

	2019 HK$ million	2018 HK$ million
Customer acquisition and retention costs [a]	**2,985**	1,576
Contract assets (see note 16(b))	**3,482**	2,726
Unlisted investments		
Financial assets at FVOCI - equity securities	**19**	19
Pension assets (see note 22)	**13**	-
Derivative financial instruments		
Cash flow hedges - Cross currency interest rate swaps	**-**	317
Other derivative financial instruments	**-**	6
Others (mainly lease receivables)	**245**	-
	6,744	4,644

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the year was HK$1,571 million (2018 - HK$1,188 million) and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of IFRS 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.

15 Cash and cash equivalents

	2019 HK$ million	2018 HK$ million
Cash at bank and in hand	**8,836**	11,773
Short term bank deposits	**11,767**	11,168
	20,603	22,941

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

16 Trade receivables and other current assets

	2019 **HK$ million**	2018 HK$ million
Trade receivables [(a)]	**12,493**	13,739
Less: loss allowance provision	**(1,522)**	(853)
	10,971	12,886
Other current assets		
Contract assets [(b)]	**3,896**	4,217
Prepayments	**8,881**	11,171
Other receivables	**4,044**	7,939
	27,792	36,213

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

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

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

	2019 **HK$ million**	2018 HK$ million
Less than 31 days	**6,062**	8,006
Within 31 to 60 days	**995**	998
Within 61 to 90 days	**339**	581
Over 90 days	**5,097**	4,154
	12,493	13,739

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

	2019 **HK$ million**	2018 HK$ million
At 1 January	**853**	1,430
Additions	**1,544**	1,418
Utilisations	**(877)**	(1,902)
Write back	**(4)**	(4)
Exchange translation differences	**6**	(89)
At 31 December	**1,522**	853

16 Trade receivables and other current assets (continued)

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

	2019			2018		
	Gross carrying amount HK$ million	**Loss allowance provision HK$ million**	**Expected loss rate Percentage**	Gross carrying amount HK$ million	Loss allowance provision HK$ million	Expected loss rate Percentage
Not past due	**5,530**	**288**	**5%**	6,475	96	1%
Past due less than 31 days	**1,085**	**91**	**8%**	1,685	68	4%
Past due within 31 to 60 days	**327**	**68**	**21%**	698	84	12%
Past due within 61 to 90 days	**230**	**50**	**22%**	372	90	24%
Past due over 90 days	**5,321**	**1,025**	**19%**	4,509	515	11%
	12,493	**1,522**		13,739	853	

(b) As at 31 December 2019, contract assets of HK$3,896 million (2018 - HK$4,217 million) and HK$3,482 million (2018 - HK$2,726 million) are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 14) respectively. These amounts are net of provision for estimated impairment losses of HK$1,052 million (2018 - HK$493 million).

17 Assets classified as held for sale

	2019 HK$ million	2018 HK$ million
Assets classified as held for sale		
Non-current assets held for sale	**149**	2,352

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

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

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

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

18 Bank and other debts

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Principal amounts						
Bank loans	**-**	**41,477**	**41,477**	1,554	32,228	33,782
Other loans	**-**	**-**	**-**	3	7	10
Notes and bonds	**-**	**44,975**	**44,975**	-	60,369	60,369
	-	**86,452**	**86,452**	1,557	92,604	94,161
Unamortised loan facilities fees and premiums or discounts related to debts	**-**	**(527)**	**(527)**	-	(21)	(21)
	-	**85,925**	**85,925**	1,557	92,583	94,140

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

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans	**-**	**41,477**	**41,477**	1,554	32,228	33,782
Other loans	**-**	**-**	**-**	3	7	10
Notes and bonds *						
US$1,843 million notes, 5% due 2026	**-**	**-**	**-**	-	14,375	14,375
EUR1,500 million notes, 0.375% due 2023	**-**	**13,005**	**13,005**	-	-	-
EUR1,537 million notes, 2.625% due 2023	**-**	**-**	**-**	-	13,756	13,756
EUR2,026 million notes, EURIBOR^ + 2.75% due 2024	**-**	**-**	**-**	-	18,133	18,133
EUR1,576 million notes, 3.125% due 2025	**-**	**-**	**-**	-	14,105	14,105
EUR1,000 million notes, 0.75% due 2026	**-**	**8,670**	**8,670**	-	-	-
EUR1,000 million notes, 1.125% due 2028	**-**	**8,670**	**8,670**	-	-	-
EUR750 million notes, 1.5% due 2031	**-**	**6,502**	**6,502**	-	-	-
GBP500 million notes, 2% due 2027	**-**	**5,080**	**5,080**	-	-	-
GBP300 million notes, 2.625% due 2034	**-**	**3,048**	**3,048**	-	-	-
	-	**44,975**	**44,975**	-	60,369	60,369
	-	**86,452**	**86,452**	1,557	92,604	94,161

^ EURIBOR represents the Euro Interbank Offered Rate
* Listed

18 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

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans						
Within a year	-	-	-	1,554	-	1,554
After 1 year, but within 2 years	-	-	-	-	4,028	4,028
After 2 years, but within 5 years	-	**41,477**	**41,477**	-	28,200	28,200
	-	**41,477**	**41,477**	1,554	32,228	33,782
Other loans						
Within a year	-	-	-	3	-	3
After 1 year, but within 2 years	-	-	-	-	2	2
After 2 years, but within 5 years	-	-	-	-	3	3
After 5 years	-	-	-	-	2	2
	-	-	-	3	7	10
Notes and bonds						
After 2 years, but within 5 years	-	**13,005**	**13,005**	-	13,756	13,756
After 5 years	-	**31,970**	**31,970**	-	46,613	46,613
	-	**44,975**	**44,975**	-	60,369	60,369
	-	**86,452**	**86,452**	1,557	92,604	94,161

(b) By secured and unsecured borrowings

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Secured borrowings	-	-	-	3	87,226	87,229
Unsecured borrowings	-	**86,452**	**86,452**	1,554	5,378	6,932
	-	**86,452**	**86,452**	1,557	92,604	94,161

(c) By borrowings at fixed and floating interest rate

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	-	**44,975**	**44,975**	3	42,244	42,247
Borrowings at floating rate	-	**41,477**	**41,477**	1,554	50,360	51,914
	-	**86,452**	**86,452**	1,557	92,604	94,161

18 Bank and other debts (continued)

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

(d) By currency

	2019			2018		
	Current portion Percentage	**Non-current portion Percentage**	**Total Percentage**	Current portion Percentage	Non-current portion Percentage	Total Percentage
US dollars	**-**	**-**	**-**	-	16%	16%
Euro	**-**	**85%**	**85%**	-	76%	76%
British Pounds	**-**	**9%**	**9%**	-	2%	2%
Swedish Krona	**-**	**6%**	**6%**	2%	4%	6%
	-	**100%**	**100%**	2%	98%	100%

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

	2019			2018		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Borrowings at fixed rate	**-**	**44,975**	**44,975**	3	69,094	69,097
Borrowings at floating rate	**-**	**41,477**	**41,477**	1,554	23,510	25,064
	-	**86,452**	**86,452**	1,557	92,604	94,161

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. At 31 December 2019, the Group had no (2018 - HK$26,850 million) outstanding interest rate swap agreements (See note 38(h)).

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

	2019			2018		
	Current portion Percentage	**Non-current portion Percentage**	**Total Percentage**	Current portion Percentage	Non-current portion Percentage	Total Percentage
Euro	**-**	**85%**	**85%**	-	92%	92%
British Pounds	**-**	**9%**	**9%**	-	2%	2%
Swedish Krona	**-**	**6%**	**6%**	2%	4%	6%
	-	**100%**	**100%**	2%	98%	100%

As at 31 December 2019, the Group had no (2018 - HK$15,600 million) currency swap arrangements with banks to swap US dollar principal amount of borrowings (see note 38(h)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

19 Trade payables and other current liabilities

	2019 HK$ million	2018 HK$ million
Trade payables [(a)]	**12,259**	13,485
Amounts due to CKHH group entities [(b)]	**165**	-
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Other contracts	**51**	-
Contract liabilities	**3,279**	3,171
Provisions (see note 20)	**1,443**	3,669
Other payables and accruals	**21,364**	36,753
	38,561	57,078

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

	2019 HK$ million	2018 HK$ million
Less than 31 days	**10,437**	10,108
Within 31 to 60 days	**405**	642
Within 61 to 90 days	**11**	973
Over 90 days	**1,406**	1,762
	12,259	13,485

(b) At 31 December 2019, the amounts due to CKHH group entities are trading in nature, unsecured, interest free and have no fixed terms of repayment.

20 Provisions

	Provision for commitments, onerous contracts and other guarantees HK$ million	Closure obligation HK$ million	Assets retirement obligation HK$ million	Others HK$ million	Total HK$ million
At 1 January 2018	-	111	589	-	700
Additions	-	-	240	108	348
Interest accretion	-	6	16	-	22
Relating to subsidiaries acquired	12,774	-	871	601	14,246
Utilisations	(1,731)	(83)	(58)	(28)	(1,900)
Exchange translation differences	(169)	(9)	(31)	(10)	(219)
At 31 December 2018 and 1 January 2019	**10,874**	**25**	**1,627**	**671**	**13,197**
Additions	**-**	**-**	**408**	**376**	**784**
Interest accretion	**-**	**1**	**23**	**-**	**24**
Utilisations	**(2,605)**	**(7)**	**(296)**	**(133)**	**(3,041)**
Exchange translation differences	**(325)**	**(14)**	**15**	**(26)**	**(350)**
At 31 December 2019	**7,944**	**5**	**1,777**	**888**	**10,614**

Provisions are analysed as:

	2019 HK$ million	2018 HK$ million
Current portion (see note 19)	**1,443**	3,669
Non-current portion (see note 23)	**9,171**	9,528
	10,614	13,197

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

21 Amounts due to CKHH group entities

	2019 HK$ million	2018 HK$ million
Amounts due to CKHH group entities		
Current portion [(a)]	-	34,610
Non-current portion [(b)]	-	51,754
	-	86,364

(a) At 31 December 2018, the amounts due to CKHH group entities are unsecured, interest free except HK$9,603 million which bear interests at floating rate with reference to EURIBOR and have no fixed terms of repayment. The carrying amounts of these liabilities approximate their fair values.

(b) At 31 December 2018, the amounts due to CKHH group entities are unsecured and bear interests ranging from 3.0% to 5.6% and repayable after two years. The carrying amounts of these liabilities approximate their fair values.

(c) The balances are denominated in the following currencies:

	2019 Percentage	2018 Percentage
British Pounds	-	60%
Euro	-	40%
	-	100%

22 Pension plans

	2019 HK$ million	2018 HK$ million
Defined benefit assets (see note 14)	**13**	-
Defined benefit liabilities	**668**	660
Net defined benefit liabilities	**655**	660

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 and Italy. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

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

	2019	2018
Discount rates	**0.7% - 1.5%**	1.5% - 2.4%
Future salary increases	**1.7% - 4.0%**	2.5% - 4.0%
Interest credited on two principal plans in Hong Kong	**5.0% - 6.0%**	5.0% - 6.0%

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

	2019 HK$ million	2018 HK$ million
Present value of defined benefit obligations	**886**	877
Fair value of plan assets	**231**	217
Net defined benefit liabilities	**655**	660

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	Net defined benefit liabilities HK$ million
At 1 January 2019	**877**	**(217)**	**660**
Net charge (credit) to the income statement			
Current service cost	**20**	**-**	**20**
Interest cost (income)	**16**	**(5)**	**11**
	36	**(5)**	**31**
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss arising from change in financial assumptions	**16**	**-**	**16**
Actuarial loss arising from experience adjustment	**22**	**-**	**22**
Return on plan assets excluding interest income	**-**	**(21)**	**(21)**
Exchange translation differences	**(22)**	**-**	**(22)**
	16	**(21)**	**(5)**
Contributions paid by the employer	**-**	**(35)**	**(35)**
Benefits paid	**(46)**	**46**	**-**
Transfer from other liabilities	**3**	**1**	**4**
At 31 December 2019	**886**	**(231)**	**655**

22 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2018	339	(271)	68
Net charge (credit) to the income statement			
Current service cost	26	-	26
Interest cost (income)	10	(5)	5
	36	(5)	31
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial gain arising from change in financial assumptions	(12)	-	(12)
Actuarial loss arising from experience adjustment	4	-	4
Return on plan assets excluding interest income	-	20	20
Exchange translation differences	(9)	-	(9)
	(17)	20	3
Contributions paid by the employer	-	(31)	(31)
Benefits paid	(58)	58	-
Relating to subsidiaries acquired (see note 27(c))	589	-	589
Transfer from (to) other liabilities	(12)	12	-
At 31 December 2018	877	(217)	660

The net defined benefit liabilities presented above represent the deficit calculated in accordance with International Accounting Standard 19 "Employee Benefits" ("IAS 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 IAS 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 the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2019, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$3 million (2018 - HK$3 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2019 (2018 - nil) to reduce future years' contributions.

The Group's telecommunications operation in Italy is required under the local laws to pay severance indemnities to employees when the employee leaves the company. The amount of the payment due upon termination of employment is calculated on the basis of the period of employment and the taxable remuneration of the employee. The liability is adjusted annually based on the official cost of living and the legally set interest rate, and is not contingent on any vesting condition or accrual period. The liability is not associated with any funding arrangement; accordingly, there are no assets servicing the liability to pay the severance indemnities. Under the local regulations, for companies with at least 50 employees, the employee can elect to assign his entitlement to severance indemnities accruing from 2007, either to a fund held by INPS Treasury Fund or to a supplementary pension fund. Except for the amount assigned as aforementioned, the employee severance indemnities are recognised as defined benefit plan obligation. In application of IAS 19, the defined benefit plan obligation in respect of these employee severance indemnities have been calculated using the projected unit credit method and the main assumptions used in the accounting actuarial valuation are salary increases of 1.7% per annum and discount rate of 0.7% per annum.

22 **Pension plans (continued)**

(a) **Defined benefit plans (continued)**

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2019 Percentage	2018 Percentage
Equity instruments		
Consumer markets and manufacturing	**8%**	8%
Energy and utilities	**2%**	4%
Financial institutions and insurance	**10%**	9%
Telecommunications and information technology	**16%**	16%
Units trust and equity instrument funds	**19%**	16%
Others	**18%**	19%
	73%	72%
Debt instruments		
US Treasury notes	**2%**	2%
Government and government guaranteed notes	**9%**	10%
Financial institutions notes	**5%**	4%
Others	**7%**	7%
	23%	23%
Other assets	**4%**	5%
	100%	100%

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

	2019 Percentage	2018 Percentage
Aaa/AAA	**13%**	12%
Aa1/AA+	**26%**	32%
Aa2/AA	**3%**	3%
Aa3/AA-	**5%**	4%
A1/A+	**11%**	9%
A2/A	**10%**	9%
Other investment grades	**22%**	23%
No investment grades	**10%**	8%
	100%	100%

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

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.

22 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2019 is 10 years (2018 - 11 years).

The Group expects to make contributions of HK$30 million (2018 - HK$66 million) to the defined benefit plans next year.

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

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.1% or increase by 2.2% respectively (2018 - decrease by 2.4% or increase by 2.4% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.1% or decrease by 0.1% respectively (2018 - increase by 0.2% or decrease by 0.2% respectively).

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

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$340 million (2018 - HK$236 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$0.2 million (2018 - HK$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2019 (2018 - nil) to reduce future years' contributions.

23 Other non-current liabilities

	2019 **HK$ million**	2018 HK$ million
Derivative financial instruments		
Cash flow hedges - Interest rate swaps	**-**	192
Obligations for telecommunications licences and other rights	**7,023**	6,381
Other non-current liabilities	**3,046**	399
Provisions (see note 20)	**9,171**	9,528
	19,240	16,500

24 Share capital, share premium and capital management

(a) Share capital and share premium

	Number of shares	Share capital EUR	Share premium EUR	Total EUR
Authorised:				
Ordinary shares of EUR1 each	**40,000**	**40,000**	**-**	**40,000**

	Number of shares	Share capital HK$ million	Share premium HK$ million	Total HK$ million
Issued and fully paid:				
Ordinary shares				
At 1 January and 31 December 2018 and 1 January 2019	-	-	-	-
Issue of new shares				
On incorporation (i)	**1**	**-**	**-**	**-**
On 26 June 2019 (i)	**32**	**-**	**-**	**-**
Pursuant to the Reorganisation on 25 July 2019 (ii)	**1**	**-**	**5,860**	**5,860**
Pursuant to the Reorganisation on 26 July 2019 (ii)	**30**	**-**	**179,883**	**179,883**
At 31 December 2019	**64**	**-**	**185,743**	**185,743**

The Company was incorporated in the Cayman Islands on 26 June 2019 with an authorised share capital of Euro 40,000 divided into 40,000 shares of a par value of Euro 1 each.

(i) On the date of incorporation, one share was allotted and issued as fully-paid at par and in cash to the initial subscriber to the Memorandum of Association, namely Mapcal Limited, an independent third party, and 32 shares were allotted and issued as fully-paid at an aggregate consideration of Euro 32,999 and in cash to Barusley Limited, which is the immediate holding company of the Company. On the same date, Mapcal Limited transferred the said one share to Barusley Limited.

(ii) On 25 and 26 July 2019, a total of 31 shares were allotted and issued as fully-paid to Barusley Limited for acquisition of the CKHH Group's telecommunication businesses in Europe and Hong Kong and assignment to the Group of loans owed by these businesses to CKHH group entities totalling Euro 20,868 million (equivalent to HK$185,311 million) and for cash of Euro 49 million (equivalent to HK$432 million).

(iii) The corresponding share capital amount and share premium amount arising from the issuances mentioned in (i) and (ii) were Euro 64 (equivalent to HK$568) and Euro 20,917 million (equivalent to HK$185,743 million), respectively.

(b) Capital management

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

At 31 December 2019, total equity amounted to HK$206,107 million (2018 - HK$108,840 million), and consolidated net debt of the Group was HK$65,849 million (2018 - HK$71,220 million). The Group's net debt to net total capital ratio decreased to 24.2% from 26.7% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of marking the Group's investments in its listed subsidiaries to market value at the end of the reporting period.

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

	2019	2018
A1	**24.2%**	26.7%
A2 - as in A1 above and investments in listed subsidiaries marked to market value	**24.6%**	27.0%

(i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts. As at 31 December 2019, net total capital is defined as total bank and other debts plus total equity net of total cash and cash equivalents. As at 31 December 2018, net total capital is defined as total bank and other debts plus total equity and amounts due to CKHH group entities net of total cash and cash equivalents.

25 Other reserves including earnings

	2019			
	Retained profit HK$ million	**Merger reserve [(a)] HK$ million**	**Other capital reserve [(c)] HK$ million**	**Total HK$ million**
At 31 December 2018, as previously reported, and 1 January 2019	**28,425**	**73,321**	**(738)**	**101,008**
Effect on adoption of IFRS 16 (see note 36)	**(943)**	**-**	**-**	**(943)**
At 1 January 2019, as adjusted	**27,482**	**73,321**	**(738)**	**100,065**
Profit for the year	**15,128**	**-**	**-**	**15,128**
Other comprehensive income (losses)				
Remeasurement of defined benefit obligations recognised directly in reserves	**(19)**	**-**	**-**	**(19)**
Other comprehensive income (losses), net of tax	**(19)**	**-**	**-**	**(19)**
Dividends paid to CKHH group entities prior to the Reorganisation	**(3,512)**	**(48)**	**-**	**(3,560)**
Relating to purchase of non-controlling interests	**-**	**-**	**(194)**	**(194)**
Arising from the Reorganisation [(b)]	**-**	**(93,952)**	**-**	**(93,952)**
At 31 December 2019	**39,079**	**(20,679)**	**(932)**	**17,468**

	2018			
	Retained profit HK$ million	Merger reserve [(a)] HK$ million	Other capital reserve [(c)] HK$ million	Total HK$ million
At 1 January 2018	5,216	48,140	(738)	52,618
Profit for the year	23,769	-	-	23,769
Other comprehensive income (losses)				
Remeasurement of defined benefit obligations recognised directly in reserves	(12)	-	-	(12)
Share of other comprehensive income (losses) of joint ventures	(10)	-	-	(10)
Tax relating to components of other comprehensive income (losses)	3	-	-	3
Other comprehensive income (losses), net of tax	(19)	-	-	(19)
Issue of shares by subsidiary companies to CKHH group entities	-	27,136	-	27,136
Distribution by subsidiary companies to CKHH group entities	-	(1,955)	-	(1,955)
Dividends paid to CKHH group entities	(541)	-	-	(541)
At 31 December 2018	28,425	73,321	(738)	101,008

(a) Merger reserve represents the difference between the capital contributions from CKHH group entities to the companies now comprising the Group before the Reorganisation and the consideration paid by the Group for acquisition of the CKHH Group's telecommunication businesses in Europe and Hong Kong.

(b) Amount represents the difference of the total consideration of HK$185,743 million and the settlement in the form of loan assignment of HK$91,359 million and cash payment of HK$432 million.

(c) Relating to transactions with non-controlling interests.

26 Tax effects of other comprehensive income (losses) for the year

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

	2019		
	Before-tax amount HK$ million	**Tax effect HK$ million**	**Net-of-tax amount HK$ million**
Remeasurement of defined benefit obligations recognised directly in reserves	**(16)**	**-**	**(16)**
Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	**(139)**	**13**	**(126)**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(3,316)**	**-**	**(3,316)**
	(3,471)	**13**	**(3,458)**

	2018		
	Before-tax amount HK$ million	Tax effect HK$ million	Net-of-tax amount HK$ million
Remeasurement of defined benefit obligations recognised directly in reserves	(11)	3	(8)
Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)			
Gains recognised directly in reserves	124	(41)	83
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(1,718)	-	(1,718)
Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	(1,866)	-	(1,866)
Share of other comprehensive income (losses) of joint ventures	(924)	-	(924)
	(4,395)	(38)	(4,433)

27 Notes to consolidated statement of cash flows

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

	2019 HK$ million	2018 HK$ million
Profit after tax	**15,754**	24,429
Less: share of profits less losses of joint ventures	**21**	(2,418)
	15,775	22,011
Adjustments for:		
Current tax charge (credit)	**433**	(511)
Deferred tax charge (credit)	**1,287**	(1,620)
Interest expenses and other finance costs	**4,486**	3,540
Depreciation and amortisation	**20,383**	9,490
EBITDA of Company and subsidiaries (i)	**42,364**	32,910
Profits on disposal of fixed assets	**(9)**	(49)
Profits on disposal of investments and others	**-**	(8,600)
Other items		
Customer acquisition and retention cost capitalised in the year	**(3,045)**	(1,680)
Others	**(237)**	(191)
	39,073	22,390

(i) Reconciliation of EBITDA:

	2019 HK$ million	2018 HK$ million
EBITDA of Company and subsidiaries	**42,364**	32,910
Share of EBITDA of joint ventures		
Share of profits less losses of joint ventures	**(21)**	2,418
Adjustments for:		
Current tax charge	**6**	58
Deferred tax charge	**-**	31
Interest expenses and other finance costs	**21**	1,082
Depreciation and amortisation	**47**	2,458
	53	6,047
EBITDA (see notes 3(b)(ii) and 3(b)(viii))	**42,417**	38,957

(b) Changes in working capital

	2019 HK$ million	2018 HK$ million
Decrease (increase) in inventories	**169**	(161)
Decrease (increase) in trade receivables and other current assets	**1,109**	(2,556)
Increase (decrease) in trade payables and other current liabilities	**(6,450)**	4,162
Other non-cash items	**107**	(725)
	(5,065)	720

27 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

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

	2018 HK$ million
Purchase consideration transferred:	
Cash and cash equivalents paid	21,744
Fair value of investments held by the Company prior to acquisition	39,342
	61,086
Fair value	
Fixed assets	17,804
Telecommunications licences	32,484
Brand names and other rights	22,979
Other non-current assets	20
Cash and cash equivalents	7,396
Trade receivables and other current assets	14,831
Contract assets	1,863
Inventories	661
Assets held for sale	2,007
Trade payables and other current liabilities and current tax liabilities	(30,109)
Contract liabilities	(1,738)
Bank and other debts	(93,829)
Pension obligations	(589)
Other non-current liabilities	(9,854)
Net identifiable liabilities acquired	(36,074)
Goodwill	97,160
Total consideration	61,086
Net cash outflow (inflow) arising from acquisition:	
Cash and cash equivalents paid	21,744
Cash and cash equivalents acquired	(7,396)
Total net cash outflow	14,348

The assets acquired and liabilities assumed are recognised at the acquisition date fair values.

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

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

27 Notes to consolidated statement of cash flows (continued)

(d) Changes in liabilities arising from financing activities

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

	Bank and other debts HK$ million	Lease liabilities HK$ million	Amounts due to CKHH group entities HK$ million	Total HK$ million
At 1 January 2018	9,556	-	89,347	98,903
Financing cash flows				
New borrowings	1,631	-	-	1,631
Repayment of borrowings	(3,907)	-	-	(3,907)
Net loans from CKHH group entities	-	-	965	965
Other changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	7	-	-	7
Relating to subsidiaries acquired (see note 27(c))	93,829	-	-	93,829
Derecognition of notes and bonds *	(5,633)	-	-	(5,633)
Exchange translation differences	(1,343)	-	(3,948)	(5,291)
At 31 December 2018, as previously reported, and 1 January 2019	**94,140**	**-**	**86,364**	**180,504**
Effect on adoption of IFRS 16 (see note 36)	**(10)**	**26,126**	**-**	**26,116**
At 1 January 2019, as adjusted	**94,130**	**26,126**	**86,364**	**206,620**
Financing cash flows				
New borrowings	**177,380**	**-**	**-**	**177,380**
Repayment of borrowings	**(183,075)**	**-**	**-**	**(183,075)**
Capital element of lease liabilities paid (see note 8(c))	**-**	**(5,398)**	**-**	**(5,398)**
Net loans from CKHH group entities	**-**	**-**	**5,179**	**5,179**
Other changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	**126**	**-**	**-**	**126**
Remeasurement / write off of lease liabilities	**-**	**731**	**-**	**731**
Increase in lease liabilities from entering into new				**-**
leases (see note 8(a))	**-**	**6,834**	**-**	**6,834**
Interest on lease liabilities (see note 5)	**-**	**1,025**	**-**	**1,025**
Interest element of lease liabilities paid (included in "net cash from operating activities")	**-**	**(968)**	**-**	**(968)**
Loan assignment settled by shares issue of the Company (note 25(b))	**-**	**-**	**(91,359)**	**(91,359)**
Exchange translation differences	**(2,636)**	**(556)**	**(184)**	**(3,376)**
At 31 December 2019	**85,925**	**27,794**	**-**	**113,719**

* via transfer from other listed investments

28 Share-based payments

The Company does not have a share option scheme but one of the Company's subsidiary companies issued equity-settled share-based payments to certain employees. The amount of the share-based payments recognised by this company was not material to the Group.

29 Pledge of assets

At 31 December 2019, no assets of the Group (2018 - HK$109,800 million) were pledged as security for bank and other debts. The decrease is mainly attributable to repayment of secured loans during the year.

30 Contingent liabilities and guarantees

At 31 December 2019, the Group had provided performance and other guarantees of HK$224 million (2018 - HK$143 million).

31 Commitments

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

Capital commitments
(a) **3** Group Europe - HK$8,955 million (2018 - HK$6,441 million)
(b) Telecommunications, Hong Kong - HK$2,367 million (2018 - HK$206 million)
(c) Other fixed assets - HK$146 million (2018 - HK$190 million)

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

Operating lease commitments - future aggregate minimum lease payments for land and buildings leases
(a) In the first year - HK$4,154 million
(b) In the second to fifth years inclusive - HK$3,281 million
(c) After the fifth year - HK$1,769 million

Operating lease commitments - future aggregate minimum lease payments for other assets
(a) In the first year - HK$118 million
(b) In the second to fifth years inclusive - HK$152 million
(c) After the fifth year - HK$92 million

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases. See note 8 for further information.

32 Related party transactions

(a) Key management personnel remuneration

The remuneration for the directors of the Company (being the key management personnel) for the current and comparative 2018 years are borne by CKHH group entities.

(b) Saved as disclosed elsewhere in these financial statements, the following transactions occurred with other related parties:

	2019	2018
	HK$ million	HK$ million
Sales of contract assets (handset receivables) to CKHH group entities (i)	**5,521**	5,453
Exchange gain (losses) hedged to CKHH group entities (ii)	**(386)**	109

(i) During the year, the Group has entered into handset receivable agreements with CKHH group entities which resulted in the sale of certain contract assets (unbilled handset receivables) for which the Group was paid at the carrying cost of the contract assets sold, being the face value of the underlying unbilled handset receivables less the related allowance to cover the credit and late payment risk.

(ii) During the year, the Group has entered into a foreign exchange economic hedge agreement with CKHH group entities which resulted in the transfer of foreign exchange exposure in relation to a notional amount of US$275 million (2018 - US$275 million).

33 Legal proceedings

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

34 Profit before tax

Profit before tax is shown after charging the following items:

	2019	2018
	HK$ million	HK$ million
Cost of goods sold		
included in "cost of inventories sold"	**2,170**	3,645
included in "expensed customer acquisition and retention costs"	**11,579**	11,909
Following items are included in "other operating expenses"		
Cost of providing services [(a)]	**17,834**	11,533
Office and general administrative expenses	**3,195**	2,603
Repair and maintenance expenses	**1,982**	3,316
Operating leases expenses [(b)]		
Properties	**-**	3,462
Hire of plant and machinery	**-**	25
Auditors' remuneration	**87**	77

(a) Include telecommunication network related costs of HK$13,843 million (2018 - HK$10,456 million) and repair and maintenance of HK$3,991 million (2018 - HK$1,077 million).

(b) The Group has adopted IFRS 16 "Leases" with effect from 1 January 2019. Please see note 8 for details of amounts recognised in the income statement relating to the right-of-use assets and lease liabilities recognised under IFRS 16, of which HK$1,686 million are included under "other operating expenses" for the current year. Prior to 1 January 2019, the Group accounted for leases under IAS 17 and the operating lease expenses were included under "other operating expenses".

35 Significant accounting policies

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

(a) Business combinations under common control

The Group applies the predecessor values accounting to account for combination of entities or businesses under common control. The financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been obtained from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities over cost at the time of common control combination, to the extent of the combination of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the earliest date of statement of financial position presented or when they first came under common control, whichever is the later.

Inter-company transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Telecommunication Business.

(b) Subsidiary companies

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

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

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

35 Significant accounting policies (continued)

(c) Joint arrangement

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

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

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

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

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

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

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

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

(e) Fixed assets

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

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

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 ⅓ - 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.

35 Significant accounting policies (continued)

(f) Leases

(i) Policy applied from 1 January 2019

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

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

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

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

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

(ii) Policy applied prior to 1 January 2019

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

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

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

35 Significant accounting policies (continued)

(g) 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 20 years

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

(h) Customer acquisition and retention costs

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

(i) Goodwill

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

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

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

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

(j) 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.

(k) 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.

35 Significant accounting policies (continued)

(l) Other unlisted investments and other financial assets

"Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities. 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 applies to debt instruments measured at amortised cost and at FVOCI, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

(m) 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 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.

35 Significant accounting policies (continued)

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

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

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 38(h). Movements in the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. 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:

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.

(n) Trade and other receivables, and contract assets

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

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

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

(o) 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.

(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.

35 Significant accounting policies (continued)

(q) Borrowings and borrowing costs

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

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

(r) Trade and other payables, and contract liabilities

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

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

(s) Share capital

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

(t) 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.

(u) Asset impairment

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

(v) Pension plans

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

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

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

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

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

35 Significant accounting policies (continued)

(w) Share-based payments

The Company has no share option scheme but one of the Company's subsidiary company has issued equity-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 company's estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

(x) Foreign exchange

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

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

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

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

All other exchange differences are recognised in the income statement.

(y) Business combinations

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

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

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

35 Significant accounting policies (continued)

(z) 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.

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.

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.

(aa) Rounding of amounts

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

(ab) New standards and interpretations not yet adopted

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

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

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

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

36 Changes in significant accounting policies

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

(a) IFRS 16

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

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

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

IFRS 16 has no impact on:
- cash.
- the Group's underlying business economics.
- how the Group operates the businesses.

IFRS 16 has a significant impact on the Group's financial statements. Impacts include:
- statement of financial position is "grossed up", as substantially all leases are brought on balance sheet, including lease renewals where management is "reasonably certain".
- increase in EBITDA and EBIT (no longer operating lease expense, now interest and depreciation).
- negative net earnings and EPS impact earlier in the lease term on an individual lease basis.
- nil cumulative net earnings and EPS impact over the term of the lease.
- change in classification of amounts on the statement of cash flows and statement of financial position.

In applying IFRS 16 for the first time, the Group has applied the following recognition exemptions and practical expedients permitted by the standard:
- grandfather the definition of a lease for existing contracts at the date of initial application.
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous.
- the use of recognition exemption to leases with a remaining lease term of less than 12 months at 1 January 2019.
- the use of recognition exemption to leases for which the underlying asset is of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- the use of hindsight in determining lease term at the date of initial application.

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

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

36 Changes in significant accounting policies (continued)

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

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

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

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

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

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

(c) Reconciliation from lease commitments to lease liabilities

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

	HK$ million
Operating lease commitments disclosed at 31 December 2018	9,566
Discounted using the Group's weighted average incremental borrowing rate of 3.6%	8,711
Add: finance lease liabilities recognised as at 31 December 2018	9
Less: leases end within 12 months from the date of initial application	(249)
Less: non lease components	(21)
Add: adjustments as a result of a different treatment of contractual and expected lease periods including extension options	17,143
Others (mainly prepaid and accrued lease expenses)	533
Lease liability recognised at 1 January 2019	26,126
Of which are:	
Current lease liabilities	4,925
Non-current lease liabilities	21,201
	26,126

(d) Effect on adoption of IFRS 16

The Group has initially applied IFRS 16 with effect from 1 January 2019. On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of precedent lease accounting standard IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities on 1 January 2019 was 3.6%. For leases previously classified as finance leases under IAS 17, the Group transferred the carrying amounts (immediately before transition) of the underlying assets and obligations, previously grouped for financial statements presentation purposes under Fixed assets and Other debts, to Right-of-use assets and Lease liability at 1 January 2019.

The Group has applied the modified retrospective approach to adopt IFRS 16. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening equity at 1 January 2019, and with no restatement of the comparative period. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019. The adoption has resulted in a HK$968 million decrease in the opening balance of total equity on 1 January 2019. The impact is mainly attributable to the recognition of Right-of-use assets and Lease liabilities of lease contracts, as explained further below.

36 Changes in significant accounting policies (continued)

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

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

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

	31 December 2018 As previously reported HK$ million	Effect on adoption of IFRS 16 HK$ million	1 January 2019 As adjusted HK$ million
Non-current assets			
Fixed assets	53,657	(120)	53,537
Right-of-use assets	-	24,608	24,608
Telecommunications licences	60,758	-	60,758
Brand names and other rights	35,006	-	35,006
Goodwill	126,750	-	126,750
Interests in joint ventures	406	-	406
Deferred tax assets	18,917	207	19,124
Other non-current assets	4,644	315	4,959
	300,138	25,010	325,148
Current assets			
Cash and cash equivalents	22,941	-	22,941
Inventories	2,279	-	2,279
Trade receivables and other current assets	36,213	(1,520)	34,693
	61,433	(1,520)	59,913
Assets classified as held for sale	2,352	-	2,352
	63,785	(1,520)	62,265
Current liabilities			
Bank and other debts	1,557	(3)	1,554
Current tax liabilities	31	-	31
Lease liabilities	-	4,925	4,925
Trade payables and other current liabilities	57,078	(1,658)	55,420
Amounts due to CKHH group entities	34,610	-	34,610
	93,276	3,264	96,540
Net current liabilities	(29,491)	(4,784)	(34,275)
Total assets less current liabilities	270,647	20,226	290,873
Non-current liabilities			
Bank and other debts	92,583	(7)	92,576
Lease liabilities	-	21,201	21,201
Deferred tax liabilities	310	-	310
Pension obligations	660	-	660
Other non-current liabilities	16,500	-	16,500
Amounts due to CKHH group entities	51,754	-	51,754
	161,807	21,194	183,001
Net assets	108,840	(968)	107,872
Equity			
Parent company investments	96,089	(943)	95,146
Non-controlling interests	12,751	(25)	12,726
Total equity	108,840	(968)	107,872

36 Changes in significant accounting policies (continued)

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

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

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of IFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Revenue	93,379	-	93,379
Cost of inventories sold	(2,170)	-	(2,170)
Expensed customer acquisition and retention costs	(18,054)	492	(17,562)
Staff costs	(6,113)	-	(6,113)
Depreciation and amortisation	(14,163)	(6,220)	(20,383)
Other operating expenses	(31,754)	6,584	(25,170)
Share of profits less losses of joint ventures	(21)	-	(21)
	21,104	856	21,960
Interest expenses and other finance costs	(3,463)	(1,023)	(4,486)
Profit before tax	17,641	(167)	17,474
Current tax	(413)	(20)	(433)
Deferred tax	(1,279)	(8)	(1,287)
Profit after tax	15,949	(195)	15,754
Profit attributable to non-controlling interests	(622)	(4)	(626)
Profit attributable to owners of the Company	15,327	(199)	15,128

36 Changes in significant accounting policies (continued)

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

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

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of IFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Profit after tax	15,949	(195)	15,754
Other comprehensive income (losses)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations recognised directly in reserves	(16)	-	(16)
	(16)	-	(16)
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Cash flow hedges (cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(139)	-	(139)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(3,325)	9	(3,316)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	13	-	13
	(3,451)	9	(3,442)
Other comprehensive income (losses), net of tax	(3,467)	9	(3,458)
Total comprehensive income	12,482	(186)	12,296
Total comprehensive income attributable to non-controlling interests	(332)	(6)	(338)
Total comprehensive income attributable to owners of the Company	12,150	(192)	11,958

36 Changes in significant accounting policies (continued)

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

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

	As at 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of IFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
Non-current assets			
Fixed assets	59,659	(126)	59,533
Right-of-use assets	-	25,549	25,549
Telecommunications licences	60,181	-	60,181
Brand names and other rights	34,907	-	34,907
Goodwill	123,019	-	123,019
Interests in joint ventures	372	-	372
Deferred tax assets	17,510	194	17,704
Other non-current assets	6,499	245	6,744
	302,147	25,862	328,009
Current assets			
Cash and cash equivalents	20,603	-	20,603
Inventories	2,024	-	2,024
Trade receivables and other current assets	28,467	(675)	27,792
	51,094	(675)	50,419
Assets classified as held for sale	149	-	149
	51,243	(675)	50,568
Current liabilities			
Bank and other debts	11	(11)	-
Current tax liabilities	77	(1)	76
Lease liabilities	-	6,577	6,577
Trade payables and other current liabilities	39,973	(1,412)	38,561
	40,061	5,153	45,214
Net current assets (liabilities)	11,182	(5,828)	5,354
Total assets less current liabilities	313,329	20,034	333,363
Non-current liabilities			
Bank and other debts	85,952	(27)	85,925
Lease liabilities	-	21,217	21,217
Deferred tax liabilities	208	(2)	206
Pension obligations	668	-	668
Other non-current liabilities	19,240	-	19,240
	106,068	21,188	127,256
Net assets	207,261	(1,154)	206,107
Capital and reserves			
Share capital	-	-	-
Share premium	185,743	-	185,743
Reserves	10,533	(1,135)	9,398
Equity attributable to owners of the Company	196,276	(1,135)	195,141
Non-controlling interests	10,985	(19)	10,966
Total equity	207,261	(1,154)	206,107

36 Changes in significant accounting policies (continued)

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

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

	For the year ended 31 December 2019		
	As presented under accounting policies pre 1 January 2019 HK$ million	Effect on adoption of IFRS 16 HK$ million	As presented under accounting policies from 1 January 2019 HK$ million
	(A)		(B)
Operating activities			
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	32,030	7,043	39,073
Interest expenses and other finance costs paid (net of capitalisation)	(3,133)	(1,023)	(4,156)
Tax paid	(971)	-	(971)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	27,926	6,020	33,946
Changes in working capital	(4,440)	(625)	(5,065)
Net cash from operating activities	23,486	5,395	28,881
Investing activities			
Purchase of fixed assets	(15,904)	31	(15,873)
Additions to telecommunications licences	(1,229)	-	(1,229)
Additions to brand names and other rights	(2,738)	-	(2,738)
Purchase of and advances to joint ventures	(104)	-	(104)
Proceeds from disposal of fixed assets	59	-	59
Cash flows used in investing activities	(19,916)	31	(19,885)
Net cash inflow before financing activities	3,570	5,426	8,996
Financing activities			
New borrowings	177,380	-	177,380
Repayment of borrowings	(183,047)	(28)	(183,075)
Payment of lease liabilities	-	(5,398)	(5,398)
Net loans from CKHH group entities	5,179	-	5,179
Payments to acquire additional interests in subsidiary companies	(471)	-	(471)
Proceeds from issue of shares	432	-	432
Dividends paid to CKHH group entities prior to the Reorganisation	(3,560)	-	(3,560)
Dividends paid to non-controlling interests	(1,821)	-	(1,821)
Cash flows used in financing activities	(5,908)	(5,426)	(11,334)
Decrease in cash and cash equivalents	(2,338)	-	(2,338)
Cash and cash equivalents at 1 January	22,941	-	22,941
Cash and cash equivalents at 31 December	20,603	-	20,603
Cash and cash equivalents	20,603	-	20,603
Total principal amount of bank and other debts	86,490	(38)	86,452
Net debt	65,887	(38)	65,849

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

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

37 Critical accounting estimates and judgements

Note 35 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

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

(a) Basis of consolidation

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

(b) Long-lived assets

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

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

(c) Depreciation and amortisation

(i) Fixed assets

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

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

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

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

Certain brand names 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.

37 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation (continued)

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

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

(iii) Customer acquisition and retention costs

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

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

(d) Goodwill

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

(e) Tax

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

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

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

37 Critical accounting estimates and judgements (continued)

(f) Business combinations and goodwill

As disclosed in note 35(y), the Group applies the provisions of IFRS 3 to transactions and other events that meet the definition of a business combination within the scope of IFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

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

The Group has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business. 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. The calculation of these provisions will involve the use of estimates. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value.

(h) Pension costs

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

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

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

(i) Leases

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

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

As at 31 December 2019, in accordance with applicable provision in IFRS 16, potential future cash outflows of HK$7,075 million (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

37 Critical accounting estimates and judgements (continued)

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

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

38 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents 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 of the CKHH Group, and which are also subject to periodic review by the CKHH 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 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 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 and cash equivalents amounted to HK$20,603 million at 31 December 2019 (2018 - HK$22,941 million), mainly reflecting cash arising from positive funds from operations from the Group's businesses, and cash from new borrowings, partly offset by the dividend payments to CKHH group entities and non-controlling shareholders, repayment and early repayment of certain borrowings and capital expenditure and investment spending.

(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 to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro, Swedish Krona and HK dollar borrowings.

At 31 December 2019, approximately 48% (2018 - approximately 55%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 52% (2018 - approximately 45%) were at fixed rates. At 31 December 2019, the Group has not entered into any interest rate agreements (2018 - approximately HK$26,850 million) with major financial institution counterparties to swap principal amount of floating interest rate borrowings to effectively become fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 48% (2018 - approximately 27%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 52% (2018 - approximately 73%) were at fixed rates at 31 December 2019. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

38 Financial risk management (continued)

(c) Foreign currency exposure

For overseas subsidiaries, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate.

The Group has operations in about 8 countries and the respective operation conducts businesses mainly in local currencies (including Euro, British Pounds and Hong Kong dollars) and US dollars. The currency for group reporting and presentation purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings.

As at 31 December 2019, the Group's total principal amount of bank and other debts are denominated as follows: 85% in Euro, 9% in British Pounds and 6% in Swedish Krona (2018 - 16% in US dollars, 76% in Euro, 2% in British Pounds and 6% in Swedish Krona). At 31 December 2019, the Group had no currency swap arrangements (2018 - HK$15,600 million) with banks to swap US dollar principal amount of borrowings 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: 85% in Euro, 9% in British Pounds and 6% in Swedish Krona (2018 - 92% in Euro, 2% in British Pounds and 6% in Swedish Krona).

(d) Credit exposure

The Group's holdings of cash, interest rate and foreign currency swaps 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. Such risks are continuously monitored by the local operational management.

(e) Market risks sensitivity analyses

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

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

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

38 Financial risk management (continued)

(e) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis

Interest rate risk as defined by IFRS 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 IFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in IFRS 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 15)
- some of the bank and other debts (see note 18) that bear interest at floating rate

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

- profit for the year would increase by HK$75 million due to increase in interest income (2018 - reduce by HK$24 million mainly due to increase in interest expenses);
- total equity would increase by HK$75 million due to increase in interest income (2018 - reduce by HK$24 million mainly due to increase in interest expenses).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by IFRS 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. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

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

38 Financial risk management (continued)

(e) Market risks sensitivity analyses (continued)

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

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 15)
- some of the bank and other debts (see note 18)

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

	2019		2018	
	Hypothetical increase (decrease) in profit after tax HK$ million	**Hypothetical increase (decrease) in total equity HK$ million**	Hypothetical increase (decrease) in profit after tax HK$ million	Hypothetical increase (decrease) in total equity HK$ million
Euro	**117**	**117**	(5)	(5)
British Pounds	**79**	**79**	(3)	(3)
Australian dollars	**-**	**-**	(1)	(1)
Renminbi	**-**	**-**	1	1
US dollars	**129**	**129**	(21)	(21)

(f) Contractual maturities of financial liabilities

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

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	**After 1 year, but within 5 years HK$ million**	**After 5 years HK$ million**	**Total undiscounted cash flows HK$ million**	**Difference from carrying amounts HK$ million**	**Carrying amounts HK$ million**
At 31 December 2019						
Trade payables	**12,259**	**-**	**-**	**12,259**	**-**	**12,259**
Other payables and accruals	**21,364**	**-**	**-**	**21,364**	**-**	**21,364**
Amounts due to CKHH group entities	**165**	**-**	**-**	**165**	**-**	**165**
Lease liabilities	**7,079**	**15,958**	**9,392**	**32,429**	**(4,635)**	**27,794**
Bank loans	**-**	**41,477**	**-**	**41,477**	**(149)**	**41,328**
Notes and bonds	**-**	**13,005**	**31,970**	**44,975**	**(378)**	**44,597**
Obligations for telecommunications licences and other rights	**960**	**5,583**	**912**	**7,455**	**(432)**	**7,023**
	41,827	**76,023**	**42,274**	**160,124**	**(5,594)**	**154,530**

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$822 million in "within 1 year" maturity band, HK$2,745 million in "after 1 year, but within 5 years" maturity band, and HK$1,474 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	**After 1 year, but within 5 years HK$ million**	**After 5 years HK$ million**	**Total undiscounted cash flows HK$ million**
At 31 December 2019				
Cash flow hedges				
Other contracts				
Net outflow	**(43)**	**-**	**-**	**(43)**

38 Financial risk management (continued)

(f) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2018						
Trade payables	13,485	-	-	13,485	-	13,485
Other payables and accruals	36,753	-	-	36,753	-	36,753
Amounts due to CKHH group entities	34,610	34,343	17,411	86,364	-	86,364
Bank loans	1,554	32,228	-	33,782	(20)	33,762
Other loans	3	5	2	10	-	10
Notes and bonds	-	13,756	46,613	60,369	(1)	60,368
Obligations for telecommunications licences and other rights	180	6,074	559	6,813	(432)	6,381
	86,585	86,406	64,585	237,576	(453)	237,123

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$2,864 million in "within 1 year" maturity band, HK$10,273 million in "after 1 year, but within 5 years" maturity band, and HK$2,721 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million
At 31 December 2018				
Cash flow hedges				
Interest rate swaps				
Net outflow	(107)	(269)	-	(376)
Cross currency interest rate swaps				
Net inflow	529	988	-	1,517

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

	2019 HK$ million	2018 HK$ million
Interest from assets held at amortised cost	**230**	216
Net impairment expense recognised on trade receivables	**(1,540)**	(1,414)

38 Financial risk management (continued)

(h) Hedge accounting

Cash flow hedges

There were no interest rate and cross currency interest rate swaps as cash flow hedges as at 31 December 2019.

	2018							
					Carrying amount of derivatives included in			
Hedging instruments	Receive average contracted interest rate	Pay average contracted interest rate	Notional amount in local currency million	Notional Amount HK$ million	Other current assets HK$ million	Other non-current assets HK$ million	Other current liabilities HK$ million	Other non-current liabilities HK$ million
Interest rate swaps - receive floating and pay fixed maturing in 2022	2.00%	2.40%	EUR 3,000	26,850	-	-	-	(192)
				26,850	-	-	-	(192)
Cross currency interest rate swaps - receive fixed and pay fixed maturing in 2021 - 2022	5.00%	2.76%	US$ 2,000	15,600	-	317	-	-
				15,600	-	317	-	-

	2018		
Hedged items	Change in value used for calculating hedge ineffectiveness HK$ million	Surplus (deficit) in hedging reserve for continuing hedges HK$ million	Surplus (deficit) in hedging reserve arising from hedging relationships for which hedge accounting is no longer applied HK$ million
Interest rate risk	35	63	-
Cross currency interest rate risk	(525)	(361)	-

38 Financial risk management (continued)

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

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

	Note	Classification under IFRS 9 *	**2019 Carrying amount HK$ million**	**2019 Fair values HK$ million**	2018 Carrying amount HK$ million	2018 Fair values HK$ million
Financial assets						
Unlisted investments						
Unlisted equity securities	14	FVOCI	**19**	**19**	19	19
Derivative financial instruments						
Cash flow hedges						
Cross currency interest rate swaps	14	Fair value - hedges	**-**	**-**	317	317
Other derivative financial instruments	14	FVPL	**-**	**-**	6	6
Cash and cash equivalents	15	Amortised cost	**20,603**	**20,603**	22,941	22,941
Trade receivables	16	Amortised cost	**10,971**	**10,971**	12,886	12,886
Other receivables	16	Amortised cost	**4,044**	**4,044**	7,939	7,939
			35,637	**35,637**	44,108	44,108
Financial liabilities						
Bank and other debts (i)	18	Amortised cost	**85,925**	**86,100**	94,140	87,004
Trade payables	19	Amortised cost	**12,259**	**12,259**	13,485	13,485
Derivative financial instruments						
Cash flow hedges						
Interest rate swaps	23	Fair value - hedges	**-**	**-**	192	192
Other contracts	19	Fair value - hedges	**51**	**51**	-	-
Other payables and accruals	19	Amortised cost	**21,364**	**21,364**	36,753	36,753
Obligations for telecommunications licences and other rights	23	Amortised cost	**7,023**	**7,023**	6,381	6,381
Amounts due to CKHH group entities	19 and 21	Amortised cost	**165**	**165**	86,364	86,364
			126,787	**126,962**	237,315	230,179
Representing:						
Financial assets measured at						
Amortised cost			**35,618**	**35,618**	43,766	43,766
FVOCI			**19**	**19**	19	19
FVPL			**-**	**-**	6	6
Fair value - hedges			**-**	**-**	317	317
			35,637	**35,637**	44,108	44,108
Financial liabilities measured at						
Amortised cost			**126,736**	**126,911**	237,123	229,987
Fair value - hedges			**51**	**51**	192	192
			126,787	**126,962**	237,315	230,179

* see note 35 (l).

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

38 Financial risk management (continued)

(j) 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).

		2019				2018			
		Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	Note	**HK$ million**	**HK$ million**	**HK$ million**	**HK$ million**	HK$ million	HK$ million	HK$ million	HK$ million
Financial assets									
Unlisted investments									
Unlisted equity securities	14	**-**	**-**	**19**	**19**	-	-	19	19
Derivative financial instruments									
Cash flow hedges									
Cross currency interest rate swaps	14	**-**	**-**	**-**	**-**	-	317	-	317
Other derivative financial instruments	14	**-**	**-**	**-**	**-**	-	6	-	6
		-	**-**	**19**	**19**	-	323	19	342
Financial liabilities									
Derivative financial instruments									
Cash flow hedges									
Interest rate swaps	23	**-**	**-**	**-**	**-**	-	192	-	192
Other contracts	19	**-**	**51**	**-**	**51**	-	-	-	-
		-	**51**	**-**	**51**	-	192	-	192

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

38 Financial risk management (continued)

(j) Fair value measurements (continued)

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

Level 3 fair values

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

	2019 **HK$ million**	2018 HK$ million
At 1 January	**19**	-
Relating to subsidiaries acquired	**-**	20
Exchange translation differences	**-**	(1)
At 31 December	**19**	19

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

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

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

Except for bank and other debts as detailed in the table 38(i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

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

	Level 1 **HK$ million**	**Level 2** **HK$ million**	**Level 3** **HK$ million**	**Total** **HK$ million**
At 31 December 2019				
Bank and other debts	**44,772**	**41,328**	**-**	**86,100**
At 31 December 2018				
Bank and other debts	53,232	33,772	-	87,004

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.

39 Subsequent events

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

40 Euro equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation of Hong Kong dollars amounts into Euro (EUR or "€") is for convenience only and have been made at the rate of HK$8.67 to EUR1. No representation is made that the Hong Kong dollar have been, or could be, converted into Euro at the rate as indicated or at any other rate.

41 Approval of financial statements

The financial statements set out on pages 29 to 101 were approved and authorised for issue by the Board of Directors on 19 March 2020.

Principal Subsidiary Companies

at 31 December 2019

	Subsidiary companies	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Hi3G Access AB	Sweden	SEK	10,000,000	60	Mobile telecommunications services
	Hi3G Denmark ApS	Denmark	DKK	64,375,000	60	Mobile telecommunications services
	Hutchison 3G UK Limited	United Kingdom	GBP	201	100	Mobile telecommunications services
	Hutchison Drei Austria GmbH	Austria	EUR	34,882,960	100	Mobile telecommunications services
*	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD	1,204,774,052	66	Holding company of mobile telecommunications services
	Hutchison Telephone Company Limited	Hong Kong	HKD	2,730,684,340	66	Mobile telecommunications services
	Three Ireland (Hutchison) Limited	Ireland	EUR	780,000,002	100	Mobile telecommunications services
	Wind Tre S.p.A.	Italy	EUR	474,303,795	100	Mobile telecommunications services

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

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

The interests in the above subsidiary companies are held indirectly.

* Company listed on The Stock Exchange of Hong Kong Limited.

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