



長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1



A Journey of Growth

2018 Annual Report

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kuoi, Victor, BSc, MSc, LLD (Hon)
Chairman and Group Co-Managing Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)
Group Co-Managing Director

Frank John SIXT, MA, LLL
Group Finance Director and Deputy Managing Director

IP Tak Chuen, Edmond, BA, MSc
Deputy Managing Director

KAM Hing Lam, BSc, MBA
Deputy Managing Director

LAI Kai Ming, Dominic, BSc, MBA
Deputy Managing Director

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

NON-EXECUTIVE DIRECTORS

CHOW Kun Chee, Roland, LL.M.

LEE Yeh Kwong, Charles, GBM, GBS, OBE, JP

LEUNG Siu Hon, BA (Law) (Hons), LL.D. (Hon)

George Colin MAGNUS, OBE, BBS, MA

WOO Mo Fong, Susan, BSc
(alias CHOW WOO Mo Fong, Susan)

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWOK Tun-li, Stanley, BSc (Arch), AA Dipl, LLD (Hon), ARIBA, MRAIC

CHENG Hoi Chuen, Vincent, GBS, OBE, JP

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon), DSc (Hon)
Commandeur de la Légion d'Honneur
Commandeur de l'Ordre des Arts et des Lettres
Commandeur de l'Ordre de la Couronne
Commandeur de l'Ordre de Léopold II

LEE Wai Mun, Rose, JP, BBA

William Elkin MOCATTA, FCA
Alternate to The Hon Sir Michael David Kadoorie

William SHURNIAK, S.O.M., M.S.M., LLD (Hon)

WONG Chung Hin, CBE, JP

WONG Yick-ming, Rosanna, PhD, DBE, JP

SENIOR ADVISOR

LI Ka-shing, GBM, KBE, LLD (Hon), DSSC (Hon)
Commandeur de la Légion d'Honneur
Grand Officer of the Order Vasco Nunez de Balboa
Commandeur de l'Ordre de Léopold

AUDIT COMMITTEE

WONG Chung Hin (*Chairman*)
KWOK Tun-li, Stanley
CHENG Hoi Chuen, Vincent
William SHURNIAK

NOMINATION COMMITTEE ⁽¹⁾

LI Tzar Kuoi, Victor (*Chairman*)
FOK Kin Ning, Canning
Frank John SIXT
IP Tak Chuen, Edmond
KAM Hing Lam
LAI Kai Ming, Dominic
Edith SHIH
CHOW Kun Chee, Roland
LEE Yeh Kwong, Charles
LEUNG Siu Hon
George Colin MAGNUS
WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)
KWOK Tun-li, Stanley
CHENG Hoi Chuen, Vincent
The Hon Sir Michael David KADOORIE
LEE Wai Mun, Rose
William SHURNIAK
WONG Chung Hin
WONG Yick-ming, Rosanna

REMUNERATION COMMITTEE

WONG Yick-ming, Rosanna (*Chairman*)
LI Tzar Kuoi, Victor
CHENG Hoi Chuen, Vincent
WONG Chung Hin

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

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Corporate Profile

CK Hutchison Group (the "Group") is a renowned multinational conglomerate committed to development, innovation and technology in many different sectors. We operate a variety of businesses in over 50 countries across the world with over 300,000 employees. We have a strong commitment to the highest standards of corporate governance, transparency and accountability, as recognised by numerous international awards and commendations. Our operations consist of five core businesses - ports and related services, retail, infrastructure, energy, and telecommunications.

Ports and Related Services

We are the world's leading port investor, developer and operator, holding interests in 51 ports comprising 288 operational berths in 26 countries, including container terminals operating in five of the 10 busiest container ports in the world. In 2018, our ports handled a total throughput of 84.6 million twenty-foot equivalent units ("TEU"). We also engage in mid-stream operations, river trade, cruise terminal operations and ports related logistic services.



Retail

The Group's retail division is the world's largest international health and beauty retailer, with around 15,000 stores in 25 markets worldwide. Its diverse retail portfolio comprises health and beauty products, supermarkets, as well as consumer electronics and electrical appliances. It also manufactures and distributes bottled water and beverage products in Hong Kong and Mainland China.



Infrastructure

The Group's infrastructure business includes its shareholding in CK Infrastructure Holdings Limited ("CKI") and interests in six infrastructure assets that are co-owned with CKI. CKI is a global infrastructure company with infrastructure investments and developments in different parts of the world. The company has diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure related businesses. Its investments and operations span across Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and Canada.



Energy

Through its associated company Husky Energy Inc. ("Husky"), the Group's investments in energy are principally located in Western and Atlantic Canada, the United States and the Asia Pacific Region. Husky is an integrated energy company listed in Canada.



Telecommunications

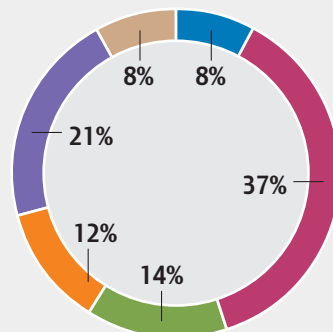
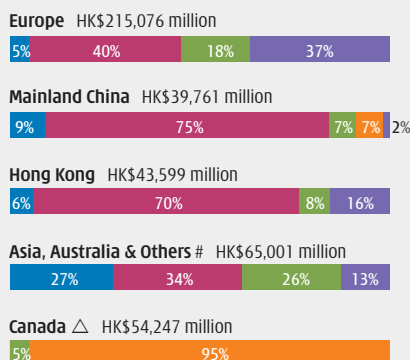
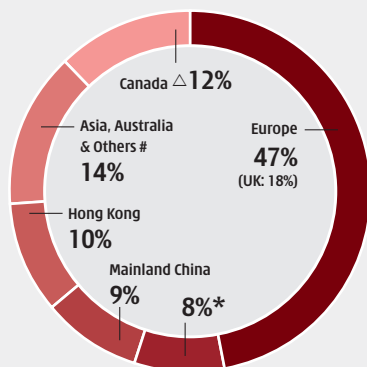
We are a leading global operator of mobile telecommunications and data services, and a pioneer of mobile broadband technology. Our operations offer telecommunications services comprising 4.5G / 4G / 3G mobile telecommunications services and international connectivity services over mobile networks.



Analyses of Core Business Segments by Geographical Location

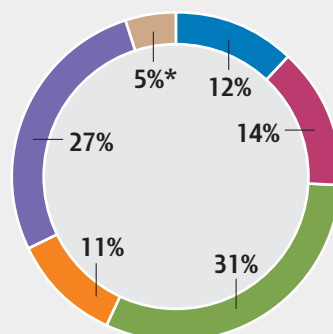
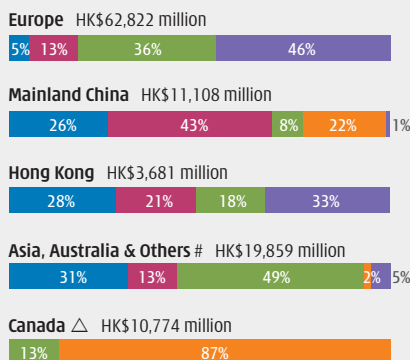
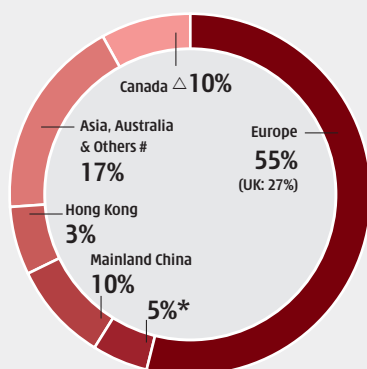
2018 Total Revenue

HK\$453,230 million



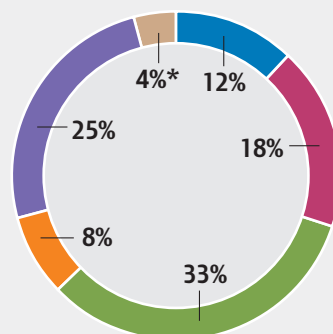
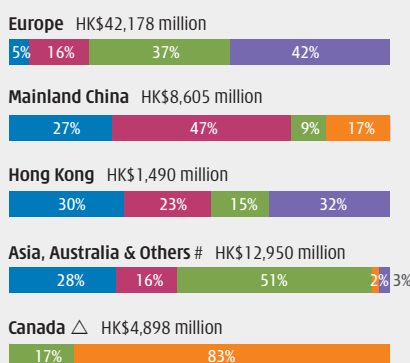
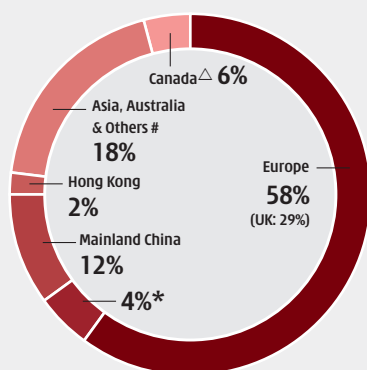
2018 Total EBITDA

HK\$113,580 million



2018 Total EBIT

HK\$72,885 million



- Ports & Related Services
- Retail
- Infrastructure
- Energy
- Telecommunications
- Finance & Investments and Others

* Represents contributions from Finance & Investments and Others
 # Includes Panama, Mexico and the Middle East
 △ Includes contribution from the USA for Husky Energy

Analyses by Core Business Segments

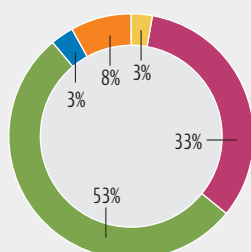
	2018		2017		Change %
	HK\$ million	%	HK\$ million	%	
Revenue ⁽¹⁾					
Ports and Related Services ⁽¹⁾	35,175	8%	34,146	8%	3%
Retail	168,991	37%	156,163	38%	8%
Infrastructure ⁽¹⁾	64,724	14%	57,369	14%	13%
Husky Energy	54,251	12%	44,948	11%	21%
3 Group Europe	78,411	17%	70,734	17%	11%
Hutchison Telecommunications Hong Kong Holdings	7,912	2%	9,685	2%	-18%
Hutchison Asia Telecommunications	8,220	2%	7,695	2%	7%
Finance & Investments and Others	35,546	8%	34,097	8%	4%
Total Revenue	453,230	100%	414,837	100%	9%
EBITDA ⁽¹⁾					
Ports and Related Services ⁽¹⁾	13,392	12%	12,563	12%	7%
Retail	16,164	14%	14,798	14%	9%
Infrastructure ⁽¹⁾	35,422	31%	33,033	32%	7%
Husky Energy	12,106	11%	8,992	9%	35%
3 Group Europe	28,761	25%	24,337	23%	18%
Hutchison Telecommunications Hong Kong Holdings	1,371	1%	4,337	4%	-68%
Hutchison Asia Telecommunications	1,028	1%	558	1%	84%
Finance & Investments and Others	5,336	5%	5,736	5%	-7%
Total EBITDA	113,580	100%	104,354	100%	9%
EBIT ⁽¹⁾					
Ports and Related Services ⁽¹⁾	8,726	12%	8,219	12%	6%
Retail	13,078	18%	12,089	18%	8%
Infrastructure ⁽¹⁾	24,038	33%	23,449	35%	3%
Husky Energy	5,742	8%	2,703	4%	112%
3 Group Europe	17,663	24%	16,567	25%	7%
Hutchison Telecommunications Hong Kong Holdings	553	1%	707	1%	-22%
Hutchison Asia Telecommunications	321	—	226	—	42%
Finance & Investments and Others	2,764	4%	3,632	5%	-24%
Total EBIT	72,885	100%	67,592	100%	8%
Interest expenses and other finance costs ⁽¹⁾	(18,025)		(18,024)		—
Profit before tax	54,860		49,568		11%
Tax ⁽¹⁾					
Current tax	(7,795)		(7,898)		1%
Deferred tax	(283)		1,843		-115%
	(8,078)		(6,055)		-33%
Profit after tax	46,782		43,513		8%
Non-controlling interests and perpetual capital securities holders' interests	(7,782)		(8,413)		8%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,000		35,100		11%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust, as well as reflecting the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure investments with CK Infrastructure Holdings Limited ("CKI") after the divestment of 90% of the direct economic benefits in October 2018.

Key Financial Information

	2018 HK\$ million	2017 HK\$ million
Profit attributable to ordinary shareholders of the Company	39,000	35,100
Earnings per share (HK\$) ⁽³⁾	10.11	9.10
Full year dividend per share (HK\$)	3.17	2.85
Total assets	1,232,244	1,100,255
Net assets	590,823	591,547
Net assets attributable to shareholders of the Company per ordinary share (HK\$)	115.7	111.5
Total principal amount of bank and other debts	346,918	322,816
Total cash, liquid funds and other listed investments ("liquid assets")	144,703	168,283
Total principal amount of bank and other debts including unamortised fair value adjustments from acquisitions	352,668	333,155
Net debt	207,965	164,872
Net debt to net total capital ratio ⁽⁴⁾	26.0%	21.7%
Credit rating:		
Moody's	A2	A2
Standard & Poor's	A	A-
Fitch	A-	A-

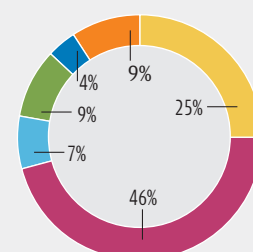
Debt Profile by Currency Denomination
at 31 December 2018



Total principal amount of bank and other debts:
HK\$346,918 million

Legend: HKD (Yellow), USD (Pink), EUR (Green), GBP (Blue), Others (Orange)

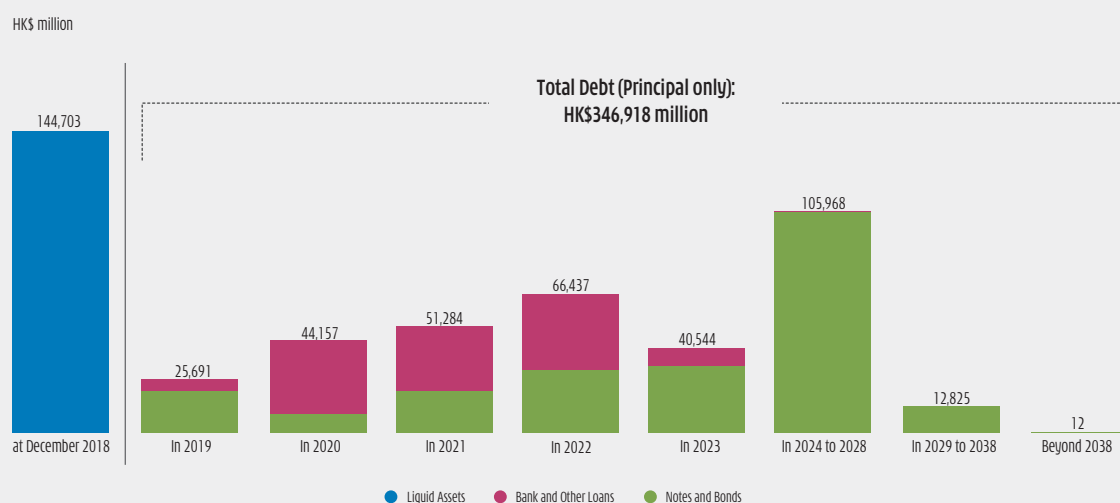
Liquid Assets by Currency Denomination
at 31 December 2018



Total: HK\$144,703 million

Legend: HKD (Yellow), USD (Pink), RMB (Light Blue), EUR (Green), GBP (Blue), Others (Orange)

Debt Maturity Profile at 31 December 2018 - Principal only



Note 3: Earnings per share is calculated based on profit attributable to ordinary shareholders. For the year ended 31 December 2018, the earnings per share is calculated based on CKHH's weighted average number of shares outstanding during the year of 3,857,216,697 shares (2017 - CKHH's number of shares in issue during the year of 3,857,678,500 shares).

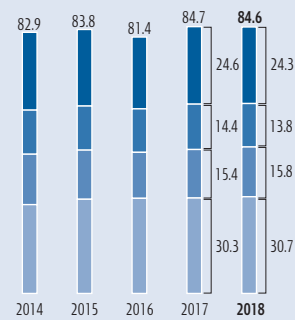
Note 4: Net debt is defined on the Consolidated Statement of Cash Flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

Key Business Indicators

Total Container Throughput by Subdivision



million TEU

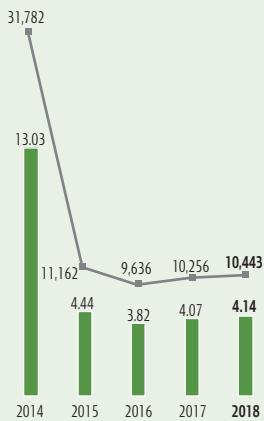


"Annual throughput totalled 84.6 million TEU."

- HPH Trust
- Mainland China and Other Hong Kong
- Europe
- Asia, Australia and Others*

* Asia, Australia and Others includes Panama, Mexico and the Middle East.

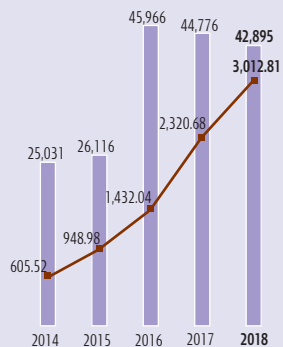
Earnings per Share and NPAT announced by CKI



"Announced earnings for the year amounted to HK\$10,443 million."

- Earnings per share (HK dollar)
- NPAT as announced by CKI (HK\$ million)

3 Group Europe's Active Customers and Data Usage



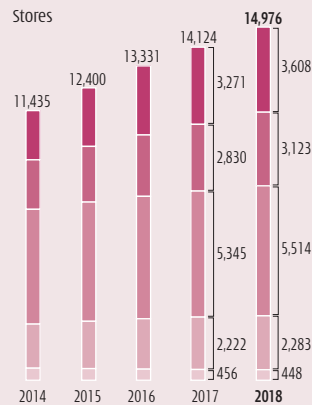
"Active customer base totals approximately 42.9 million, while data consumption was approximately 3,013 petabytes in 2018."

- 3 Group Europe's Active Customers at 31 December ('000)
- 3 Group Europe Customer Data Usage (Petabytes per year)

Total Retail Store Numbers by Subdivision



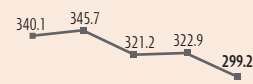
Stores



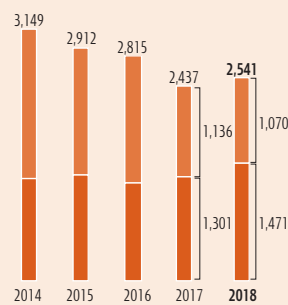
"14,976 retail stores worldwide in 24 markets."

- Health & Beauty China
- Health & Beauty Asia
- Health & Beauty Western Europe
- Health & Beauty Eastern Europe
- Other Retail

Proved and Probable Reserves & Production



"Average production in 2018 was 299.2 mboe/day."



- Proved Reserves (mmboe)
- Probable Reserves (mmboe)
- Production (mboe/day)

Business Highlights

January to June

- ➔ Hutchison Ports HIT's Container Terminal 9 North adopts remote-controlled systems to enhance occupational safety, efficiency and competitiveness of the port.
- ➔ In March, CK Hutchison Holdings Limited ("CKHH") and Ant Financial enter into joint venture AlipayHK, a mobile payment application service. During the year, the joint venture launched the first-ever e-wallet to e-wallet remittance service to Philippines via blockchain technology.
- ➔ A S Watson Group ("ASW") rebrands its retail chain in Russia from Spektr to Watsons.
- ➔ The Group enters into agreement with Xiaomi, bringing its smartphones, Internet of Things ("IoT") and lifestyle products to the Group's telecom and retail divisions around the world.
- ➔ Hutchison Ports introduces US\$600 million Terminal D facility in Thailand, featuring the world's first container terminal that is fully equipped with remote control technologies for its quay cranes and rubber-tyred gantry cranes.
- ➔ Husky Energy Inc. ("Husky") has drilled an exploration well in the South China Sea offshore China and made a discovery in the Atlantic region offshore Newfoundland and Labrador, Canada.
- ➔ Husky has signed two new Production Sharing Contracts for Blocks 22/11 and 23/07 in the Beibu Gulf area of the South China Sea with China National Offshore Oil Corporation.
- ➔ ASW unveils its 26,000-square-foot CKC18 concept store in Cheung Kong Center, combining its top retail formats to create a premier shopping and lifestyle hub in Central, Hong Kong.
- ➔ 3 Hong Kong and Alibaba forge a digital Internet economy partnership on cloud computing, intelligent big data and the IoT platform, as well as infrastructure and information security.

July to December

- ➔ Dampier Bunbury Pipeline has been awarded a major contract to build, own and operate a new natural gas pipeline that serves certain gold fields in Northern Territories, Australia for the next 10 years.
- ➔ HK Electric completes the steam drum lifting for one of its new gas-fired units, marking a major step forward in increasing natural gas generation in the future.
- ➔ UK Rails launches a new fleet of 36 "Hitachi class 802" passenger trains for Great Western Railway's passenger service.
- ➔ ASW has teamed up with L'Oréal to launch new concept makeup store "Colorlab by Watsons" in the Mainland.
- ➔ CKHH acquires 100% ownership of Wind Tre and becomes sole owner of Italy's leading mobile operator.
- ➔ The Group teams with WeLab to offer sales financing and consumer lending solutions to 3Shops and Fortress stores in Hong Kong and potentially to other related Group businesses in the Mainland, Indonesia and Europe.
- ➔ The Group partners with Meitu to integrate social media into telecom and retail businesses, and enhance online and offline interaction with customers.
- ➔ ASW, Yonghui Superstores Co. Limited, and Tencent Holdings Limited announce to form a joint venture to create the largest grocery retailer in Guangdong, China with over 70 stores and 2.2 million loyalty member base.
- ➔ Hutchison China MediTech Limited announces the first commercial launch of colorectal cancer drug, fruquintinib capsules, with the initiation of product sales in the Mainland.
- ➔ CKHH completes the acquisition of Etisalat's operation in Sri Lanka and will merge its mobile telecommunications business with Hutch Sri Lanka to better serve the customers.



Chairman's Statement

In 2018, global economic conditions remained volatile and deteriorated significantly in the fourth quarter of the year. As the year ended, uncertainty as to monetary policy direction, the outcome of trade disputes and the Brexit negotiations outcome dampened investment and trade flows. Financing conditions tightened, major currencies weakened against US Dollar, and commodity prices declined materially. The Group nevertheless maintained strong earnings growth and a solid financial profile, in part as a result of a number of major transactions successfully executed in 2017 and 2018.

The Group reported year on year EBITDA and EBIT growth of 9% and 8%. All core divisions reported improved underlying performance for the year. In addition, the full year contribution from businesses acquired by the Infrastructure division during 2017 together with the accretive contribution from the acquisition of remaining 50% interest in Wind Tre in September 2018 added to earnings and cash flow growth.

Profit attributable to ordinary shareholders for the year ended 31 December 2018 increased 11% to HK\$39,000 million from HK\$35,100 million for 2017. The Group's financial profile remained robust and its investment grade rating was raised one notch to single A by S&P, reflecting the Group's prudent financial management strategies and consistent earnings growth.

Earnings per share were HK\$10.11 for the full year, an increase of 11%.

Dividend

The Board of Directors recommends a final dividend of HK\$2.30 per share (2017 final dividend - HK\$2.07 per share), payable on 31 May 2019, to shareholders whose names appear on the Register of Members of the Company at the close of business on 22 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK\$0.87 per share, the full year dividend amounts to HK\$3.17 per share (2017 full year dividend - HK\$2.85 per share).

Ports and Related Services

The ports and related services division handled throughput of 84.6 million twenty-foot equivalent units ("TEU") through 288 operating berths in 2018, flat against 2017. Volume improvements primarily in ports in Asia offset declines in Hong Kong and Mainland China as well as in Panama. Total revenue, EBITDA and EBIT of HK\$35,175 million, HK\$13,392 million and HK\$8,726 million increased 3%, 7% and 6% against last year respectively, driven by the growth in certain Asian ports, improved performance in Rotterdam, as well as the gain arising from the disposal of the Group's entire interest in Shantou International Container Terminals during the year, partly offset by the lower contribution from the Mainland and Panama.

The impact of uncertainty surrounding trade disputes was marginal in 2018. However, the outlook for 2019 is unclear, particularly as regards to the Mainland ports. Overall the division's geographical diversity, particularly in Asia, leaves it in a good position to respond to any meaningful supply chain shifts that may eventuate by providing services in neighbouring country ports.

Retail

The retail division had 14,976 stores across 24 markets at the end of 2018, a 6% increase compared to last year. Total revenue, EBITDA and EBIT of HK\$168,991 million, HK\$16,164 million and HK\$13,078 million increased by 8%, 9% and 8% respectively with all subdivisions reporting solid growth and favourable foreign currency translation impacts.

Overall, the Health and Beauty segment reported total sales growth of 10% from a 6% increase in store numbers and a 2.1% growth in comparable store sales. EBITDA and EBIT growth were 9% and 7% respectively in 2018. Health and Beauty operations in Asia in particular contributed very strong growth with a 20% increase in EBITDA arising from a 10% increase in store number and a comparable store sales uplift of 7.1%. Health and Beauty China continues to be the major earnings contributor and reported a 7% growth in EBITDA and a continuing healthy EBITDA margin of 19%. Health and Beauty operations in Europe also delivered another solid performance with EBITDA growth of 6%.

The Health and Beauty division has continued to expand its online and offline customer community, which includes 132 million loyalty members. In addition to enhancing store formats and adding digital and delivery capabilities to be directly competitive with online players, the ASW Group are increasingly able to personalise customer experiences and develop exclusive products and shopping experiences as a direct response to the desires of their customers.

Infrastructure

CK Infrastructure Holdings Limited ("CKI"), the Group's 75.67%⁽¹⁾ subsidiary listed in Hong Kong, recorded net profit attributable to shareholders of HK\$10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

In October 2018, the Group completed the divesture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure investments for a cash consideration of HK\$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets Holdings Limited.

Husky Energy

Husky Energy ("Husky"), the Group's associated company listed in Canada, announced net earnings of C\$1,457 million in 2018, 85% above 2017 net earnings of C\$786 million. Although year on year production volumes were reduced and oil prices declined sharply in the last quarter of 2018, Husky was able to benefit from its integrated business model and capture strong margins in the Infrastructure and Marketing segment using its committed export capacity on the Keystone pipeline, as well as contributions from higher realised margins for Upgrading operations and growth in the Asia Pacific region.

Average production in 2018 was 299,200 barrels of oil equivalent per day ("boe/day"), a 7% decrease when compared to last year, mainly due to lower production in Western Canada subsequent to the disposition of certain low margin legacy assets in 2017, expiry of Husky's participation in the Wenchang contract in late 2017, FPSO vessel suspension and maintenance in Atlantic, as well as reduction of heavy crude oil production from natural declines and in response to the widening of the light/heavy oil differentials during the year. The reduction was partly offset by higher production in Asia.

With the mandatory oil production curtailments imposed by Government of Alberta in December 2018, 2019 production level is expected to be in the range of 290,000 - 305,000 boe/day. Husky is committed to maintaining safe and reliable operations and capital investment disciplines, as well as increasing focus in its core heavy oil projects and Downstream assets in the integrated business model. Concurrently, Husky's balance sheet has continued to improve with net debt to funds from operations improving from below 0.9x in 2017 to approximately 0.7x in 2018. Husky's 2018 full year dividend amounted to C\$0.45 per common share, representing a 500% increase from C\$0.075 in 2017.

Note 1: Based on the Group's profit sharing ratio in CKI.

3 Group Europe

As at 31 December 2018, 3 Group Europe's active customer base stands at 42.9 million, a 4% drop against last year mainly from a lower Wind Tre base due to intense market competition, partly offset by higher customer acquisition in Sweden, Denmark, Austria and Ireland.

3 Group Europe's revenue, EBITDA and EBIT of HK\$78,411 million, HK\$28,761 million and HK\$17,663 million were 11%, 18% and 7% higher against last year respectively, reflecting primarily the accretive contribution from the additional 50% share in Wind Tre acquired in September 2018. 3 Group Europe continued to report healthy growth in EBITDA margin from 41% last year to 43% in 2018 and maintained a prudent stance towards spending on spectrum licences and network expansion. All 3 Group Europe operations continued to deliver positive EBITDA less capital expenditure and spectrum licences in 2018.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced profit attributable to shareholders of HK\$404 million and earnings per share of 8.38 HK cents. As of 31 December 2018, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2018, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 49.8 million, which represents 34% decrease compared to last year, primarily due to the reduction in Indonesia's customer base from the government-imposed subscriber registration which resulted in a significant number of disconnections of multi-SIM users.

HAT reported revenue, EBITDA and EBIT of HK\$8,220 million, HK\$1,028 million and HK\$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performances in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

In November 2018, the Group completed the acquisition of Etisalat Lanka and now holds 85% interest in the enlarged Sri Lanka telecommunication business.

Finance & Investments and Others

During the year, the Group has recognised a number of non-cash accounting movements which resulted in a nominal net gain of approximately HK\$193 million at EBITDA and EBIT level being recognised within this segment. This included a one-off re-measurement gain arising from the acquisition of the remaining 50% interest in Wind Tre, practically offset by the loss on divesture of an aggregated 90% economic benefits in its six co-owned infrastructure investments, as well as the Group's share of HPH Trust's one-off impairment of goodwill and certain non-performing assets.

In August 2018, the Group's 50% owned associated company, Vodafone Hutchison Australia Pty Limited ("VHA") entered into an agreement with TPG Telecom Limited ("TPG") for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia. The proposed merger is subject to various approval procedures and is anticipated to complete within 2019.

As at 31 December 2018, the Group's consolidated cash and liquid investments totalled HK\$144,703 million and consolidated gross debt amounted to HK\$352,668 million, resulting in consolidated net debt of HK\$207,965 million. Refinancing needs remain very low in 2019 with only 7% of the consolidated gross debt maturing in the year. Net debt to net total capital ratio was 26.0% at the end of 2018, an increase from 21.7% as at 31 December 2017, mainly due to the redemption of perpetual securities in the first half of 2018 and the slightly higher non-recourse debt arising from the net effect of the one-time transactions for Wind Tre acquisition and co-owned infrastructure assets disposal mentioned above. All three credit rating agencies have assessed the overall impact of the two transactions and considered the Group's long-term financial profile remains in line with its current investment grade rating, which was raised one notch to single A by S&P during the year.

Outlook

Uncertainties in trade disputes and Brexit outcome, fluctuations in commodity and currency prices and expectation of slower growth in major economies are posing headwinds and heightening risks to global economic prospects. Although there are moderate signs of stability during the first quarter of 2019 ranging from lower unemployment rates to more benign monetary policy to potential easing of major trade disputes, considerable uncertainties in economic and trade conditions will likely persist through the year.

Resilience, diversity and strong financial fundamentals continue to be the key strengths of the Group for achieving robust earnings and cash flow growth without compromising financial stability and strength. Prudent capital management of all investment activities, strict financial management, as well as a healthy liquidity and debt profile which supports its current investment grade ratings, all continue as the core disciplines and strategic directions of the Group and I am cautiously optimistic about the Group's future prospects.

Finally, I would like to thank the Board of Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

Victor T K Li
Chairman

Hong Kong, 21 March 2019

Operations Review

Results Highlights for the year ended 31 December 2018

	2018 HK\$ million	2017 HK\$ million	Change	Local currencies change
Total Revenue ⁽¹⁾	453,230	414,837	+9%	+7%
Total EBITDA ⁽¹⁾	113,580	104,354	+9%	+7%
Total EBIT ⁽¹⁾	72,885	67,592	+8%	+6%
Profit attributable to ordinary shareholders	39,000	35,100	+11%	+9%
Earnings per share ⁽²⁾	HK\$10.11	HK\$9.10	+11%	
Final dividend per share	HK\$2.30	HK\$2.07	+11%	
Full year dividend per share	HK\$3.17	HK\$2.85	+11%	

Note 1: Total revenue, EBITDA and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items, as well as reflecting the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure investments with CK Infrastructure Holdings Limited ("CKI") after the divestment of 90% of the direct economic benefits in October 2018.

Note 2: Earnings per share for the years ended 31 December 2018 and 2017 is calculated based on CKHH's weighted average number of shares outstanding during the years of 3,857,216,697 and 3,857,678,500 respectively.

The Group's profit attributable to ordinary shareholders for the year ended 31 December 2018 amounted to HK\$39,000 million. Earnings per share were HK\$10.11.

The Board recommends the payment of a final dividend of HK\$2.30 per share, payable on 31 May 2019, to shareholders whose names appear on the Register of Members of the Company at the close of business on 22 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK\$0.87 per share, the full year dividend amounts to HK\$3.17 per share.



Financial Performance Summary

	2018		2017		Change %
	HK\$ million	%	HK\$ million	%	
Revenue⁽¹⁾					
Ports and Related Services ⁽¹⁾	35,175	8%	34,146	8%	3%
Retail	168,991	37%	156,163	38%	8%
Infrastructure ⁽¹⁾	64,724	14%	57,369	14%	13%
Husky Energy	54,251	12%	44,948	11%	21%
3 Group Europe	78,411	17%	70,734	17%	11%
Hutchison Telecommunications Hong Kong Holdings	7,912	2%	9,685	2%	-18%
Hutchison Asia Telecommunications	8,220	2%	7,695	2%	7%
Finance & Investments and Others	35,546	8%	34,097	8%	4%
Total Revenue	453,230	100%	414,837	100%	9%
EBITDA⁽¹⁾					
Ports and Related Services ⁽¹⁾	13,392	12%	12,563	12%	7%
Retail	16,164	14%	14,798	14%	9%
Infrastructure ⁽¹⁾	35,422	31%	33,033	32%	7%
Husky Energy	12,106	11%	8,992	9%	35%
3 Group Europe	28,761	25%	24,337	23%	18%
Hutchison Telecommunications Hong Kong Holdings	1,371	1%	4,337	4%	-68%
Hutchison Asia Telecommunications	1,028	1%	558	1%	84%
Finance & Investments and Others	5,336	5%	5,736	5%	-7%
Total EBITDA	113,580	100%	104,354	100%	9%
EBIT⁽¹⁾					
Ports and Related Services ⁽¹⁾	8,726	12%	8,219	12%	6%
Retail	13,078	18%	12,089	18%	8%
Infrastructure ⁽¹⁾	24,038	33%	23,449	35%	3%
Husky Energy	5,742	8%	2,703	4%	112%
3 Group Europe	17,663	24%	16,567	25%	7%
Hutchison Telecommunications Hong Kong Holdings	553	1%	707	1%	-22%
Hutchison Asia Telecommunications	321	—	226	—	42%
Finance & Investments and Others	2,764	4%	3,632	5%	-24%
Total EBIT	72,885	100%	67,592	100%	8%
Interest expenses and other finance costs ⁽¹⁾	(18,025)		(18,024)		—
Profit before tax	54,860		49,568		11%
Tax ⁽¹⁾					
Current tax	(7,795)		(7,898)		1%
Deferred tax	(283)		1,843		-115%
	(8,078)		(6,055)		-33%
Profit after tax	46,782		43,513		8%
Non-controlling interests and perpetual capital securities holders' interests	(7,782)		(8,413)		8%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	39,000		35,100		11%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust, as well as reflecting the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure investments with CK Infrastructure Holdings Limited ("CKI") after the divestment of 90% of the direct economic benefits in October 2018.

Operations Review



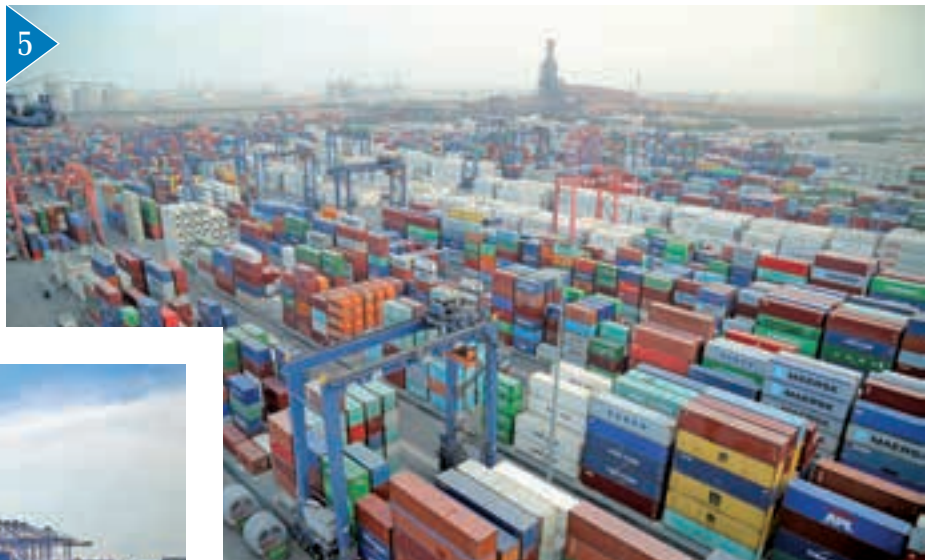
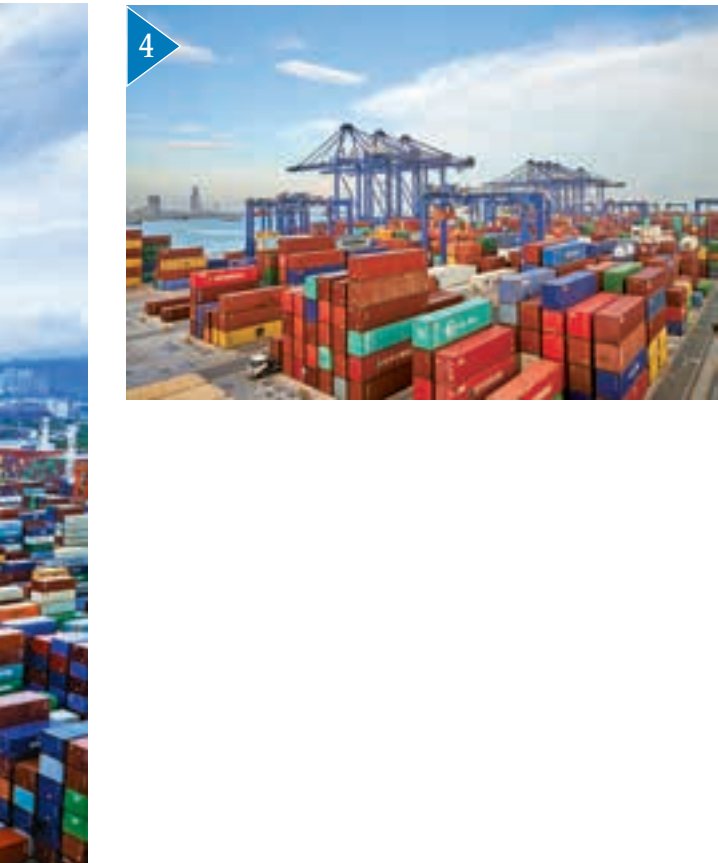
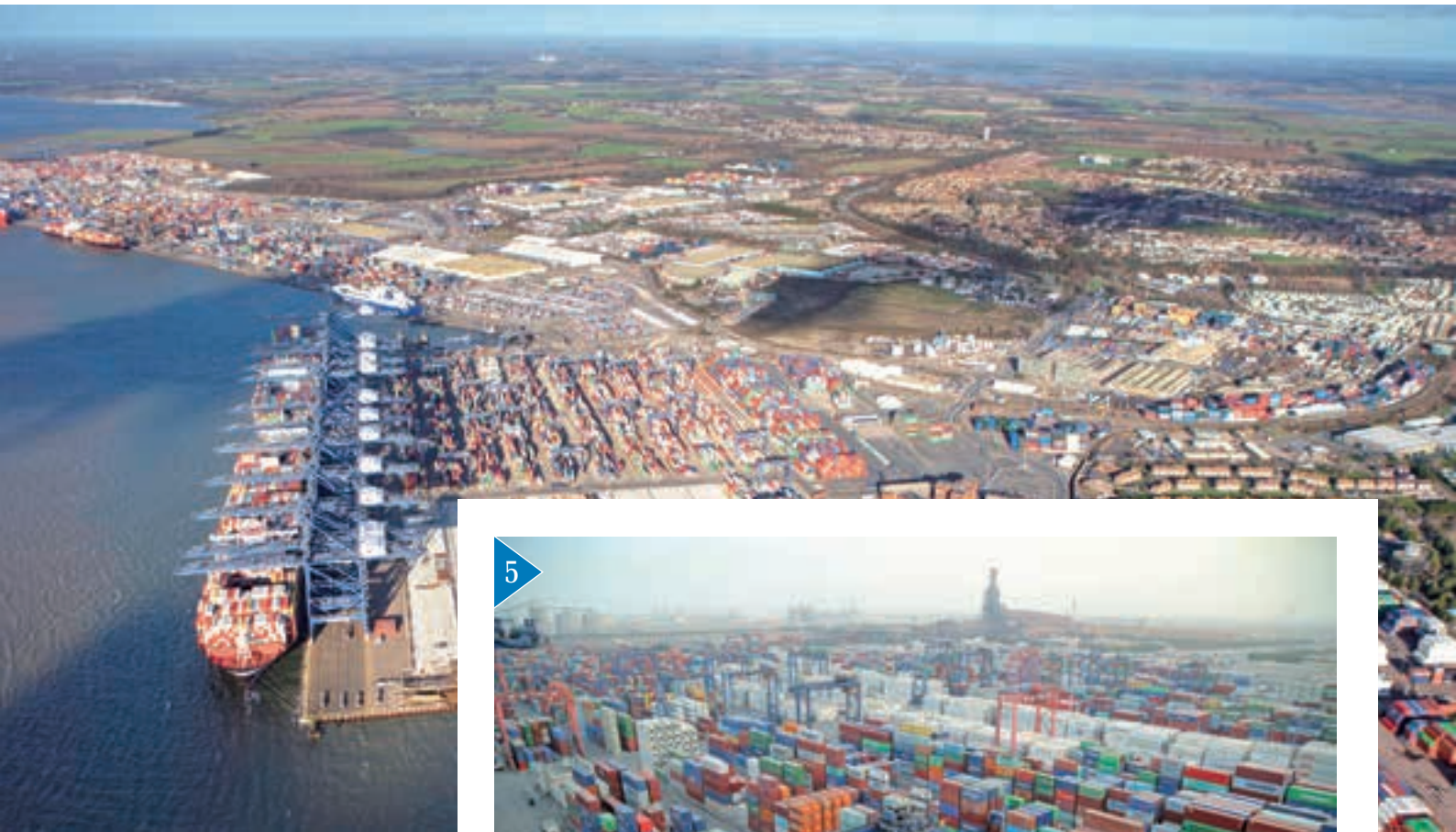
Hutchison Ports ECT Rotterdam celebrates 50 years of business relations with global shipping line Hapag Lloyd.

Ports

and Related Services







1. Hutchison Ports Alexandria in Egypt adds four new hybrid rubber-tyred gantry cranes to improve terminal efficiency.
2. Port of Felixstowe's new paved container yard is under construction to create additional storage capacity and enhance terminal operation efficiency.
3. Hutchison Ports Yantian is located at the Greater Bay Area. With its operation and service excellence, it is the preferred port of call for mega container vessels.
4. Hutchison Ports Pakistan is the only container terminal in the region equipped with remote-controlled facilities.
5. Hutchison Ports Sohar's Terminal C achieves new milestone, having handled 3 million TEU since operations began in 2014.

Operations Review – Ports and Related Services

This division is the world's leading port network, and has interests in 51 ports comprising 288 operational berths in 26 countries.

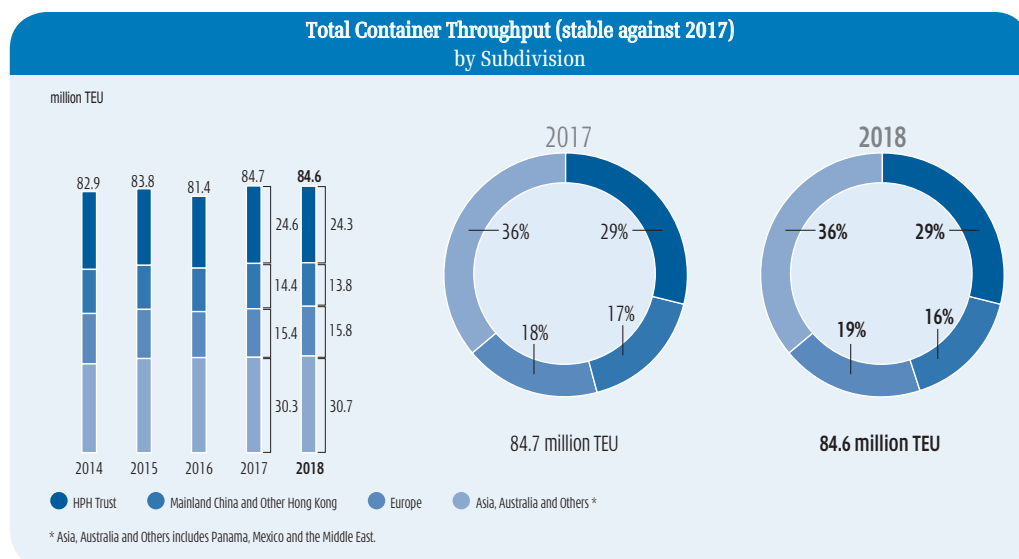
Group Performance

The Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 84.6 million twenty-foot equivalent units ("TEU") in 2018.

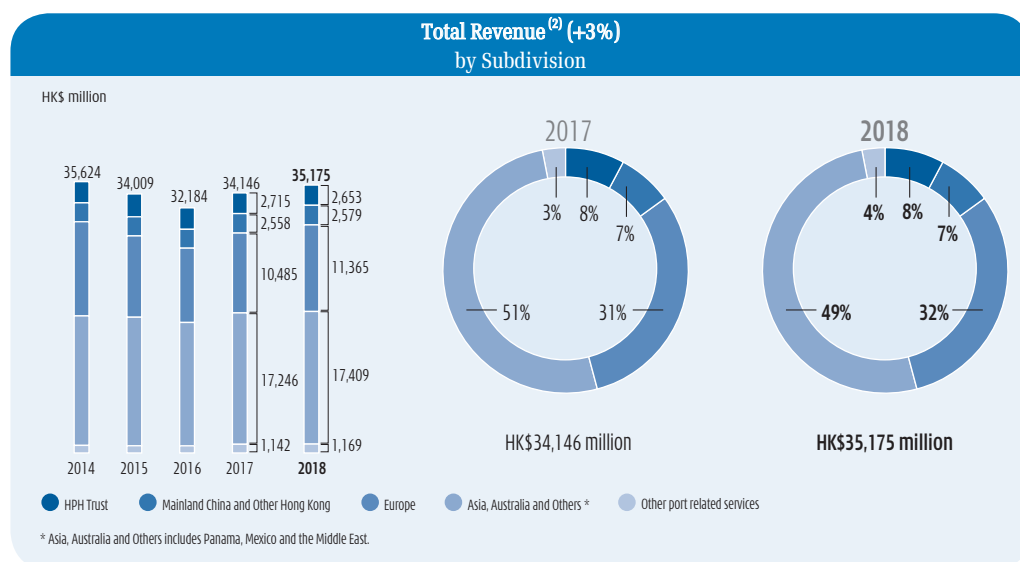
	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue ⁽¹⁾	35,175	34,146	+3%	+3%
EBITDA ⁽¹⁾	13,392	12,563	+7%	+7%
EBIT ⁽¹⁾	8,726	8,219	+6%	+7%
Throughput (million TEU)	84.6	84.7	–	
Number of berths	288	287	+1 berth	

Note 1: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput remained flat at 84.6 million TEU in 2018, with growth in Europe (mainly Rotterdam and Barcelona) and Asia, Australia and others (mainly Asian ports and resumption of trade volumes at Freeport, partly offset by Panama's intense competition), being fully offset by lower throughput in the Mainland (mainly Shanghai) and in HPH Trust.

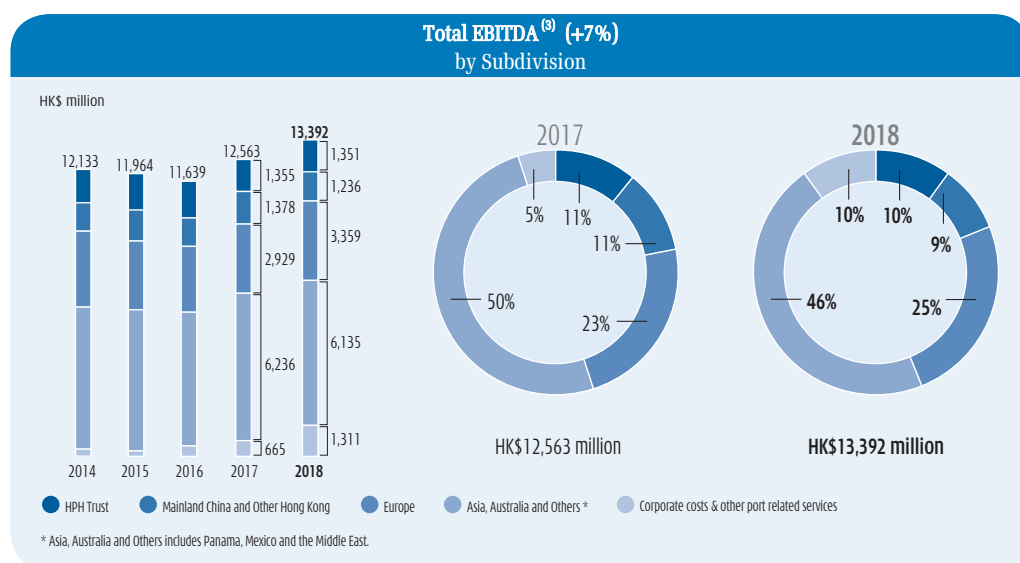


Total revenue increased 3% to HK\$35,175 million in 2018 driven primarily by higher throughput in Barcelona, better performance in Rotterdam in the Netherlands, as well as full-year contribution from new deep water port in Karachi, Pakistan, partly offset by lower revenue contribution from reduced throughput of ports in Panama and Dammam from keen competition and in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.



Note 2: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

EBITDA and EBIT increased 7% and 6% to HK\$13,392 million and HK\$8,726 million respectively, mainly due to higher revenue and stringent cost discipline across all business units. The improvements were partly offset by lower profitability of HPH Trust, Panama, Ajman, Dammam and the UK. In November 2018, the division disposed of its 70% interest in Shantou International Container Terminals for cash consideration of HK\$1,628 million and realised a pre-tax gain of approximately HK\$914 million.



Note 3: Total EBITDA has been adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

As at 31 December 2018, the division had 288 operating berths⁽⁴⁾, one berth more than 2017, reflecting new berths commencing operations in Yantian (+2 berths) and Laem Chabang (+1 berth), and the disposal of Shantou port (-2 berths).

Note 4: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Segment Performance

HPH Trust

	2018 HK\$ million	2017 HK\$ million	Change
Total Revenue ⁽⁵⁾	2,653	2,715	-2%
EBITDA ⁽⁵⁾	1,351	1,355	–
EBIT ⁽⁵⁾	627	648	-3%
Throughput (million TEU)	24.3	24.6	-1%
Number of berths	52	50	+2 berths

Note 5: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput decreased 1% and total revenue of the ports operated by HPH Trust decreased 2%. This was mainly attributable to lower transshipment volume in Hong Kong, partly offset by increase in US and transshipment cargoes for the Yantian port operations driven by the frontloading of cargoes in the fourth quarter of 2018 in anticipation of the 25% tariff implementation originally scheduled in January 2019 by the US to China exports. Despite the lower revenue, the Group's share of EBITDA was broadly in line with the results reported for 2017 due to offsetting impact of cost control initiatives. The Group's share of EBIT was 3% lower due to additional depreciation on a higher asset base and expansion at West Port Phase II.

Following an asset impairment assessment performed during the year and in view of the mounting global trade uncertainties, behavioural changes in multinational corporations caused by the current trade tensions, including accelerating the diversification of production bases outside of the Mainland and the effects stemming from the structural changes within the shipping line industry, a non-cash impairment loss was recognised by HPH Trust in 2018. The Group's share of this non-cash impairment loss of HK\$4,781 million has been included under the Finance & Investments and Others segment.

Mainland China and Other Hong Kong

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	2,579	2,558	+1%	-1%
EBITDA	1,236	1,378	-10%	-12%
EBIT	966	1,122	-14%	-16%
Throughput (million TEU)	13.8	14.4	-4%	
Number of berths	42	44	-2 berths	

The Mainland China and other Hong Kong segment's revenue, EBITDA and EBIT decline in local currencies was mainly attributable to the lower throughput as well as tariff reduction for local laden containers in Shanghai and Ningbo. 2017 also included non-recurring business interruption compensation for the port operations in Ningbo.

Europe

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	11,365	10,485	+8%	+4%
EBITDA	3,359	2,929	+15%	+10%
EBIT	2,319	1,947	+19%	+15%
Throughput (million TEU)	15.8	15.4	+3%	
Number of berths	61	61	—	

The improvement in performance in the Europe segment during the year was mainly due to higher contributions from the ports in Barcelona and ECT Rotterdam, which was partly offset by weaker performance in the UK due to unanticipated adverse effects on operations arising from implementation of a new terminal operating system.

Asia, Australia and Others

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	17,409	17,246	+1%	+4%
EBITDA	6,135	6,236	-2%	+1%
EBIT	3,714	4,085	-9%	-6%
Throughput (million TEU)	30.7	30.3	+1%	
Number of berths	133	132	+1 berth	

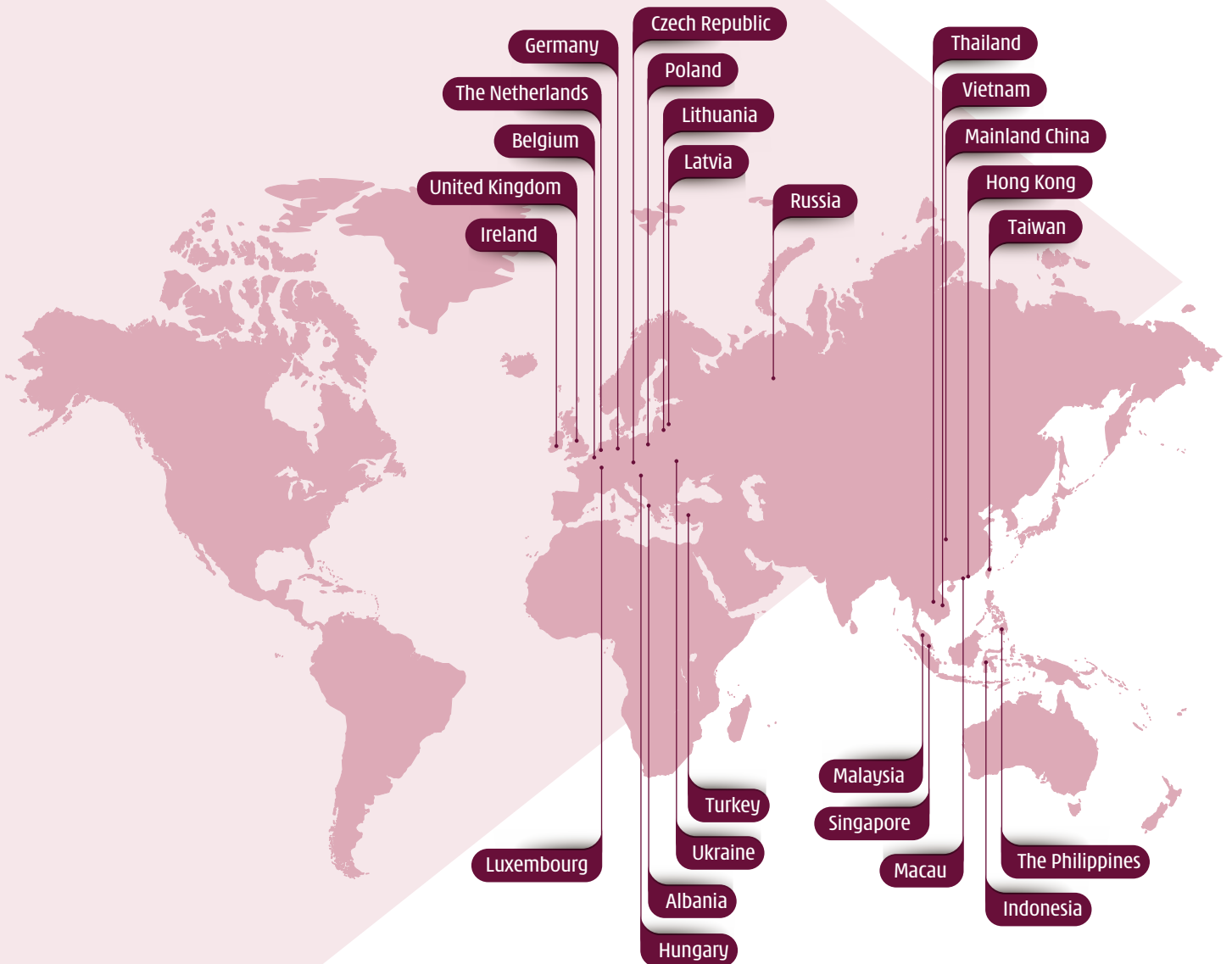
Adverse exchange rate movements resulted in a decline in the contribution from the Asia, Australia and others segment during 2018. In local currencies, total revenue and EBITDA increased by 4% and 1% respectively, mainly due to throughput-driven growth in Pakistan and Argentina and recovery of handling capacity at the Bahamas operations from hurricane damage. This is partly offset by fierce competition in Panama, lower year-on-year net insurance recovery in the Bahamas and lower contribution from Ajman and Dammam. EBIT declined by 6% in local currencies as the higher depreciation charge from expanded facilities in Thailand and Pakistan, together with the accelerated depreciation on Dammam port's assets to concession expiry more than offset the marginal growth in EBITDA in local currencies.

Operations Review



With over 1,200 stores in the Netherlands and Belgium, Kruidvat strives to offer a huge selection of value-for-money products to customers.

Retail







1. Superdrug, with over 800 stores in the UK, is well established as a fashion-led retailer with a focus on great value deals.
2. Watsons China launches Colorlab, a new concept makeup store that offers customers a fashionable and trendy experience-led make-up space.
3. Watsons introduces the Tech-Fun store in Taiwan with AR technology applications including StyleMe, Tap & Shop, as well as Digital Beauty Advisor.
4. Watsons Malaysia is currently operating around 500 stores, offering quality products and services through its online and offline channels.
5. Rossmann operates around 4,000 stores in Germany, Poland, Hungary, Czech Republic and Albania.

Operations Review – Retail

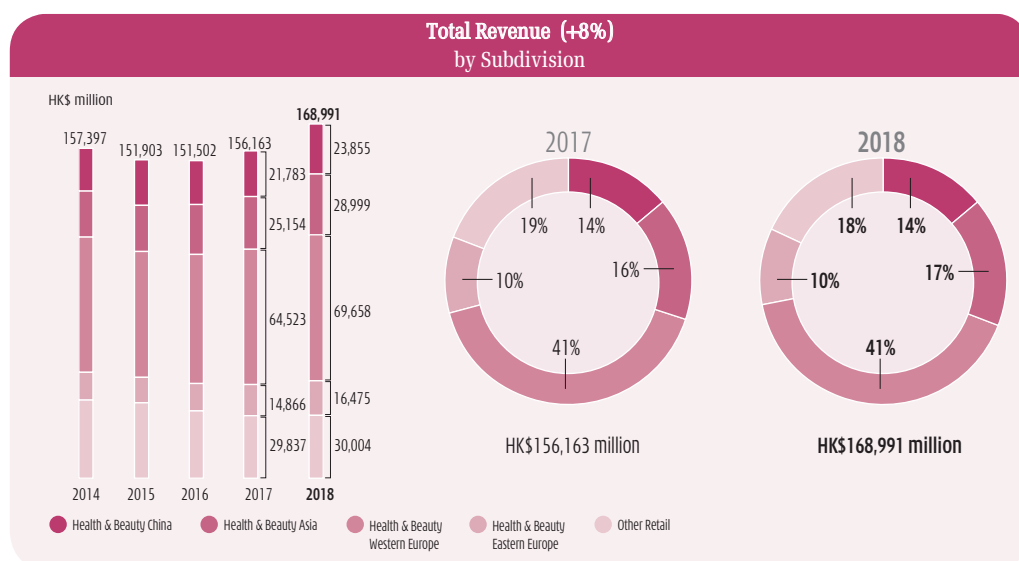
The retail division consists of the A S Watson (“ASW”) group of companies, the world’s largest international Health and Beauty retailer with a 135 million loyalty member base.

Group Performance

ASW operated 12 retail brands with 14,976 stores in 24 markets worldwide in 2018, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	168,991	156,163	+8%	+6%
EBITDA	16,164	14,798	+9%	+7%
EBIT	13,078	12,089	+8%	+6%
Store Numbers	14,976	14,124	+6%	

Total reported revenue was 8% ahead of last year, driven by a 6% increase in store numbers, primarily in Health and Beauty China and Asia, as well as an overall 2.0% comparable stores sales growth. The Health and Beauty subdivision currently has 132 million loyalty members with 62% of total revenue being generated by these loyalty members during 2018. Higher margin exclusive sales contributed 34% of total sales (2017: 34%).



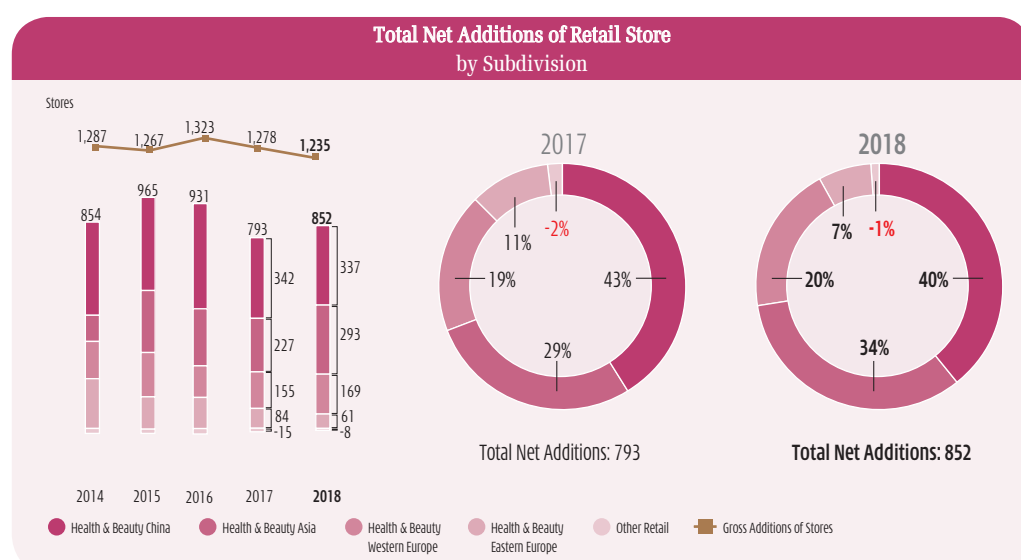
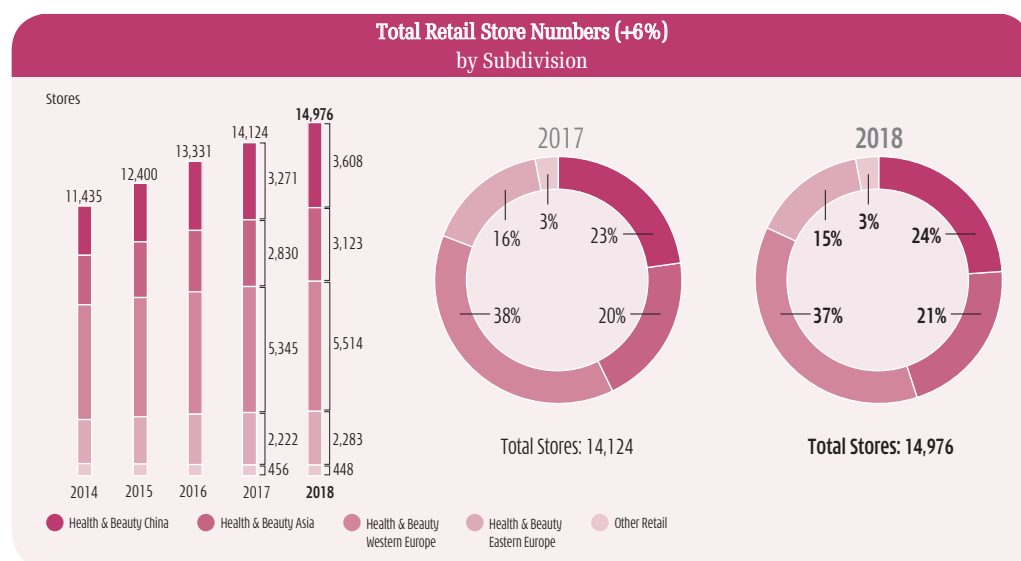
Total Revenue	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Health & Beauty China	23,855	21,783	+10%	+7%
Health & Beauty Asia	28,999	25,154	+15%	+16%
Health & Beauty China & Asia Subtotal	52,854	46,937	+13%	+12%
Health & Beauty Western Europe	69,658	64,523	+8%	+4%
Health & Beauty Eastern Europe	16,475	14,866	+11%	+7%
Health & Beauty Europe Subtotal	86,133	79,389	+8%	+5%
Health & Beauty Subtotal	138,987	126,326	+10%	+7%
Other Retail ⁽¹⁾	30,004	29,837	+1%	—
Total Retail	168,991	156,163	+8%	+6%

Comparable Stores Sales Growth (%) ⁽²⁾	2018	2017
Health & Beauty China	-1.6%	-4.3%
Health & Beauty China (adjusted to include loyalty members' sales recovered in proximate new stores)	+2.1%	+0.3%
Health & Beauty Asia	+7.1%	+3.8%
Health & Beauty China & Asia Subtotal	+3.1%	—
Health & Beauty Western Europe	+1.3%	+2.1%
Health & Beauty Eastern Europe	+2.9%	+4.4%
Health & Beauty Europe Subtotal	+1.6%	+2.5%
Health & Beauty Subtotal	+2.1%	+1.6%
Other Retail ⁽¹⁾	+1.4%	-2.3%
Total Retail	+2.0%	+0.9%

Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's wine and manufacturing operations for water and beverage businesses.

Note 2: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

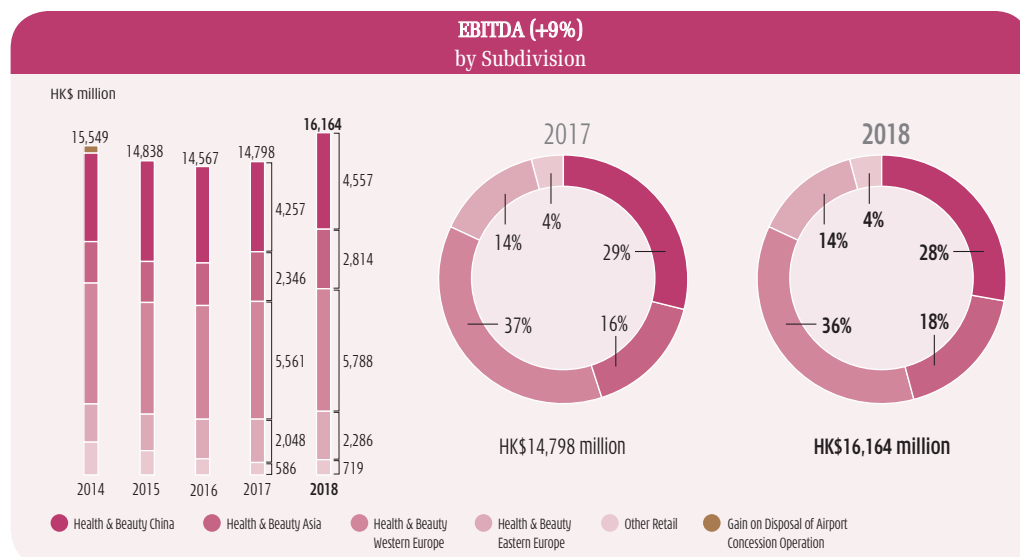
Group Performance (continued)



Store Numbers	2018	2017	Change
Health & Beauty China	3,608	3,271	+10%
Health & Beauty Asia	3,123	2,830	+10%
Health & Beauty China & Asia Subtotal	6,731	6,101	+10%
Health & Beauty Western Europe	5,514	5,345	+3%
Health & Beauty Eastern Europe	2,283	2,222	+3%
Health & Beauty Europe Subtotal	7,797	7,567	+3%
Health & Beauty Subtotal	14,528	13,668	+6%
Other Retail ⁽³⁾	448	456	-2%
Total Retail	14,976	14,124	+6%

Note 3: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The retail division's EBITDA and EBIT increased by 9% and 8% respectively in reported currency against 2017. The principal contributors to growth were the Health and Beauty segment generally, improved performances in the other retail operations in Hong Kong, and favourable foreign currency translation impacts.



EBITDA	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Health & Beauty China	4,557	4,257	+7%	+4%
Health & Beauty Asia	2,814	2,346	+20%	+19%
Health & Beauty China & Asia Subtotal	7,371	6,603	+12%	+9%
Health & Beauty Western Europe	5,788	5,561	+4%	+2%
Health & Beauty Eastern Europe	2,286	2,048	+12%	+8%
Health & Beauty Europe Subtotal	8,074	7,609	+6%	+4%
Health & Beauty Subtotal	15,445	14,212	+9%	+6%
Other Retail ⁽⁴⁾	719	586	+23%	+23%
Total Retail	16,164	14,798	+9%	+7%

Note 4: Other Retail includes PARKNSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The overall health and beauty subdivision, which represented 96% of the division's EBITDA, grew revenue and EBITDA by 10% and 9% respectively. The health and beauty subdivision continued to expand its portfolio with 860 net addition of stores. The quality of new store openings remains high with an average new store cash payback period within one year. The average capex per new store for the health and beauty subdivision was HK\$0.9 million (2017: HK\$0.9 million).

Segment Performance

Health and Beauty China

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currency
Total Revenue	23,855	21,783	+10%	+7%
EBITDA <i>EBITDA Margin %</i>	4,557 <i>19%</i>	4,257 <i>20%</i>	+7%	+4%
EBIT <i>EBIT Margin %</i>	3,846 <i>16%</i>	3,674 <i>17%</i>	+5%	+2%
Store Numbers	3,608	3,271	+10%	
Comparable Stores Sales Growth (%)	-1.6%	-4.3%		
Comparable Stores Sales Growth (%) (adjusted to include loyalty members' sales recovered in proximate new stores) ⁽⁵⁾	+2.1%	+0.3%		

Note 5: Recovery of sales is measured by tracking the operation's extensive CRM customer base sales performances.

The Watsons business continued to be the leading health and beauty retail chain in the Mainland. Total revenue increased by 10% with a 10% increase in store numbers, partly offset by a negative 1.6% comparable stores sales decline in mature stores. With various initiatives, including store refits and re-layout and integration of online and offline services to enhance customer experiences, comparable store sales decline has improved from a negative 4.3% for 2017 to negative 1.6% for 2018. Through continuous expansion of store portfolio which also follows closely with shifts of trade zones and customer demographics, sales declines in mature stores during 2018 were fully recovered in new stores opened in the proximity of such mature stores. Taking into account the CRM sales recovery, the comparable stores sales is a positive growth of 2.1% for 2018.

EBITDA and EBIT increased by 4% and 2% in local currency respectively in 2018. The growth was primarily driven by favourable revenue performances partly offset by higher overall store operating cost base from inflation. EBITDA margin remained strong at 19%.

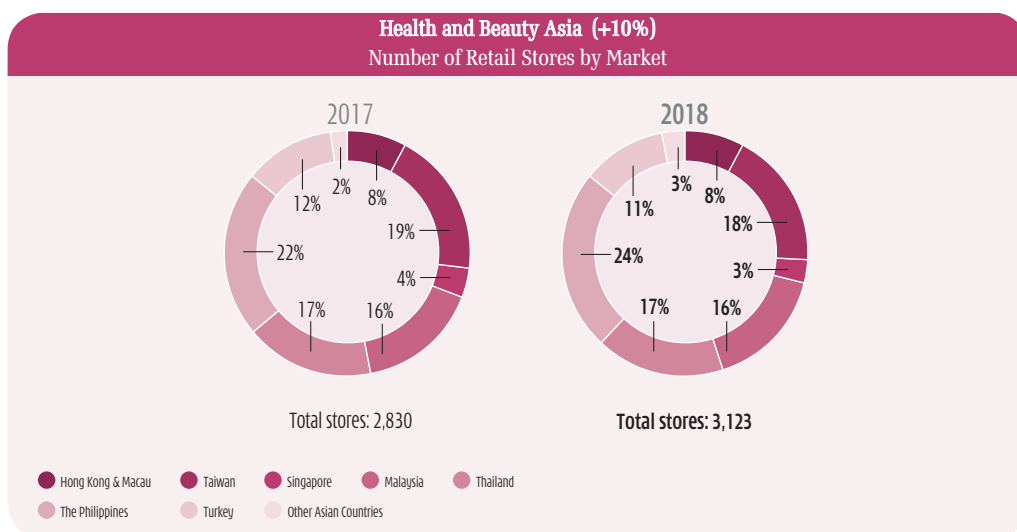
Health and Beauty China increased its total number of stores by 337 during the year and had more than 3,600 stores operating in 474 cities in the Mainland as at year end.

Health and Beauty Asia

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	28,999	25,154	+15%	+16%
EBITDA <i>EBITDA Margin %</i>	2,814 <i>10%</i>	2,346 <i>9%</i>	+20%	+19%
EBIT <i>EBIT Margin %</i>	2,364 <i>8%</i>	1,955 <i>8%</i>	+21%	+19%
Store Numbers	3,123	2,830	+10%	
Comparable Stores Sales Growth (%)	+7.1%	+3.8%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. The majority of its businesses in this region reported strong performances, particularly Watsons Thailand, Malaysia, Philippines and Hong Kong, with double digit increment in both EBITDA and EBIT.

Health and Beauty Asia increased its total number of stores by 293 during the year. The subdivision had more than 3,100 stores operating in 9 markets in 2018.

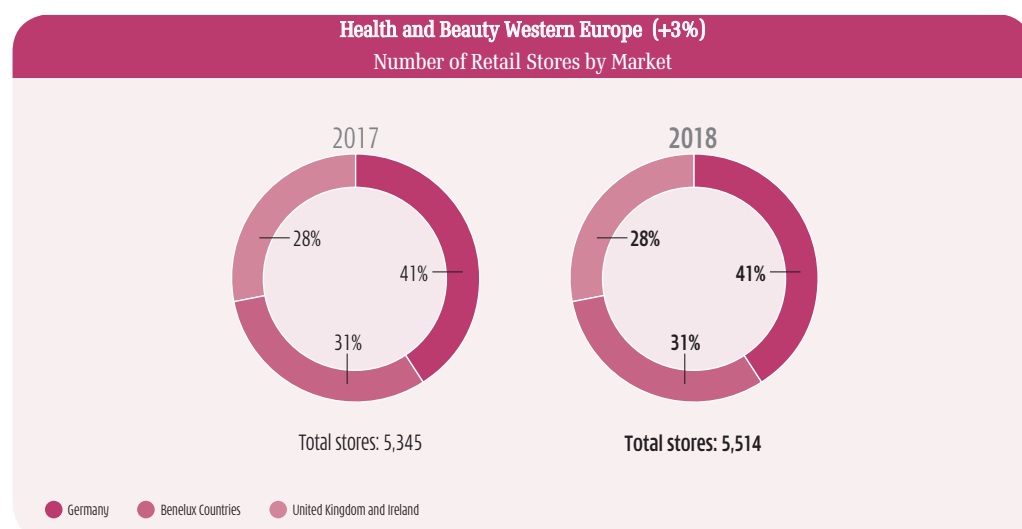


Health and Beauty Western Europe

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	69,658	64,523	+8%	+4%
EBITDA	5,788	5,561	+4%	+2%
<i>EBITDA Margin %</i>	8%	9%		
EBIT	4,634	4,543	+2%	—
<i>EBIT Margin %</i>	7%	7%		
Store Numbers	5,514	5,345	+3%	
Comparable Stores Sales Growth (%)	+1.3%	+2.1%		

Health and Beauty Western Europe reported a steady revenue growth in both reported and local currencies during the year despite aggressive price competition within the Benelux countries and lower consumer sentiment on luxury cosmetic products in the region which reported a milder comparable stores sales growth rate.

Health and Beauty Western Europe added 169 stores and operated more than 5,500 stores in 2018.



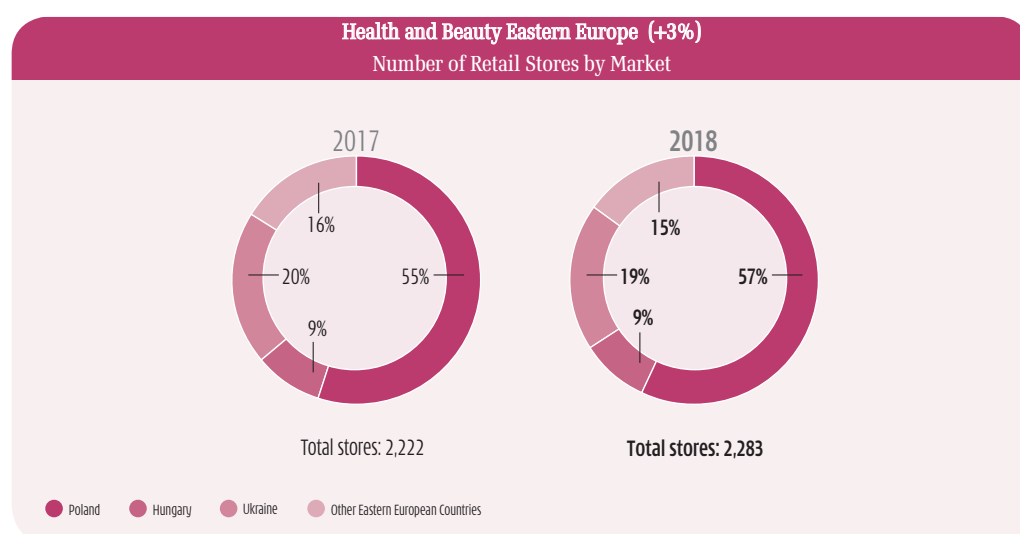
Segment Performance (continued)

Health and Beauty Eastern Europe

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	16,475	14,866	+11%	+7%
EBITDA	2,286	2,048	+12%	+8%
<i>EBITDA Margin %</i>	14%	14%		
EBIT	1,968	1,785	+10%	+7%
<i>EBIT Margin %</i>	12%	12%		
Store Numbers	2,283	2,222	+3%	
Comparable Stores Sales Growth (%)	+2.9%	+4.4%		

Health and Beauty Eastern Europe continued to report healthy growth during the year. The growth in both EBITDA and EBIT was mainly attributable to strong sales of the Rossmann joint venture in Poland.

Health and Beauty Eastern Europe added 61 stores and operated more than 2,200 stores in 7 markets in 2018.

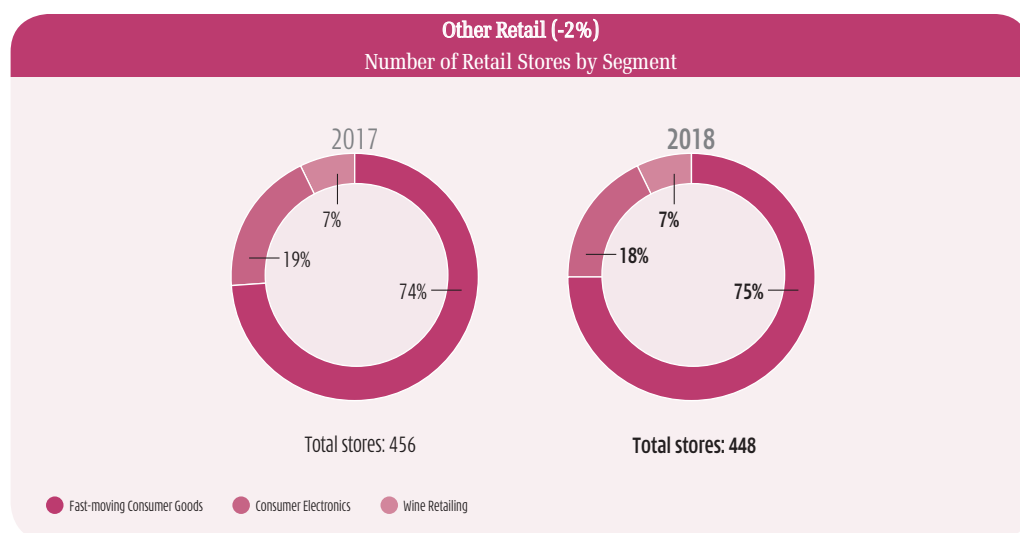


Other Retail

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	30,004	29,837	+1%	—
EBITDA	719	586	+23%	+23%
<i>EBITDA Margin %</i>	2%	2%		
EBIT	266	131	+103%	+104%
<i>EBIT Margin %</i>	1%	1%		
Store Numbers	448	456	-2%	
Comparable Stores Sales Growth (%)	+1.4%	-2.3%		

Other Retail subdivision, which only represented 4% of the division's EBITDA, reported a positive growth in total revenue, EBITDA and EBIT of 1%, 23% and 103% respectively, mainly due to continued focus on better cost management in the supermarket business and improved performance in Fortress operation. Other Retail currently operates over 440 retail stores in 3 markets, as well as manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

During the year, ASW announced to form a joint venture with Yonghui Superstores Co. Limited ("Yonghui") and Tencent Holdings Limited ("Tencent") to create the largest grocery retail business in Guangdong, China. The joint venture will combine the current PARKnSHOP China supermarket asset with Yonghui's portfolio in Guangdong and leverage Tencent's big data analytical capabilities, to give a store network of over 70 stores and deliver quality and personalised customer experiences to 2.2 million loyalty members. The joint venture is expected to be formed by first half of 2019.



Operations Review



Dutch Enviro Energy-owned AVR operates five waste treatment plants in Netherlands. Total energy-from-waste capacity reaches 2,300 kilotonnes per year.

Infrastructure



Operations Review – Infrastructure





5

1. Recognised as a safety and efficiency leader in Australia's National Electricity Market, SA Power Networks is ranked as the most efficient distributor on a state-wide basis in Australia.
2. Northumbrian Water is named "Water Company of the Year" at the Water Industry Achievement Awards in the UK.
3. HK Electric completes the steam drum lifting for one of its new gas-fired units at Lamma Power Station in Hong Kong.
4. CitiPower, a company under Victoria Power Networks, is ranked as the most efficient electricity distribution network national wide by the Australian Energy Regulator.
5. UK Rails' rolling stock portfolio includes 22 different passenger fleets of trains comprising around 3,500 passenger vehicles.

Operations Review – Infrastructure

The infrastructure division comprises the Group's 75.67%⁽¹⁾ interest in CK Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure assets.

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue ⁽²⁾	64,724	57,369	+13%	+11%
- CKI	53,274	46,597	+14%	+13%
- Co-owned infrastructure assets	11,450	10,772	+6%	+1%
EBITDA ⁽²⁾	35,422	33,033	+7%	+5%
- CKI	29,406	26,416	+11%	+10%
- Co-owned infrastructure assets	6,016	6,617	-9%	-13%
EBIT ⁽²⁾	24,038	23,449	+3%	—
- CKI	20,076	18,836	+7%	+5%
- Co-owned infrastructure assets	3,962	4,613	-14%	-18%
CKI Reported Net Profit	10,443	10,256	+2%	

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group holds a 71.93% interest. As these new shares are disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 2: Total revenue, EBITDA and EBIT reflect the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure assets with CKI after the divestment of 90% of the direct economic benefits in October 2018.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure-related businesses. CKI operates in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada.

CKI recorded net profit attributable to shareholders of HK\$ 10,443 million, an increase of 2% from last year. Excluding the one-off items recorded in 2017, the increase in underlying business profit contribution was 13%, mainly due to the full year contribution from the businesses acquired during 2017.

Profit contribution from Power Assets, a company listed on the SEHK and in which CKI holds a 38.01% interest as of 31 December 2018, was HK\$2,903 million as compared to HK\$3,214 million in 2017. Taking out the one-off disposal gains recorded in 2017 and adjusting for certain treasury items, profit contribution increased by 9% as compared with last year. Hongkong Electric, in which Power Assets holds a 33.37% stake, has entered into a new Scheme of Control in Hong Kong for a 15-year period with effect from 1 January 2019. This framework is set to provide stability and predictability of profit contribution in the coming years.

In January 2019, CKI completed the disposal of 2.05% interest in Power Assets for approximately HK\$2.3 billion with the shareholding reduced to 35.96%.

Co-owned infrastructure assets

The Group's direct interests in six co-owned infrastructure assets include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails and have contributed revenue, EBITDA and EBIT of HK\$11,450 million, HK\$6,016 million and HK\$3,962 million respectively in the year.

In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in the six co-owned infrastructure assets for a cash consideration of HK\$21.6 billion under the Economic Benefits Agreements entered with CK Asset Holdings Limited, CKI and Power Assets, and resulted in a lower profit contribution when compared against 2017. The divestiture has resulted in a loss on disposal of approximately HK\$3,626 million at EBITDA and EBIT level and has been included under the Finance & Investments and Others segment.

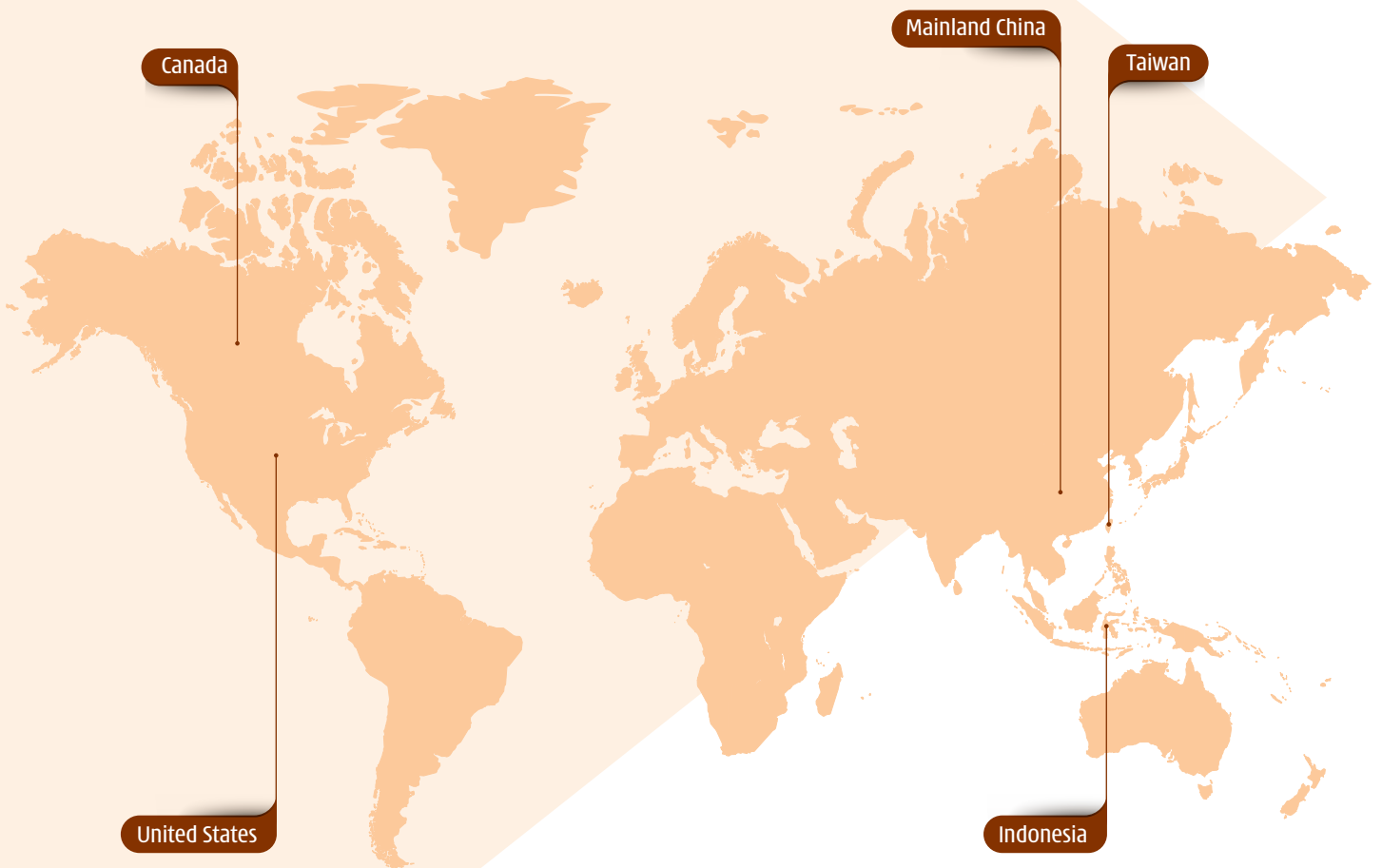
The Group has approved a plan to streamline the direct ownership in the six co-owned infrastructure assets. As such, these six co-owned infrastructure assets were reclassified for accounting purposes as disposal group held for sale as at 31 December 2018. The plan is subject to obtaining relevant regulatory approvals.

Operations Review



Husky Energy has drilled a successful exploration well on Block 15/33 in the South China Sea.

Energy



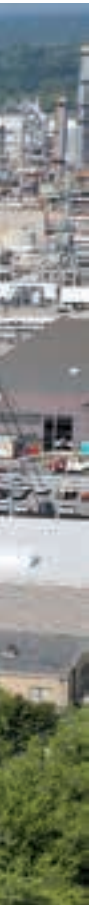
Operations Review – Energy

1



3





1. Lima Refinery in the US is now able to process up to 175,000 barrels per day ("bbls/day"), an increase from 165,000 bbls/day.
2. The first slip form for the concrete gravity structure for the West White Rose platform located in Newfoundland and Labrador, Canada is completed.
3. The Gaolan Gas Terminal connects directly to the Guangdong Natural Gas Grid. It extracts condensates and natural gas liquids, and compresses and moves the Liwan gas to commercial markets.
4. Tucker Thermal Project in Northern Alberta, Canada reaches its design capacity production of 30,000 bbls/day.
5. The liquids-rich BD Project offshore Indonesia in the Madura Strait achieves record gas production.

Operations Review – Energy

The energy division comprises the Group's 40.19% interest in Husky Energy ("Husky"), an integrated energy company listed on the Toronto Stock Exchange.

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	54,251	44,948	+21%	+20%
EBITDA	12,106	8,992	+35%	+34%
EBIT	5,742	2,703	+112%	+113%
Production (mboe/day)	299.2	322.9	-7%	

Husky announced net earnings of C\$1,457 million in 2018, 85% higher than 2017 net earnings of C\$786 million.

After translation into Hong Kong dollars and including consolidation adjustments, the Group's share of EBITDA and EBIT increased 35% and 112% against 2017 respectively, which reflect the aforementioned improvement of underlying performance during 2018.

Production and Reserves

Husky reported a 7% decrease of average production in 2018, from 322,900 barrels of oil equivalent per day ("boe/day") in 2017 to 299,200 boe/day in 2018.

Crude oil and natural gas liquids ("NGL") production

Crude oil and NGL production decreased by 18.3 thousand barrels per day ("mbbls/day"), or 8%, in 2018 compared to 2017. The decrease was primarily due to lower production in the Atlantic region due to the suspension of operations on the SeaRose FPSO vessel in January and November 2018, a high water cut well at North Amethyst combined with natural well declines, a reduction of heavy crude oil production due to natural declines and reduced optimisation activities in Husky's non-thermal developments, lower crude oil production in Asia Pacific due to the expiry of Husky's participation in the Wenchang oilfield PSC in late 2017, and lower production in Western Canada as a result of the disposition of select legacy assets in 2017. The decreases were partially offset by increased bitumen production from Husky's thermal projects, combined with increased NGL production in Asia Pacific and Western Canada.

Natural gas production

Natural gas production decreased by 32.1 million cubic feet per day ("mmcf/day"), or 6%, in 2018 compared to 2017. In Western Canada, natural gas production decreased by 87.2 mmcf/day, primarily due to the disposition of select legacy assets in 2017. In Asia Pacific, natural gas production increased by 55.1 mmcf/day, primarily due to Liwan Gas Project and the BD Project in Indonesia.

Oil and Gas Reserves

At 31 December 2018, Husky's proved oil and gas reserves were 1,471 million barrels of oil equivalent ("mmboe"), compared to 1,301 mmboe at the end of 2017. Probable reserves were 1,070 mmboe compared to 1,136 mmboe at the end of 2017. Husky's 2018 reserves replacement ratio was 260% excluding economic revisions (255% including economic revisions). The proved reserves additions were mainly related to two newly sanctioned Lloyd thermal bitumen projects and improved performance in the existing projects, the booking of provided reserves for the Lihua project in Asia Pacific, and future development opportunities added in Sunrise, Lloyd thermal bitumen projects and other fields.

Operation milestones

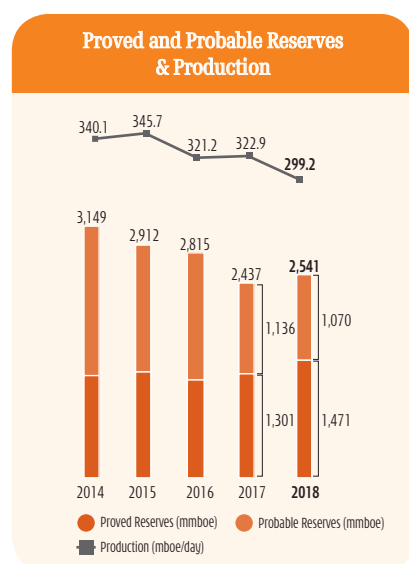
Integrated corridor (Integrated Canada-US Upstream and Downstream Corridor)

- Increased annual average production from Lloyd thermal bitumen projects, Tucker and Sunrise to 124,200 barrels per day (“bbls/day”), compared to 119,100 bbls/day in 2017
- First oil ahead of schedule at the 10,000 bbls/day Rush Lake 2 thermal project
- Commenced construction of the 10,000 bbls/day thermal projects at Dee Valley and Spruce Lake Central; completed site clearing at Spruce Lake North
- Sanctioned the new 10,000 bbls/day Spruce Lake East thermal project, with first production targeted around the end of 2021
- The Sunrise Energy Project reached and surpassed targeted 60,000 bbls/day (30,000 bbls/day Husky working interest)
- Record throughput of 75,600 bbls/day at the Lloydminster Upgrader

Offshore (Atlantic and Asia Pacific)

- Successful oil exploration discoveries in both the Asia Pacific and Atlantic regions
- Completed slip-forming on the West White Rose fixed wellhead platform
- Record sales gas production from the Liwan and BD projects
- Increased working interest at Lihua 29-1 from 49% to 75%
- Signed Production Sharing Contracts for two exploration blocks offshore China in the Beibu Gulf

Husky expects to continue to optimise its portfolio in 2019 with the strategic review and potential sale of non-core Downstream assets, along with other actions and investments aimed at further reducing its break-even oil price.

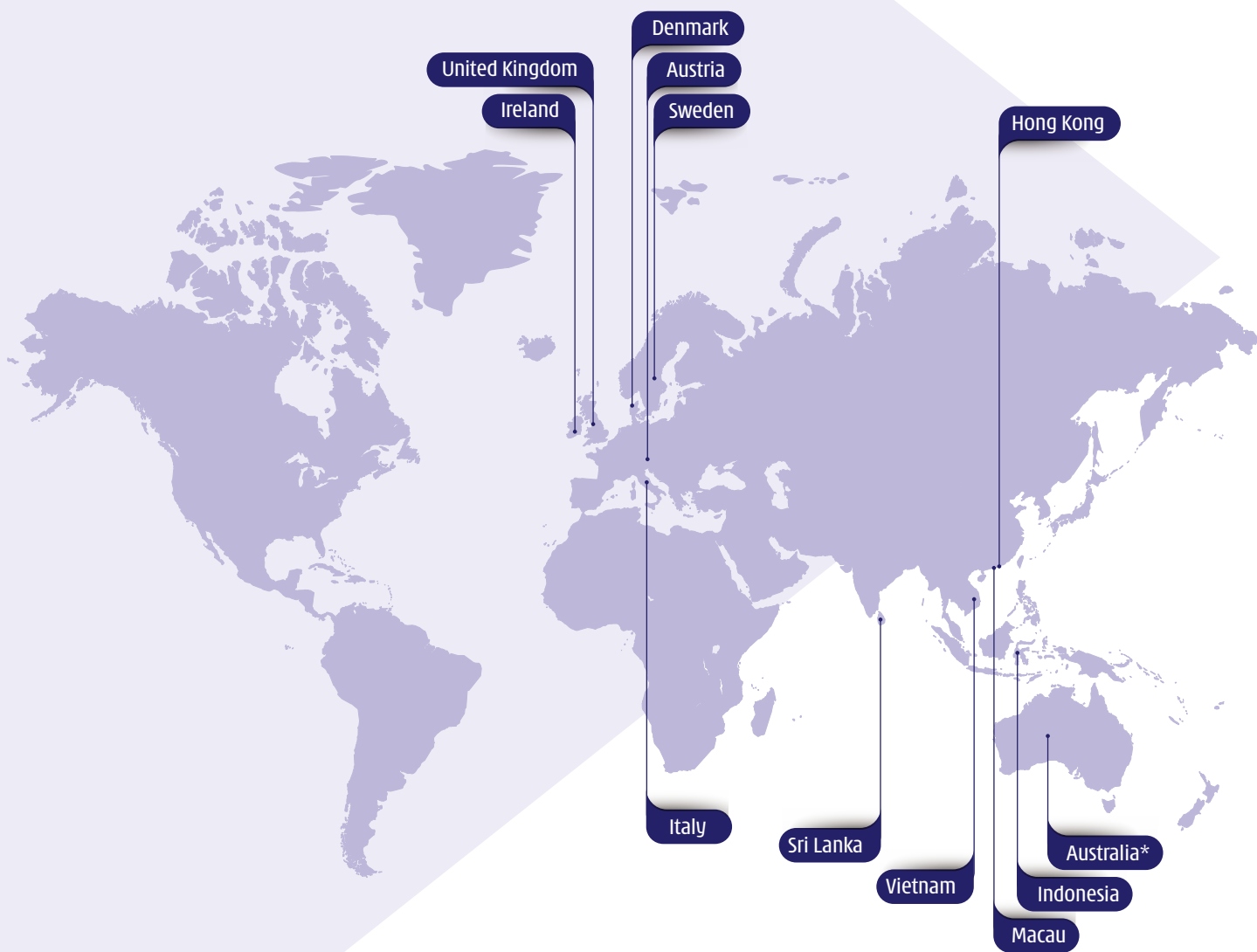


Operations Review

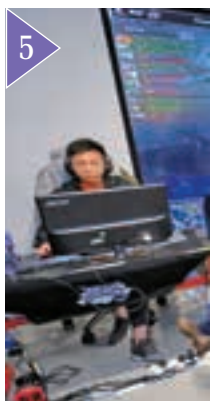


3 UK is voted "UK's Best Network for Data 2018".

Telecommunications



* Hutchison Telecommunications (Australia) Limited ("HTAL"), share of results of Vodafone Hutchison Australia Pty Limited ("VHA"), was included in Finance & Investments and Others division.





6

1. 3 Sweden opens its new headquarters in Stockholm.
2. CK Hutchison acquires 100% ownership of Wind Tre and becomes sole owner of Italy's leading mobile operator.
3. 3 Indonesia brings mobile lifestyle experience powered by 4G LTE to over 9,300 villages in more than 300 cities.
4. 3 Denmark opens its flagship store in the middle of Stroget in Copenhagen - one of the world's longest pedestrian shopping streets.
5. The two-storey 3LIVE flagship store in Hong Kong accommodates a variety of performances and activities such as esports competitions, mini concerts and festive events.
6. 3 Ireland is the country's second largest mobile operator with 98% LTE coverage nationwide.

Operations Review – Telecommunications

The Group's telecommunications division consists of the 3 Group businesses in Europe ("3 Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, and Hutchison Asia Telecommunications ("HAT"). 3 Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, with the fixed operation fully disposed of in October 2017. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

Group Performance

3 Group Europe

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	78,411	70,734	+11%	+7%
- Net customer service revenue	61,813	56,002	+10%	+7%
- Handset revenue	12,282	11,295	+9%	
- Other revenue	4,316	3,437	+26%	
Net Customer Service Margin ⁽¹⁾	50,558	46,756	+8%	+5%
<i>Net customer service margin %</i>	82%	84%		
Other Margin	2,903	1,646	+76%	
Total CACs	(15,813)	(16,296)	+3%	
Less: Handset revenue	12,282	11,295	+9%	
Total CACs (net of handset revenue)	(3,531)	(5,001)	+29%	
Operating Expenses	(21,169)	(19,064)	-11%	
<i>Opex as a % of net customer service margin</i>	42%	41%		
EBITDA	28,761	24,337	+18%	+14%
<i>EBITDA Margin % ⁽²⁾</i>	43%	41%		
Depreciation & Amortisation	(11,098)	(7,770)	-43%	
EBIT	17,663	16,567	+7%	+3%

Note 1: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

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

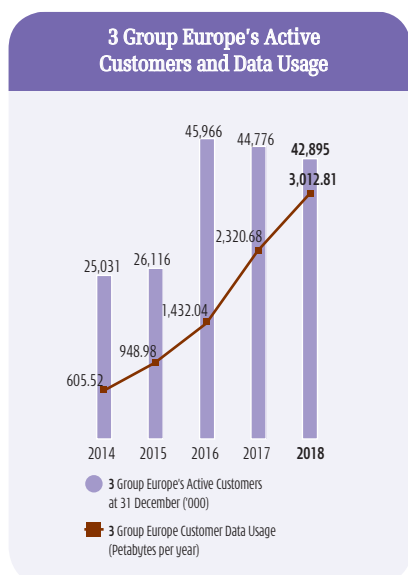
The Group successfully executed the acquisition of the remaining 50% interest of Wind Tre in September 2018. Wind Tre has been contributing accretively as a wholly-owned subsidiary for four months in 2018. As a result, net customer service revenue and net customer service margin in local currencies for the 3 Group Europe increased by 7% and 5% respectively compared to last year. Operationally, active customer growth in 2018 was hindered by aggressive competition in Italy with the entry of a new competitor in the market during the year. Other operations in Europe continued to grow their active customer bases while customer numbers remained stable in the UK. The proportion of contract customers as a percentage of registered customers increased slightly from 39% in 2017 to 40% at 31 December 2018. Margin generated by contract customers accounted for approximately 67% of overall net customer service margin, an increase from 66% in 2017. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base improved from 1.6% in 2017 to 1.4% for the year.

3 Group Europe's net ARPU and net AMPU both decreased by 8% to €14.06 and €11.88 respectively compared to 2017, 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.

Total data usage increased 30% compared to last year to approximately 3,013 petabytes in 2018. Data usage per active customer was approximately 71.9 gigabytes per user in 2018 compared to 53.8 gigabytes per user in 2017.

Total CACS, net of handset revenue in contract bundled plans, totalled HK\$3,531 million in 2018, 29% lower than 2017, while operating expenses increased 11% to HK\$21,169 million due to the additional 50% share acquired in Wind Tre and increased spending on network and IT transformation projects.

The EBITDA and EBIT growth was due to the accretive contribution from additional share of Wind Tre, improved net customer service margins and disciplined spending on customer acquisition costs, partly offset by increased spending on network and IT transformation projects to build a more agile, flexible and sustainable operating model to cater for the future.



Operations Review – Telecommunications

3 Group Europe - Results by operations

In million	UK GBP		Italy ⁽³⁾ EURO	
	2018	2017	2018 Wind Tre (50% /100%)	2017 Wind Tre (50%)
Total Revenue	2,439	2,425	3,271	2,734
<i>% change</i>	+1%		+20%	
- Net Customer Service Revenue	1,647	1,636	2,982	2,590
<i>% change</i>	+1%		+15%	
- Handset Revenue	675	622	137	105
- Other Revenue	117	167	152	39
Net Customer Service Margin⁽⁴⁾	1,429	1,427	2,276	2,061
<i>% change</i>	-		+10%	
<i>Net Customer Service Margin %</i>	87%	87%	76%	80%
Other margin	62	52	140	32
TOTAL CACS ⁽⁸⁾	(840)	(848)	(227)	(217)
Less: Handset Revenue	675	622	137	105
Total CACS (net of handset revenue)	(165)	(226)	(90)	(112)
Operating Expenses	(574)	(551)	(954)	(876)
<i>Opex as a % of net customer service margin</i>	40%	39%	42%	43%
EBITDA	752	702	1,372	1,105
<i>% change</i>	+7%		+24%	
<i>HKD equivalent</i>	7,860	7,087	12,601	9,793
<i>EBITDA margin %⁽⁵⁾</i>	43%	39%	44%	42%
Depreciation & Amortisation⁽⁸⁾	(311)	(265)	(472)	(298)
EBIT	441	437	900	807
<i>% change</i>	+1%		+12%	
			Wind Tre (100%)	Wind Tre (100%)
Capex (excluding licence) ⁽⁶⁾	(462)	(459)	(968)	(975)
EBITDA less Capex ⁽⁶⁾	290	243	1,040	1,235
Licence ⁽⁷⁾	(166)	(2)	(517)	-

Note 3: 3 Group Europe 2018 includes 50% share of Wind Tre's results from January to August 2018 and 100% share from September to December 2018, of which Wind Tre's fixed line business revenue was €675 million and EBITDA was €226 million. 2017 includes 50% share of Wind Tre's results, of which fixed line business revenue was €542 million and EBITDA was €193 million. Capex (excluding licence), EBITDA less Capex and Licence represent 100% of Wind Tre's results for both 2018 and 2017 for comparability purposes.

Note 4: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 5: EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

	UK		Italy ⁽⁹⁾	
	2018	2017	2018	2017
Total registered customer base (million)	13.2	12.6	27.1	29.5
Total active customer base (million)	10.0	10.1	24.5	26.6
Contract customers as a % of the total registered customer base	53%	55%	27%	25%
Contract customers' contribution to the net customer service margin (%) ⁽¹⁰⁾	88%	87%	37%	32%
Average monthly churn rate of the total contract registered customer base (%)	1.2%	1.3%	2.0%	2.2%
Active contract customers as a % of the total contract registered customer base	98%	98%	92%	94%
Active customers as a % of the total registered customer base	76%	80%	90%	90%
LTE coverage by population (%)	94%	94%	97%	95%
Full year data usage per active customer (Gigabyte)				

Note 9: Italy KBIs were calculated based on 100% of Wind Tre's figures, except for contract customers' contribution to net customer service margin (%), which was calculated based on 50% contribution from Wind Tre for January to August 2018 and on 100% contribution from September 2018 onwards.

Sweden SEK		Denmark DKK		Austria EURO		Ireland EURO		3 Group Europe ⁽⁹⁾ HK\$	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
7,113 -5%	7,508	2,186 -3%	2,246	881 +8%	812	591 -2%	603	78,411 +11%	70,734
4,699 -3%	4,868	1,875 -3%	1,936	692 +6%	655	443 -5%	465	61,813 +10%	56,002
2,198 216	2,396 244	120 191	126 184	125 64	120 37	77 71	74 64	12,282 4,316	11,295 3,437
3,982 -4%	4,149	1,567 -3%	1,613	589 +7%	553	389 -3%	401	50,558 +8%	46,756
85%	85%	84%	83%	85%	84%	88%	86%	82%	84%
109 (2,745)	124 (3,187)	133 (285)	135 (350)	30 (141)	22 (159)	51 (90)	43 (118)	2,903 (15,813)	1,646 (16,296)
2,198 (547)	2,396 (791)	120 (165)	126 (224)	125 (16)	120 (39)	77 (13)	74 (44)	12,282 (3,531)	11,295 (5,001)
(1,263) 32%	(1,332) 32%	(807) 51%	(716) 44%	(228) 39%	(194) 35%	(227) 58%	(231) 58%	(21,169) 42%	(19,064) 41%
2,281 +6%	2,150	728 -10%	808	375 +10%	342	200 +18%	169	28,761 +18%	24,337
2,066	1,968	906	961	3,475	3,025	1,853	1,503	28,761	24,337
46%	42%	35%	38%	50%	49%	39%	32%	43%	41%
(843)	(595)	(318)	(289)	(146)	(100)	(105)	(79)	(11,098)	(7,770)
1,438 -8%	1,555	410 -21%	519	229 -5%	242	95 +6%	90	17,663 +7%	16,567
(1,254)	(836)	(225)	(201)	(123)	(115)	(118)	(109)		
1,027	1,314	503	607	252	227	82	60		
-	-	-	-	-	-	(1)	(19)		

Note 6: 2017 excludes 3 UK's acquisition of UKB for £300 million and 3 Austria's acquisition of Tele2 for €100 million.

Note 7: Licence cost for UK represents investment for 4 x 5 MHz of 3.4 GHz spectrum acquired in April 2018 and incidental costs to acquire licence in 2017. Licence cost for Wind Tre in 2018 represents investment for 20 MHz of 3.6 - 3.8 GHz and 200 MHz of 26.5 - 27.5 GHz spectrums in October 2018, whereas the cost for Ireland in 2017 relates to investment for 100MHz of 3.6 GHz licence.

Note 8: 2018 included the effect under the adoption of HKFRS 15 of HK\$858 million capitalisation impact on Total CACs and HK\$912 million amortisation impact on Depreciation & Amortisation. Net impact to 3 Group Europe was a reduction in EBIT of HK\$54 million.

Sweden		Denmark		Austria		Ireland		3 Group Europe	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
2.0	2.0	1.4	1.3	3.7	3.6	3.6	3.2	51.0	52.3
2.0	1.9	1.3	1.3	2.9	2.9	2.2	2.1	42.9	44.8
75%	82%	60%	61%	69%	69%	38%	38%	40%	39%
90%	93%	71%	74%	92%	91%	63%	64%	67%	66%
1.8%	2.0%	1.9%	2.2%	0.2%	0.2%	1.1%	1.9%	1.4%	1.6%
100%	100%	100%	100%	100%	100%	98%	98%	97%	97%
96%	96%	97%	97%	80%	80%	62%	64%	84%	86%
86%	84%	98%	98%	99%	99%	98%	94%	-	-
								71.9	53.8

Note 10: 3 Group Europe contract customers' contribution to net customer service margin in 2018 was calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 was calculated based on 50% contribution from Wind Tre.

Key Business Indicators

	Registered Customer Base					
	Registered Customers at 31 December 2018 ('000)			Registered Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	6,243	7,007	13,250	+10%	+1%	+5%
Italy ⁽¹²⁾	19,796	7,266	27,062	-11%	–	-8%
Sweden	519	1,517	2,036	+46%	-7%	+3%
Denmark	551	820	1,371	+8%	+3%	+5%
Austria	1,126	2,548	3,674	–	+1%	+1%
Ireland	2,223	1,342	3,565	+11%	+12%	+12%
3 Group Europe Total	30,458	20,500	50,958	-5%	+1%	-3%

	Active ⁽¹¹⁾ Customer Base					
	Active Customers at 31 December 2018 ('000)			Active Customer Growth (%) from 31 December 2017 to 31 December 2018		
	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	3,129	6,897	10,026	-4%	+1%	–
Italy ⁽¹²⁾	17,760	6,696	24,456	-10%	-2%	-8%
Sweden	438	1,517	1,955	+60%	-7%	+3%
Denmark	511	820	1,331	+8%	+3%	+4%
Austria	387	2,542	2,929	-2%	+1%	+1%
Ireland	880	1,318	2,198	–	+12%	+7%
3 Group Europe Total	23,105	19,790	42,895	-8%	–	-4%

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 customer base as at 31 December 2018 and 31 December 2017 were calculated based on 100% of Wind Tre. In addition to the above, Wind Tre's has 2.7 million fixed line customers.

**12-month Trailing Average Revenue per Active User⁽¹³⁾ ("ARPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£5.00	£24.51	£18.23	+1%
Italy ⁽¹⁶⁾	€10.32	€14.54	€11.44	-9%
Sweden	SEK117.26	SEK342.66	SEK300.66	+1%
Denmark	DKK89.31	DKK152.39	DKK128.42	-8%
Austria	€10.63	€22.71	€21.09	-3%
Ireland	€15.35	€23.23	€20.00	-8%
3 Group Europe Average⁽¹⁷⁾	€9.60	€23.55	€16.52	-8%

**12-month Trailing Net Average Revenue per Active User⁽¹⁴⁾ ("Net ARPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£5.00	£17.67	£13.59	-2%
Italy ⁽¹⁶⁾	€10.32	€14.54	€11.44	-9%
Sweden	SEK117.26	SEK223.18	SEK203.44	-2%
Denmark	DKK89.31	DKK139.00	DKK120.11	-8%
Austria	€10.63	€18.74	€17.65	-4%
Ireland	€15.35	€18.75	€17.36	-8%
3 Group Europe Average⁽¹⁷⁾	€9.79	€18.41	€14.06	-8%

**12-month Trailing Net Average Margin per Active User⁽¹⁵⁾ ("Net AMPU")
to 31 December 2018**

	Non-Contract	Contract	Blended Total	% Variance compared to 31 December 2017
United Kingdom	£4.34	£15.33	£11.79	-2%
Italy ⁽¹⁶⁾	€8.12	€12.54	€9.29	-11%
Sweden	SEK93.41	SEK190.46	SEK172.38	-3%
Denmark	DKK75.63	DKK115.42	DKK100.30	-7%
Austria	€9.34	€16.42	€15.47	-1%
Ireland	€13.73	€16.32	€15.26	-7%
3 Group Europe Average⁽¹⁷⁾	€7.91	€15.92	€11.88	-8%

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: Italy's ARPU, Net ARPU and Net AMPU for 2018 and 2017 were calculated based on Wind Tre's figures.

Note 17: 3 Group Europe ARPU, Net ARPU and Net AMPU in 2018 were calculated based on 50% contribution from Wind Tre from January to August 2018 and 100% contribution from September 2018 onwards, whereas 2017 were calculated based on 50% contribution from Wind Tre.

Operations Review – Telecommunications

United Kingdom

EBITDA increased by 7% in local currency compared to 2017 mainly driven by more stringent CACs and operating costs control, as well as higher other margin through various initiatives, partly offset by higher costs incurred for network and IT transformation projects. The 1% increase in EBIT in local currency was due to additional depreciation on a higher asset base and accelerated depreciation charges on certain network assets to be replaced under the network and IT transformation projects.

Italy

In Italy, EBITDA and EBIT in local currency grew by 24% and 12% respectively over 2017, reflecting the accretive contribution from the acquisition of the additional 50% share in Wind Tre during the year.

Wind Tre is the leading mobile operator in Italy with approximately 27.1 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2018. Wind Tre's mobile active customer base decreased 8% when compared to 2017 mainly due to a new market entrant intensifying price competition targeting low value customers. Encouragingly, the decline in customer base stabilised in the fourth quarter of 2018 and average monthly churn reduced to 2.7% from 3.3% in the third quarter.

Sweden

Sweden, where the Group has a 60% interest, reported 6% EBITDA growth in local currency compared to last year, mainly due to lower operating costs from stringent cost control, partly offset by lower net customer service margin driven by 3% lower net AMPU from keen market competition. However, EBIT decreased 8% in local currency from last year primarily due to higher depreciation and amortisation from an enlarged asset base.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 10% and 21% decrease in EBITDA and EBIT in local currency respectively compared to last year, mainly due to lower net customer service margin as VAT reclaim was not recognised from August 2017 onwards. Underlying EBITDA, without the VAT reclaim benefit in 2017, would be flat against last year while EBIT would be 6% lower in local currency due to higher depreciation and amortisation from an enlarged asset base and full year impact from new licence recognised in mid-2017.

Austria

EBITDA grew by 10% in local currency compared to 2017, mainly due to higher contribution from the newly acquired fixed operation, Tele2, in November 2017. EBIT decreased by 5% in local currency to €229 million in 2018 as a result of higher depreciation and amortisation from an enlarged asset base.

Ireland

EBITDA and EBIT in local currency were 18% and 6% respectively higher than 2017 due to lower operating cost from disciplined spending and the inclusion of receivables write-off relating to voluntarily churned customers in 2017. Favourable tariff changes were offset by keen market competition and the adverse impact of the EU roaming regulation. 3 Ireland continued to realise synergies during the year and have now substantially achieved the operating expense synergy run rate of €103 million targeted at the time of the acquisition of O₂ Ireland in 2014.

Hutchison Telecommunications Hong Kong Holdings

	2018 HK\$ million	2017 HK\$ million	Change
Total Revenue	7,912	9,685	-18%
- Mobile operation - service	3,662	3,831	-4%
- Mobile operation - hardware	4,250	2,899	+47%
- Discontinued Fixed operation	-	2,955	
EBITDA	1,371	4,337	-68%
- Mobile operation	1,371	1,314	+4%
- Discontinued Fixed operation	-	989	
- Disposition gain	-	2,034	
EBIT	553	707	-22%
- Mobile operation	553	445	+24%
- Discontinued Fixed operation	-	410	
- Disposition gain and accelerated depreciation	-	(148)	
Total active customer base ('000)	3,276	3,328	-2%

HTHKH announced its 2018 profit attributable to shareholders of HK\$404 million. EBITDA was 68% lower as compared to last year mainly due to the disposal of the fixed-line telecommunications business and the associated gain on disposal in October 2017. The adverse variance at EBIT level is lower at a 22% reduction against last year primarily due to the accelerated depreciation charges in 2017 which did not recur in 2018.

Hutchison Asia Telecommunications

	2018 HK\$ million	2017 HK\$ million	Change	Change in Local Currencies
Total Revenue	8,220	7,695	+7%	+13%
- Indonesia	7,314	7,049	+4%	+10%
- Vietnam	561	352	+59%	+59%
- Sri Lanka	345	294	+17%	+26%
EBITDA	1,028	558	+84%	+106%
- Indonesia	1,636	1,185	+38%	+48%
- Vietnam	(494)	(478)	-3%	-3%
- Sri Lanka	36	6	+500%	+533%
- Corporate costs	(150)	(155)	+3%	+3%
EBIT	321	226	+42%	+77%
- Indonesia	1,067	873	+22%	+31%
- Vietnam	(613)	(493)	-24%	-24%
- Sri Lanka	18	2	+800%	+800%
- Corporate costs	(151)	(156)	+3%	+3%
Total active customer base ('000)	49,827	74,959	-34%	

HAT had an active customer base of approximately 49.8 million at the end of 2018, which represents 34% decrease compared to last year, primarily due to 49% decrease in Indonesia's customer base as the government-imposed subscriber registration since April 2018 resulted in a significant number of forced disconnections of multi-SIM users. Indonesia and Vietnam represent 64% and 24% of the total active customer base respectively.

HAT reported revenue, EBITDA and EBIT of HK\$8,220 million, HK\$1,028 million and HK\$321 million respectively, representing 7%, 84% and 42% increase compared to 2017, primarily driven by better operating performance in Indonesia. Despite the drop in active customer base, Indonesia operation reported revenue and margin growth through focusing on higher margin customers, promoting recharge activities and improving distribution strategies. This is partly offset by the margin decline in Vietnam as a result of strong competition, aggressive pricing in the market and delays in network rollout. The EBITDA growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as additional amortisation of the new spectrum licences in Indonesia.

In November 2018, the Group completed the acquisition of Etisalat Lanka and now holds 85% interest in the enlarged Sri Lanka telecommunication business.

Operations Review



AlipayHK is appointed the QR Code payment solution vendor at ticket gates of MTR, Hong Kong's mass transit system.

Finance & Investments

and Others



Operations Review – Finance & Investments and Others

The finance & investments and others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), the Marionnaud businesses, listed associate CK Life Sciences Group ("CKLS") and listed subsidiary, HTAL, which has a 50% interest in VHA.

	2018 HK\$ million	2017 HK\$ million	Change
Total Revenue	35,546	34,097	+4%
EBITDA	5,336	5,736	-7%
EBIT	2,764	3,632	-24%

Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK\$144,703 million at 31 December 2018. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2018 Annual Report.

During the year, the Group has recognised a number of non-cash accounting movements which resulted in a nominal net gain of approximately HK\$193 million at EBITDA and EBIT level being recognised within this segment. This included a one-off re-measurement gain arising from the acquisition of the remaining 50% interest in Wind Tre, practically offset by the loss on divestiture of an aggregated 90% economic benefits in its six co-owned infrastructure investments, as well as the Group's share of HPH Trust's one-off impairment of goodwill and certain non-performing assets.

EBITDA and EBIT decreased mainly due to disposal gain relating to a manufacturing plant in the Mainland in 2017 that did not recur in 2018.

Other Operations

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has 60.15% interest in Hutchison China MediTech Limited ("Chi-Med"), which is dual-listed on the AIM market of the London Stock Exchange in the UK and the Nasdaq Global Select Market ("Nasdaq") in the US. Chi-Med is an innovative biopharmaceutical company which researches, develops, manufactures and sells pharmaceuticals and healthcare products.

In March 2018, HWCL completed the acquisition of 21.2% interest in Gama Aviation Plc, a global business aviation services provider listed on the AIM Market of the London Stock Exchange in the UK, for a total consideration of £33.0 million and simultaneously completed the disposal of its entire 20% interest in China Aircraft Services Limited and 50% interest in Gama Aviation Hutchison Holdings Limited to a subsidiary of Gama Aviation Plc for an aggregated consideration of £14.2 million.

TOM Group

TOM, a 36.13% associate, is a technology and media company listed on SEHK. TOM has a technology platform with operations in e-commerce, social network and mobile internet, as well as investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments.

Marionnaud

Marionnaud currently operates approximately 950 stores in 11 European markets, providing luxury perfumery and cosmetic products.

CK Life Sciences Group

The Group has an approximate 45.32% interest in CKLS, a company listed on SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which are nutraceuticals, pharmaceuticals and agriculture-related.

HTAL, share of VHA

HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange, has 50% interest of VHA, a mobile telecommunication joint venture with Vodafone Group Plc in Australia. VHA's active customer base increased 3.6% to approximately 6.0 million (including MVNOS) at 31 December 2018. VHA's EBITDA increased 13.4% to A\$1,102.2 million for the year and its loss attributable to shareholders was reduced from A\$177.8 million in 2017 to A\$124.4 million in 2018.

In August 2018, VHA entered into an agreement with TPG Telecom Limited ("TPG") for a proposed merger of equals to establish a fully integrated telecommunications operator in Australia (the "Merged Group"). The proposed merger is subject to various conditions including shareholder, court and regulatory approval and is expected to complete in 2019. Following completion, VHA shareholders will own 50.1% of the equity of the Merged Group and TPG shareholders will own the remaining 49.9%. In addition, VHA and TPG have signed a separate joint venture agreement, whereby the joint venture has acquired 60 MHz of 3.6 GHz spectrum for a total of A\$263 million in December 2018.

Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$18,025 million, flat when compared to last year. The Group's weighted average cost of debt for 2018 was 2.4%, increased slightly from 2.3% in 2017, reflecting the overall increase in interest rates in 2018.

The Group recorded current and deferred tax charges totalling HK\$8,078 million for the year, an increase of 33% mainly due to the share of tax benefits recognised in Husky Energy following the corporate tax rate reduction in the US in 2017 not recur in 2018, as well as improved profitability during the year.

Operations Review

Summary

The Group continued to deliver good growth in earnings in 2018 from well-executed strategic initiatives as well as solid underlying performances, while maintaining a healthy level of liquidity and a strong balance sheet.

The Group's fundamental objectives are to maintain a stable earnings growth through our diversified core businesses and prudent financial strategy. Cautious and selective expansion and stringent capital expenditure and cost controls will continue as the key strategic guidelines in the Group's capital allocation strategy. Barring adverse external developments in the sectors and geographies in which we operate, I have full confidence that these objectives will be achieved in 2019.

Fok Kin Ning, Canning

Group Co-Managing Director

Hong Kong, 21 March 2019

Additional Information

Ports and Related Services

The following tables summarise the port operations for the four segments of the division.

Name	Location	The Group's Effective Interest	2018 Throughput (100% basis) (million TEU)
HPH Trust			
Hongkong International Terminals/ COSCO-HIT Terminals/ Asia Container Terminals	Hong Kong	30.07% / 15.03% / 12.03%	10.9
Yantian International Container Terminals - Phase I and II/ Phase III/ West Port	Mainland China	16.96% / 15.53% / 15.53%	13.2
Huizhou International Container Terminals	Mainland China	12.42%	0.2
Ancillary Services - Asia Port Services/ Hutchison Logistics (HK)/ Shenzhen Hutchison Inland Container Depots	Hong Kong and Mainland China	30.07% / 30.07% / 23.35%	N/A

Name	Location	Hutchison Ports' Effective Interest ⁽¹⁾	2018 Throughput (100% basis) (million TEU)
Mainland China and Other Hong Kong			
Shanghai Mingdong Container Terminals/ Shanghai Pudong International Container Terminals	Mainland China	50% / 30%	9.0
Ningbo Beilun International Container Terminals	Mainland China	49%	2.1
River Trade Terminal	Hong Kong	50%	0.8
Ports in Southern China - Nanhai International Container Terminals ⁽²⁾ / Jiangmen International Container Terminals ⁽²⁾ / Shantou International Container Terminal ⁽³⁾ / Huizhou Port Industrial Corporation/ Xiamen International Container Terminals/ Xiamen Haicang International Container Terminals	Mainland China	50% / 50% / 70% / 33.59% / 49% / 49%	1.9

Note 1: The Group holds an 80% interest in Hutchison Ports Holdings Group ("Hutchison Ports").

Note 2: Although HPH Trust holds the economic interest in the two River Ports in Nanhai and Jiangmen in Southern China, the legal interests in these operations are retained by this division.

Note 3: The Group's 70% interest in Shantou International Container Terminals was disposed of in November 2018.

Additional Information

Ports and Related Services (continued)

Name	Location	Hutchison Ports' Effective Interest ⁽¹⁾	2018 Throughput (100% basis) (million TEU)
Europe			
Europe Container Terminals (ECT)/ Delta Terminal, ECT/Euromax Terminal, ECT Amsterdam Container Terminals/TMA logistics	Belgium, Germany and The Netherlands	93.5% / 89.37% / 60.78% 100% / 50%	9.0
Hutchison Ports (UK) - Port of Felixstowe/ Harwich International Port/ London Thamesport	United Kingdom	100% / 100% / 80%	3.9
Barcelona Europe South Terminal	Spain	100%	2.4
Gdynia Container Terminal	Poland	100%	0.4
Container Terminal Frihamnen ⁽⁴⁾	Sweden	100%	0.1
Note 4: The Group holds the right to operate Container Terminal Frihamnen in Sweden.			
Asia, Australia and Others			
Westports Malaysia	Malaysia	23.55%	9.5
Panama Ports Company	Panama	90%	3.4
Hutchison Korea Terminals/Korea International Terminals	South Korea	100% / 88.9%	2.8
Hutchison Laemchabang Terminal/Thai Laemchabang Terminal	Thailand	80% / 87.5%	2.9
Jakarta International Container Terminal/Koja Terminal	Indonesia	49% / 45.09%	2.9
Internacional de Contenedores Asociados de Veracruz/ Lazaro Cardenas Terminal Portuaria de Contenedores/ Lazaro Cardenas Multipurpose Terminal/ Ensenada International Terminal/ Terminal Internacional de Manzanillo	Mexico	100%	1.9
Karachi International Container Terminal/South Asia Pakistan Terminals	Pakistan	100% / 90%	1.6
International Ports Services	Saudi Arabia	51%	1.1
Freeport Container Port	The Bahamas	51%	1.1
Oman International Container Terminal	Oman	65%	0.8
Alexandria International Container Terminals	Egypt	80.33%	0.8
Tanzania International Container Terminal Services	Tanzania	66.5%	0.6
Sydney International Container Terminals	Australia	100%	0.4
Buenos Aires Container Terminal Services	Argentina	100%	0.3
Hutchison Ajman International Terminals	United Arab Emirates	100%	0.2
Myanmar International Terminals Thilawa	Myanmar	100%	0.2
Brisbane Container Terminals	Australia	100%	0.2
Hutchison Ports RAK	United Arab Emirates	60%	–
Hutchison Ports UAQ	United Arab Emirates	60%	–
Hutchison Ports Basra	Iraq	51%	–
Saigon International Terminals Vietnam	Vietnam	70%	–

Retail

Brand list by Market

Market	Brand
Albania	Rossmann
Belgium	ICI PARIS XL, Kruidvat
Czech Republic	Rossmann
Germany	Rossmann
Hong Kong	Watsons, PARKnSHOP, Fortress, Watson's Wine, Watsons Water, Mr Juicy
Hungary	Rossmann
Indonesia	Watsons
Ireland	The Perfume Shop, Superdrug
Latvia	Drogas
Lithuania	Drogas
Luxembourg	ICI PARIS XL
Macau	Watsons, PARKnSHOP, Fortress, Watson's Wine
Mainland China	Watsons, PARKnSHOP, Watson's Wine, Watsons Water, Mr Juicy
Malaysia	Watsons
The Netherlands	ICI PARIS XL, Kruidvat, Trekleister
The Philippines	Watsons
Poland	Rossmann
Russia	Watsons ⁽¹⁾
Singapore	Watsons
Taiwan	Watsons
Thailand	Watsons
Turkey	Watsons
United Kingdom	The Perfume Shop, Superdrug, Savers
Ukraine	Watsons
Vietnam	Watsons ⁽²⁾

Note 1: ASW rebrands its retail chain in Russia from Spektr to Watsons during the year.

Note 2: ASW opened its first flagship store in Ho Chi Minh City, Vietnam on 17 January 2019.

Additional Information

Infrastructure

CKI Project Profile by Geographical Location

Geographical Location	Company/Project	Type of Business	Shareholding Interest within CKHH Group
Australia	SA Power Networks	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Powercor Australia Limited	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	CitiPower I Pty Ltd.	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Australian Gas Networks Limited	Gas Distribution	CKHH: 27.51% ⁽¹⁾ ; CKI: 44.97%; Power Assets: 27.51%
	Transmission Operations (Australia) Pty Ltd CK William Group (formerly known as DUET Group)	Electricity Transmission Electricity distribution, gas transmission and distribution, and provision of electricity generation solutions	CKI: 50%; Power Assets: 50% CKI: 40%; Power Assets: 20%
Canada	Canadian Power Holdings Inc.	Electricity Generation	CKI: 50%; Power Assets: 50%
	Park'N Fly	Off-airport Parking	CKHH: 50% ⁽¹⁾ ; CKI: 50%
	Husky Midstream Limited Partnership Reliance	Oil pipelines and storage Building Equipment Services	CKI: 16.25%; Power Assets: 48.75% CKI: 25%
Germany	ista	Energy Management Services	CKI: 35%
Hong Kong	Power Assets Holdings Limited ("Power Assets")	Holding company of a 33.37% interest in HKEI, a listed electricity generation and transmission business in HK, and power and utility-related businesses overseas	CKI: 38.01% ⁽²⁾
	Alliance Construction Materials Limited	Infrastructure Materials	CKI: 50%
	Green Island Cement Company, Limited Anderson Asphalt Limited	Infrastructure Materials Infrastructure Materials	CKI: 100% CKI: 100%
Mainland China	Green Island Cement (Yunfu) Company Limited	Infrastructure Materials	CKI: 100%
	Guangdong Gitic Green Island Cement Co. Ltd.	Infrastructure Materials	CKI: 66.5%
	Shen-Shan Highway (Eastern Section)	Toll Road	CKI: 33.5%
	Shantou Bay Bridge	Toll Bridge	CKI: 30%
	Tangshan Tangle Road	Toll Road	CKI: 51%
	Jiangmen Chaolian Bridge Panyu Beidou Bridge	Toll Bridge Toll Bridge	CKI: 50% CKI: 40%
The Netherlands	Dutch Enviro Energy Holdings B.V.	Energy-from-Waste	CKHH: 35% ⁽¹⁾ ; CKI: 35%; Power Assets: 20%
New Zealand	Wellington Electricity Lines Limited	Electricity Distribution	CKI: 50%; Power Assets: 50%
	Enviro (NZ) Limited	Waste Management	CKI: 100%
The Philippines	Siquijor Limestone Quarry	Infrastructure Materials	CKI: 40%
Portugal	Portugal Renewable Energy	Generation and Sale of Wind Energy	CKI: 50%; Power Assets: 50%
United Kingdom	UK Power Networks Holdings Limited	Electricity Distribution	CKI: 40%; Power Assets: 40%
	Northumbrian Water Group Limited	Water Supply, Sewerage and Waste Water businesses	CKHH: 40% ⁽¹⁾ ; CKI: 40%
	Northern Gas Networks Limited	Gas Distribution	CKI: 47.06%; Power Assets: 41.29%
	Wales & West Utilities Limited	Gas Distribution	CKHH: 30% ⁽¹⁾ ; CKI: 30%; Power Assets: 30%
	Seabank Power Limited Southern Water Services Limited UK Rails S.à r.l.	Electricity Generation Water and Wastewater Services Leasing of Rolling Stock	CKI: 25%; Power Assets: 25% CKI: 4.75% CKHH: 50% ⁽¹⁾ ; CKI: 50%

Note 1: CKHH's economic interest in these projects as at 31 December 2018 reduced to 10% of the figures as stated above following the divesture of its aggregated 90% economic benefits in each of these directly owned interests during 2018.

Note 2: CKI's interest in Power Assets reduced to 35.96% following the disposal of its 2.05% interest in January 2019.

Energy

Husky Energy is one of Canada's largest integrated energy companies with a diverse oil and gas portfolio in Canada and Asia Pacific. Western Canada production is connected to upgrading and transportation infrastructure in Western Canada, plus refining operations in the United States. The table below summarises the major projects and activities of the division.

Operations	Project	Status/Production Timeline	Husky Energy's Working Interest
UPSTREAM			
Western Canada			
- Oil Resource Plays	Cardium, Wapiti, Alberta	In production	Varies
	Montney, Karr, Alberta	First Oil in October 2017	100%
- Liquids-Rich Gas Resource Plays	Ansell Multi-zone, Alberta	In production	Varies
	Duvernay, Kaybob, Alberta	In production	Varies
	Montney, Wembley, Alberta	First Gas in August 2017	100%
	Kakwa Multi-zone, Alberta	In production	Varies
	Montney, Sinclair, Alberta	Under evaluation	100%
- Heavy Oil Thermal Projects	Viking, North Blackstone, Alberta	2019	55%
	Bolney/Celtic	In production	100%
	Paradise Hill	In production	100%
	Pikes Peak South	In production	100%
	Sandall	In production	100%
	Rush Lake	In production	100%
	Vawn	In production	100%
	Edam West	In production	100%
	Edam East	In production	100%
	Rush Lake II	First Oil in October 2018	100%
	Dee Valley	Q4 2019	100%
	Spruce Lake Central	2020	100%
	Spruce Lake North	Around the end of 2020	100%
	Spruce Lake East	Around the end of 2021	100%
	Edam Central	2022	100%
	Dee Valley II	2023	100%
	Westhazel	Reprioritised	100%
- Other	Rainbow Lake Gas Processing Plant	In operation	100%
Atlantic Region			
	Terra Nova	In production	13%
	South Avalon	In production	72.5%
	North Amethyst	In production	68.875%
	South White Rose Extension	In production	68.875%
	West White Rose	2022	68.875%
	Flemish Pass Basin	Under evaluation	35%
	Northwest White Rose	Under evaluation	93.232%
Oil Sands			
	Tucker, Alberta	In production	100%
	Sunrise (Phase 1), Alberta	In production	50%
Asia Pacific			
	Liwan 3-1, Block 29/26, South China Sea	In production	49%
	Lihua 34-2, Block 29/26, South China Sea	In production	49%
	Lihua 29-1, Block 29/26, South China Sea	Around the end of 2020	49%
	Block 15/33, South China Sea	Under evaluation	100%
	Block 16/25, South China Sea	Production Sharing Contract signed in 2017	100%
	Madura Strait, BD, Indonesia	In production	40%
	Madura Strait, MDA, MBH & MDK, Indonesia	2020 timeframe	40%
	Madura Strait, MAC, MAX & MBJ, Indonesia	Under evaluation	40%
	Madura Strait, MBF, Indonesia	Under evaluation	50%
	Offshore Taiwan	Joint Venture Contract signed in 2012	75%
DOWNSTREAM			
	Lima Refinery, Ohio, USA	In production	100%
	Toledo Refinery, Ohio, USA	In production	50%
	Superior Refinery, Wisconsin, USA	In production	100%
	Lloydminster Upgrader, Saskatchewan	In production	100%
	Lloydminster Asphalt Refinery, Alberta	In production	100%
	Prince George Refinery, British Columbia	In production	100%
	Lloydminster Ethanol Plant, Saskatchewan	In production	100%
	Minnedosa Ethanol Plant, Manitoba	In production	100%
	Cold Lake Pipeline System, Alberta	In operation	35%
	Saskatchewan Gathering System	In operation	35%
	Mainline Pipeline System, Alberta	In operation	35%
	Hardisty Terminal	In operation	35%
	LLB Pipeline	In operation December 2018	35%

Additional Information

Telecommunications

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
	1800 MHz	3.3 MHz	1	Paired	6.6 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3.4 GHz	5 MHz	4	Unpaired	20 MHz
	3.5 GHz	20 MHz	2	Unpaired	40 MHz
	3.6 GHz	80 MHz	1	Unpaired	80 MHz
	3.9 GHz	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
	900 MHz ⁽¹⁾	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	1800 MHz ⁽¹⁾	5 MHz	1	Paired	10 MHz
	2000 MHz	5 MHz	2	Unpaired	10 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz ⁽¹⁾	5 MHz	2	Paired	20 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
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 ⁽²⁾		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	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	100 MHz

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
Hong Kong	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz ⁽³⁾	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz ⁽³⁾	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 ⁽⁴⁾	5 MHz	1	Paired	10 MHz
	2600 MHz ⁽⁴⁾	15 MHz	1	Paired	30 MHz
Macau	900 MHz	7.8 MHz	1	Paired	15.6 MHz
	1800 MHz	4.4 MHz	1	Paired	8.8 MHz
	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	1	Paired	10 MHz
Indonesia	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
Sri Lanka	900 MHz	5 MHz	2	Paired	20 MHz
	900 MHz ⁽⁵⁾	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
Vietnam	900 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz ⁽⁶⁾	15 MHz	1	Paired	30 MHz
Australia⁽⁷⁾	700 MHz	5 MHz	1	Paired	10 MHz
	850 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	8.2 MHz	1	Paired	16.4 MHz
	1800 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	3.6 GHz ⁽⁸⁾	5 MHz	12	Unpaired	60 MHz

Note 1: For divestment to Iliad under the remedy taker contract.

Note 2: Spectrum acquired in March 2019.

Note 3: 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 4: Spectrum held by 50/50 joint venture with PCCW.

Note 5: Spectrum will be returned to Telecommunications Regulatory Commission of Sri Lanka.

Note 6: Spectrum shared with Viettel Mobile.

Note 7: VHA's spectrum holdings vary across different locations, hence the above reflects spectrum allocated in Sydney and Melbourne only.

Note 8: Spectrum held by VHA's 50/50 joint venture with TPG.

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivative 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.

Cash Management and Funding

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

Interest Rate Exposure

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

At 31 December 2018, approximately 39% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 61% were at fixed rates (31 December 2017: 36% floating; 64% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$9,100 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$50,613 million principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% were at fixed rates at 31 December 2018 (31 December 2017: 30% floating; 70% fixed). All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

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

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings, net debt and net assets, in particular for Euro and British Pounds. EBITDA⁽¹⁾ for 2018 was HK\$113,580 million, of which 55% was derived from European operations, including 27% from the UK. At 31 December 2018, of the Group's total principal amount of bank and other debts after currency swap arrangements, 53% and 3% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 9% Euro and 4% British Pounds denominated cash and cash equivalents. As a result, 81% and 3% of the Group's consolidated net debt of HK\$207,965 million were denominated in Euro and British Pounds respectively. Net assets was HK\$590,823 million, with 24% and 31% attributable to Continental Europe and UK operations respectively.

Note 1: EBITDA excludes the non-controlling interests' share of HPH Trust's EBITDA.

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

For purposes of illustrating the Group's currency sensitivity, based on the results for 2018, a 10% depreciation of British Pounds would result in a HK\$3.1 billion decrease in EBITDA, a HK\$1.2 billion decrease in NPAT, HK\$0.5 billion decrease in cash and cash equivalents, HK\$1.2 billion decrease in gross debt, HK\$0.7 billion decrease in net debt, HK\$14.2 billion decrease in net assets, no impact on gross debt over EBITDA and 0.4%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK\$2.7 billion decrease in EBITDA, a HK\$1.0 billion decrease in NPAT, HK\$1.3 billion decrease in cash and cash equivalents, HK\$18.2 billion decrease in gross debt, HK\$16.9 billion decrease in net debt, HK\$7.7 billion decrease in net assets, no impact on gross debt over EBITDA and 1.4%-point decrease on net debt to net total capital ratio. Actual sensitivity will of course depend on actual results and cash flows for the period under consideration.

Credit Exposure

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

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

Credit Profile

Our long term credit rating from Moody's and Fitch remained at A2 (stable outlook) and A- (stable outlook) respectively. In September 2018, S&P revised our rating from A- to A with a stable outlook. The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A2 on the Moody's Investor Service scale, A on the S&P Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances.

Market Price Risk

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 6% (31 December 2017 - approximately 5%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

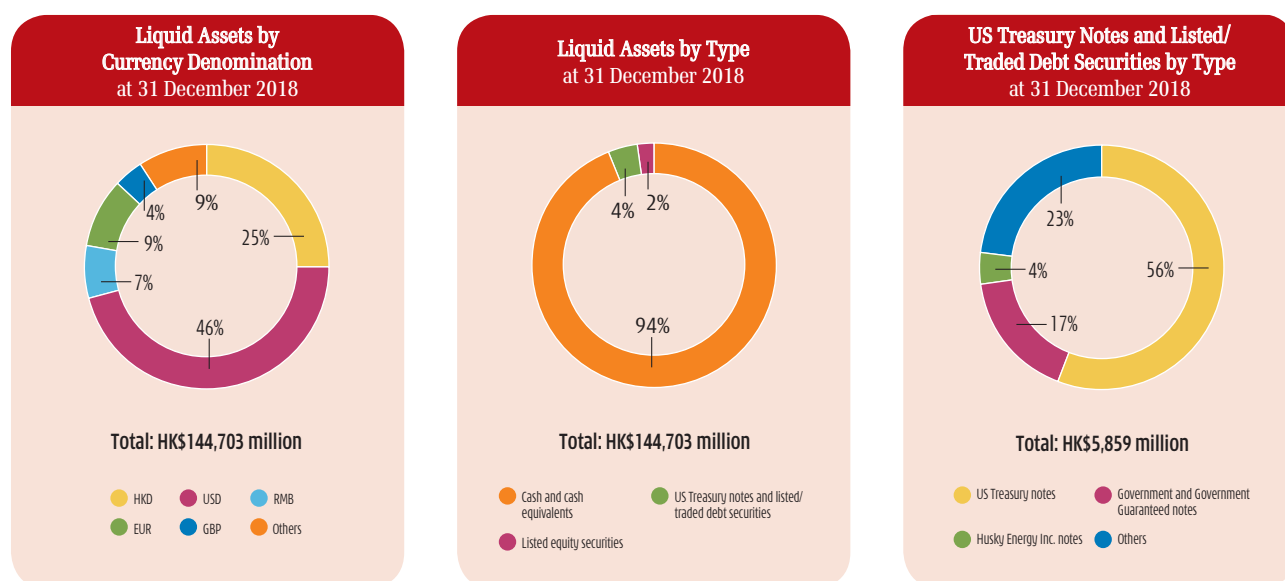
Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$144,703 million at 31 December 2018, a decrease of 14% from the balance of HK\$168,283 million at 31 December 2017, mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, redemption of certain perpetual capital securities, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses, issuance of perpetual capital securities and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies.

Cash and cash equivalents represented 94% (31 December 2017 - 95%) of the liquid assets, US Treasury notes and listed/traded debt securities 4% (31 December 2017 - 4%) and listed equity securities 2% (31 December 2017 - 1%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56%, government and government guaranteed notes of 17%, notes issued by the Group's associated company, Husky Energy of 4% and others of 23%. Of these US Treasury notes and listed/traded debt securities, 80% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.2 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Group Capital Resources and Liquidity

Liquid Assets (continued)



Cash Flow

EBITDA in 2018 was HK\$113,580 million, an increase of 9% compared to HK\$104,354 million last year. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$57,345 million for the year, a 6% increase compared to 2017.

The Group's capital expenditures (including licences, brand name and other rights) for 2018 amounted to HK\$37,546 million (31 December 2017 - HK\$23,915 million). Capital expenditures (including licences, brand name and other rights) for the ports and related services division amounted to HK\$3,910 million (31 December 2017 - HK\$3,703 million); for the retail division HK\$3,454 million (31 December 2017 - HK\$3,148 million); for the infrastructure division HK\$6,060 million (31 December 2017 - HK\$5,549 million); for 3 Group Europe HK\$18,715 million (31 December 2017 - HK\$8,080 million); for HTHKH HK\$513 million (31 December 2017 - HK\$1,027 million); for HAT HK\$4,656 million (31 December 2017 - HK\$2,122 million); and for the finance and investments and others segment HK\$238 million (31 December 2017 - HK\$286 million).

The Group's dividends received from associated companies and joint ventures for 2018 amounted to HK\$14,519 million (31 December 2017 - HK\$19,029 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$1,946 million (31 December 2017 - HK\$2,046 million); for the retail division HK\$1,255 million (31 December 2017 - HK\$1,025 million); for the infrastructure division HK\$10,043 million (31 December 2017 - HK\$15,369 million); for Husky HK\$667 million (31 December 2017 - Nil); and for the finance and investments and others segment HK\$608 million (31 December 2017 - HK\$589 million).

The Group's purchases of and advances to associated companies and joint ventures amounted to HK\$2,446 million (31 December 2017 - HK\$37,798 million). Purchases of and advances to associated companies and joint ventures for the ports and related services division amounted to HK\$3 million (31 December 2017: HK\$137 million), for the retail division was nil (31 December 2017 - HK\$85 million); for the infrastructure division HK\$1,444 million (31 December 2017 - HK\$36,157 million); for HTHKH HK\$72 million (31 December 2017 - HK\$85 million); and for the finance and investments and others segment HK\$927 million (31 December 2017 - HK\$1,334 million).

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 3(b)(v) and the "Consolidated Statement of Cash Flows" section of this Annual Report.

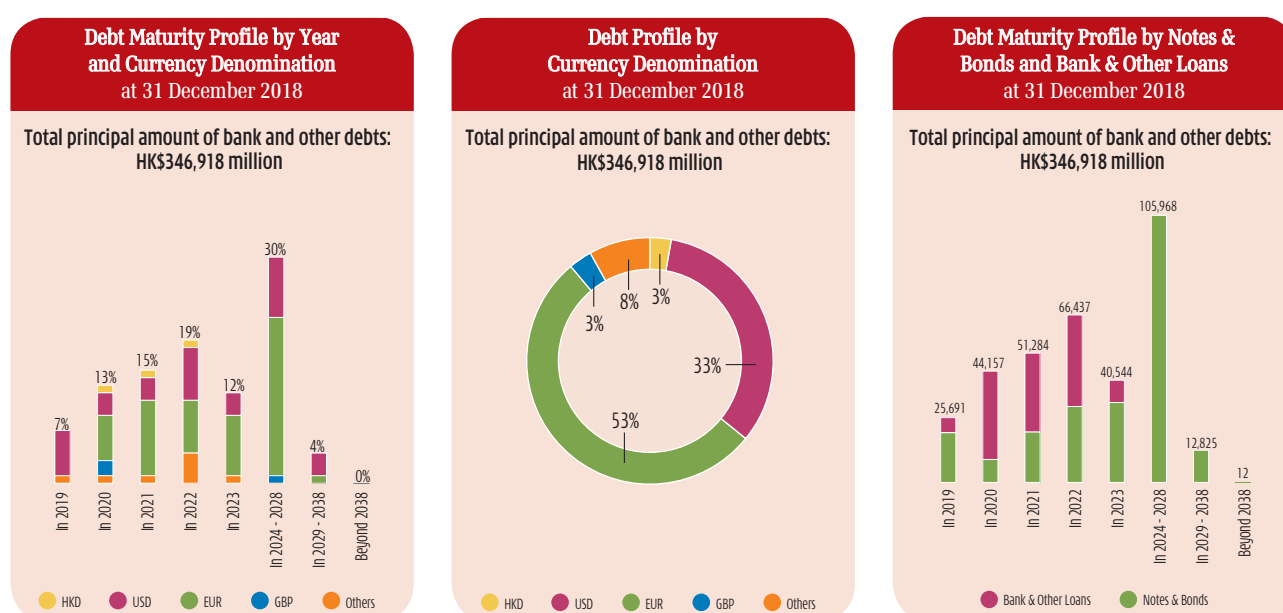
Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2018 amounted to HK\$352,668 million (31 December 2017 - HK\$333,155 million) which comprises principal amount of bank and other debts of HK\$346,918 million (31 December 2017 - HK\$322,816 million) and unamortised fair value adjustments arising from acquisitions of HK\$5,750 million (31 December 2017 - HK\$10,339 million). The Group's total principal amount of bank and other debts at 31 December 2018 consist of 66% notes and bonds (31 December 2017 - 65%) and 34% bank and other loans (31 December 2017 - 35%). The Group's weighted average cost of debt for the year ended 31 December 2018 is 2.4% (31 December 2017 - 2.3%). For purposes of illustrating the Group's sensitivity to interest rates, based on the 2018 results, a 100 basis-points increase in interest rates will result in 0.2%-point increase in the Group's weighted average cost of debt. Actual sensitivity will of course depend on actual results, cash flows and financing activities in the period under consideration. Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totaled HK\$752 million as at 31 December 2018 (31 December 2017 - HK\$3,143 million).

The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2018 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In 2019	—	6%	—	—	1%	7%
In 2020	1%	3%	6%	2%	1%	13%
In 2021	1%	3%	10%	—	1%	15%
In 2022	1%	7%	7%	—	4%	19%
In 2023	—	3%	8%	—	1%	12%
In 2024 - 2028	—	8%	21%	1%	—	30%
In 2029 - 2038	—	3%	1%	—	—	4%
Beyond 2038	—	—	—	—	—	—
Total	3%	33%	53%	3%	8%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.



Group Capital Resources and Liquidity

Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2018 were as follows:

- In January, prepaid a floating rate term and revolving loan facility of HK\$2,900 million maturing in November 2019;
- In January, prepaid a floating rate term and revolving loan facility of HK\$1,000 million maturing in October 2019;
- In January, listed subsidiary CKI prepaid two floating rate loan facilities of US\$200 million each (approximately HK\$3,120 million) maturing in October 2018;
- In January, the US\$500 million (approximately HK\$3,900 million) Guaranteed Senior Perpetual Securities issued by Cheung Kong Bond Securities (03) Limited were redeemed in full;
- In February, obtained a three year floating rate loan facility of US\$130 million (approximately HK\$1,014 million);
- In March, obtained a five year floating rate loan facility of US\$130 million (approximately HK\$1,014 million);
- In March, obtained a five year floating rate loan facility of THB6,500 million (approximately HK\$1,634 million) and made a drawdown in April to prepay a floating rate loan facility of THB4,500 million (approximately HK\$1,122 million) maturing in June 2020;
- In March and May, prepaid a floating rate loan facility of US\$165 million (approximately HK\$1,287 million) maturing in June 2018;
- In April, issued EUR750 million (approximately HK\$7,170 million) guaranteed notes due 2025 and EUR500 million (approximately HK\$4,780 million) guaranteed notes due 2030;
- In May, EUR1,750 million (approximately HK\$16,118 million) Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa Europe Finance (13) Limited were redeemed in full;
- In May, obtained four five year floating rate loan facilities of aggregate amount of AUD750 million (approximately HK\$4,384 million) and repaid a floating rate loan facility of the same amount;
- In June, obtained a three year floating rate loan facility of US\$500 million (approximately HK\$3,900 million);
- In July, repaid S\$320 million (approximately HK\$1,850 million) principal amount of fixed rate notes on maturity;
- In July, listed subsidiary CKI repaid a floating rate loan facility of US\$300 million (approximately HK\$2,340 million) on maturity;
- In August, repaid HK\$500 million principal amount of fixed rate notes on maturity;
- In August, prepaid a floating rate loan facility of GBP245 million (approximately HK\$2,472 million) maturing in March 2020 and a floating rate loan facility of GBP250 million (approximately HK\$2,523 million) maturing in April 2020;
- In August, obtained a three month floating rate loan facility of EUR2,450 million (approximately HK\$22,222 million) for funding the acquisition of the remaining 50% interest in Wind Tre. The facility matured and was repaid fully by internal funds in November 2018;
- In September, acquired a total of 1,438,000 of CKHH's own shares through purchases on the Stock Exchange. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK\$130.4 million and has been deducted from share capital and share premium of HK\$130 million and retained profit of HK\$0.4 million;
- In September, announced the completion of acquiring the remaining 50% interest in Wind Tre. Subsequent to the completion, Wind Tre became a wholly-owned subsidiary of CKHH. The principal amount of Wind Tre's debts of EUR8,625 million (approximately HK\$78,229 million) and US\$2,000 million (approximately HK\$15,600 million) has been consolidated to CKHH's total debts. In addition, a EUR400 million (approximately HK\$3,628 million) revolving facility remains undrawn;
- In September, listed subsidiary CKI obtained two five-year floating rate loan facilities of US\$300 million (approximately HK\$2,340 million) and US\$200 million (approximately HK\$1,560 million);
- In October, listed subsidiary CKI obtained a three-year floating rate loan facility of HK\$2,000 million and two five-year floating rate loan facilities of HK\$800 million and HK\$1,560 million;
- In October, obtained a three year floating rate loan facility of GBP165 million (approximately HK\$1,637 million);
- In November, obtained a one year floating rate loan facility of US\$110 million (approximately HK\$858 million);
- In November, obtained a three year floating rate loan facility of US\$170 million (approximately HK\$1,326 million);
- In December, obtained a five year floating rate loan facility of US\$128 million (approximately HK\$998 million) and repaid a floating rate loan facility of HK\$1,000 million on maturity;

- In December, prepaid EUR500 million (approximately HK\$4,475 million) of a floating rate loan facility of EUR1,000 million maturing in May 2021;
- In December, the EUR500 million (approximately HK\$4,475 million) Subordinated Guaranteed Perpetual Capital Securities was issued by CK Hutchison Capital Securities (Europe) Limited; and
- In December, obtained a three year floating rate loan facility of SEK1,800 million (approximately HK\$1,566 million);

Furthermore, the significant debt financing activities undertaken by the Group subsequent to the year ended 31 December 2018 were as follows,

- In February 2019, prepaid EUR450 million (approximately HK\$4,010 million) tranche of a floating rate loan facility of EUR3,000 million maturing in November 2020.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities decreased to HK\$458,477 million as at 31 December 2018, compared to HK\$459,537 million as at 31 December 2017, reflecting the Group's 2017 final and 2018 interim dividends and distributions paid and redemption of perpetual capital securities in 2018, partly offset by profit for 2018, issuance of perpetual capital securities and other items recognised directly in reserves.

As at 31 December 2018, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$207,965 million (31 December 2017 - HK\$164,872 million), a 26% increase compared to the net debt at the beginning of the year primarily due to the net effect of dividend payments, redemption of certain perpetual capital securities, capital expenditure and investment spending, positive funds from operations and issuance of perpetual capital securities. As at the reporting date, net debt of the co-owned infrastructure assets previously consolidated in the Group's balance sheet has been reclassified under disposal group held for sale as the Group has approved a plan to streamline the direct ownership in the relevant infrastructure assets, subject to obtaining certain regulatory approvals. The Group's net debt to net total capital ratio was 26.0% as at 31 December 2018 (31 December 2017 - 21.7%). The Group's consolidated cash and liquid investments as at 31 December 2018 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2022.

The Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$5,948 (31 December 2017: HK\$4,135 million) in 2018 was HK\$4,226 million (31 December 2017 - HK\$4,509 million). EBITDA of HK\$113,580 million (31 December 2017 - HK\$104,354 million) and FFO excluding net interest of HK\$62,063 million (31 December 2017 - HK\$59,132 million) for the year covered consolidated net interest expenses and other finance costs 25.5 times (31 December 2017 - 22.2 times) and 14.7 times (31 December 2017 - 13.1 times) respectively.

Secured Financing

At 31 December 2018, assets of the Group totalling HK\$111,017 million (31 December 2017 - HK\$27,990 million) were pledged as security for bank and other debts. The increase is mainly attributable to an acquisition of a subsidiary during the year.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2018 amounted to the equivalent of HK\$14,402 million (31 December 2017 - HK\$13,168 million).

Contingent Liabilities

At 31 December 2018, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$4,138 million (31 December 2017 - HK\$3,911 million), of which HK\$3,505 million (31 December 2017 - HK\$3,310 million) has been drawn down as at 31 December 2018 and also provided performance and other guarantees of HK\$2,885 million (31 December 2017 - HK\$3,307 million).

Risk Factors

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 business, the Group is exposed to the developments in the global economy as well as developments in the industries and geographical markets in which it operates. 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 industries in which it operates, including the ports and related services, retail, infrastructure, energy and telecommunications industries. While the Group believes that its diverse operations, geographical spread and extensive customer base reduce its exposure to particular industry cycles, its results have in the past been adversely affected by industry trends. For example, the Group's results have been negatively impacted by depressed oil and gas prices, cyclical downturn in the business of shipping lines, declines in retail consumer sentiment, decline in the value of securities investments, 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. If liquidity in the capital markets declines and/or credit ratings of the Group decline, 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, associated companies and joint ventures around the world receive revenue and incur expenses in over 50 different local currencies. The Group's subsidiaries, associated companies 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, associated companies 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.

Crude Oil and Natural Gas Markets

Husky Energy's results of operations and financial condition are dependent on the prices received for its refined products, crude oil, natural gas liquids ("NGL") and natural gas production. Lower prices for crude oil, NGL and natural gas could adversely affect the value and quantity of Husky Energy's oil and gas reserves. Prices for refined products, crude oil, NGL and natural gas are based on local and global supply and demand as well as availability and costs of transportation. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by the Organisation of the Petroleum Exporting Countries (OPEC), non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, technological developments, prevailing weather patterns, government regulations and policies and the availability of alternate sources of energy. Volatility in refined products, crude oil and natural gas prices could adversely affect 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. New market entrants, 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:

- continued vertical integration of international shipping lines, who are major clients of the Group's port operations. Shipping lines are increasingly investing in seaports and in their own dedicated terminal facilities and may not require the use of the Group's terminal facilities;
- significant competition and pricing pressure regularly experienced by the retail business of the Group from both online and brick and mortar retail competitors, which may materially and adversely affect the financial performance of the Group's retail operations;
- new market entrants and intensified price competition among existing market players of the Group's waste management and off-airport car park businesses, which could adversely affect the financial performance of the Group's waste management and off-airport car park operations;
- risk of competition with respect to gaining access to the resources required to increase oil and gas reserves and production and gain access to markets. The Group's ability to successfully complete development projects could be adversely affected if it is unable to acquire economic supplies and services due to competition;
- 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 or energy technologies and potential competition in the future from substitute telecommunications or energy technologies being developed or to be developed or if the Group fails to develop, or obtain timely access to new technologies and equipment.

Retail Product Liability

The Group's retail operations may be subject to product liability claims if consumers are injured or otherwise harmed by the products purchased from them. Customers count on the Group's retail operations to provide them with safe products. Concerns regarding the safety of food and non-food products that are sourced from a wide variety of suppliers could cause shoppers to avoid purchasing certain products from the Group's retail operations, even if the basis for the concern may be outside of the Group's control. Claims, recalls or actions could be based on allegations that, among other things, the products sold by the retail operations are misbranded, contain contaminants or impermissible ingredients, provide inadequate instructions regarding their use or misuse, include inadequate warnings concerning flammability or interactions with other substances or in the case of any handset and other electrical devices that the retail operations sell, are not fit for purpose or pose a safety hazard. While the Group maintains product liability insurance coverage in amounts and with deductibles that the Group believes is prudent, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against the Group. Any material shortfall in coverage may have an adverse impact on the results of the Group's retail operations. In addition, any lost confidence on the part of the Group's customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any food and non-food items that the Group sells, regardless of the cause, could materially and adversely affect the business, and results of the Group's retail operations.

Risk Factors

Strategic Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries, associated companies and joint ventures in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities 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, associated companies and joint ventures and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries, associated companies 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.

Future Growth

The Group continues to cautiously expand the scale and geographical spread of its businesses through investment in organic growth, as well as 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, Asia, and Australia. 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.

As at 31 December 2018, the Group had a total deferred tax asset balance of HK\$ 20,260 million, of which HK\$18,659 million were attributable to the Group's mobile telecommunications operations in the UK, Ireland, Austria, Sweden and Denmark. The ultimate realisation of these deferred tax assets 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 can 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 its other businesses in the same period. If there is a significant adverse change in taxation rates and legislations, or in the projected performance and resulting cashflow 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.

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 many 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"). These include:

- changes in tariffs and trade barriers;
- changes in taxation regulations and interpretations;
- competition (anti-trust) law applicable to all of 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 obtaining or maintaining licences, permits and governmental approvals necessary to operate certain businesses;
- telecommunications and broadcasting regulations; and
- environmental and safety laws, rules and regulations.

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

Ports are often viewed by governments as critical national assets and in many countries are subject to government control and regulations. Regime or sentiment changes in less politically stable countries may affect port concessions granted to foreign international port operations including the Group's port operations.

Certain infrastructure investments of the Group (for example, water, gas and electricity distribution) are subject to regulatory pricing and strict licence requirements, codes and guidelines established by the relevant regulatory authorities from time to time. Failure to comply with these licence requirements, codes or guidelines may lead to penalties, or, in extreme circumstances, amendment, suspension or cancellation of the relevant licences by the authorities. Furthermore, certain regulated operations of the Group's investments are subject to price control by government regulatory authorities. The relevant government regulatory authorities will periodically review and reset the price control terms for certain projects in accordance with a predetermined timetable. There can be no assurance that such events or price resets will not have a material adverse effect on the Group's financial conditions and results of operations.

Husky Energy's businesses are subject to inherent operational risks with respect to safety and the environment that require continuous vigilance. Husky Energy seeks to minimise these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. However, failure to manage these operational risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of licence to operate. Enterprise risk management, emergency preparedness, business continuity and security policies and programmes are in place for all operating areas and are adhered to on an ongoing basis. Husky Energy, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

New policies or measures by governments, whether fiscal, regulatory or other changes, may pose a risk to the overall investment return of the Group's infrastructure and energy businesses and may delay or prevent the commercial operation of a business with a resulting loss of revenue and profit.

The Group is only permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities in each country. Some of these licences have historically been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed upon renewal. 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), could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

Risk Factors

The Group's overall success as a global business depends, in part, upon its ability to succeed in different economic, social and political conditions. There can be no assurance that the Group will continue to succeed in developing and implementing policies and strategies that are effective in each location where it conducts business.

Accounting

The Hong Kong Institute of Certified Public Accountants ("HKICPA") is continuing its policy of issuing Hong Kong Financial Reporting Standards ("HKFRS"), amendments and interpretations that fully converge with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). HKICPA has issued and 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 HKFRS will not have a significant impact on the Group's financial condition and results of operations.

Impact of Regulatory Reviews

The Group and some of its subsidiaries and associated companies are listed on various stock exchanges around the world and all are subject to regulatory reviews of their various filings by the respective stock exchange's regulatory bodies and/or other regulatory authorities. While all the Group's publicly listed companies 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

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS") in the Mainland, Singapore, Hong Kong, other Asian countries and Canada. The SARS outbreak 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, as well as an epidemic of the Ebola virus and the Zika virus. These diseases have led to travel warnings by health organisations for people to certain locations. There can be no assurance that there will not be another significant global outbreak of a severe communicable disease, and if any highly contagious diseases spread to the countries in which the Group operates, or are not satisfactorily contained, the Group's operations could be interrupted, which could have a material adverse effect on the Group's financial condition and results of operations.

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, typhoons and other major natural disasters and the occurrence of any of these events 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 infrastructure projects or ports or other facilities 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 infrastructure projects, ports or other facilities, or on the general supporting infrastructure facilities in the vicinity, 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 over 50 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 actors 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 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, lost revenues from business interruption and claims. The potential costs 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.

Risk Factors

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. The terms of any withdrawal are subject to a negotiation, as set out in Article 50 of the Treaty of Lisbon, which envisages a negotiating period of up to two years. On 29 March 2017, the UK Prime Minister formally notified withdrawal, triggering the two-year negotiating period.

In November 2018, the EU and UK Government finalised negotiations on the legally-binding withdrawal agreement (the "Withdrawal Agreement") and associated political declaration on their future relationship. The European Council approved the two documents on 25 November 2018. The two documents have to be ratified by both the UK Parliament and the European Parliament. The outcome of the ratification process with the UK Parliament remains uncertain.

The referendum and ongoing negotiations have created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply as the UK determines which EU-derived laws to replace or replicate in the event of a withdrawal. The referendum initially increased debate among the populations of other EU member states to consider withdrawal, although that has since subsided. These developments, or the perception that any of them could occur, have had a material adverse effect on global economic conditions and the stability of global financial markets. 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 in the event of withdrawal. There is considerable uncertainty as to the impact of the vote 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 referendum 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 Annual Report 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 Annual Report 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 Annual Report; 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 Report





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1. Shareholders engage senior management at the CK Hutchison Annual General Meeting.
2. Hutchison Ports PPC and the Ministry of Education of Panama inaugurate the newly renovated kitchen and dining room at Porfirio Meléndez School in Colón of Cristobal.
- 3&4. Over 27,000 volunteers from 30 business units spend more than 66,500 hours to serve over 35,000 beneficiaries at A S Watson Group's ("ASW") Global Volunteer Day.
5. Husky Energy aspires to integrate wildlife conservation with sustainable development into its operations.
6. ASW and Operation Smile partner to launch "Give a Smile" to help children with cleft conditions around the world.
7. The fifth City Food Drive campaign, led by PARKnSHOP Hong Kong, collects over 63,700 food items worth over HK\$1.48 million for Food Angel, which serves hot meals to beneficiaries.
8. CKHH Volunteers take local elderly to visit Tai Kwun, a revitalised historical building converted from the former Central Police Station compound in Hong Kong.
9. UK Power Networks is the first power company in the UK to adopt load-balancing technology that adds the capacity to power up to 45,000 more homes without requiring installation of additional cables or substations.
10. 3 Ireland extends its sponsorship of 3Arena, Ireland's leading entertainment venue.
11. Hutchison Telecommunications Hong Kong Holdings sponsors the "Make our life easier with AI" App Enhancement Competition in Hong Kong.

Environmental, Social and Governance Report

About This Report

This Environmental, Social and Governance (“ESG”) Report provides an annual update on sustainability performance of CK Hutchison Holdings Limited (“CK Hutchison”, and together with its subsidiaries, the “Group”) for the year ended 31 December 2018.

This report aims to provide a balanced presentation on the Group’s ESG key issues and initiatives covering its five core businesses, namely Ports and Related Services, Retail, Infrastructure, Energy and Telecommunications.

The report incorporates the interests of various stakeholders as reflected to the Group during the year. Selected material quantitative data, detailed ESG requirements, as well as policies and programmes across the Group have been included to illustrate some of the many initiatives that are being implemented by Group companies making positive impact to the community and the environment.

This report is prepared in accordance with Appendix 27 of the Main Board Listing Rules, and the ESG Reporting Guide issued by the Stock Exchange of Hong Kong Limited in 2015.

Approach to ESG Strategy and Reporting

The Group’s ESG philosophy is in alignment with the strategic development of the Group to create long-term value for its stakeholders.

As a multinational conglomerate operating in over 50 countries and a workforce of over 300,000 employees, CK Hutchison is committed to integrating ESG considerations in its daily operations, both at the Group and business levels. The ESG Committee, chaired by an executive director, sets an overtone from a corporate perspective and upholds the Group’s ESG philosophy when key business decisions are made. The ESG Committee instils a culture of risk awareness across the Group. Senior management and the Board discuss and review significant risks, as well as opportunities identified. Management of the Group and business unit levels review and evaluate policies and internal control systems periodically. ESG initiatives are driven by the Group’s businesses which are best in tune with their unique stakeholders. The businesses will regularly review their practices to identify opportunities for improving their performance and creating greater value for stakeholders.

Stakeholder Engagement and Materiality Assessment

CK Hutchison maintains ongoing dialogues with its key stakeholders, including employees, shareholders & investors, customers, business partners, suppliers, professional institutions, non-government organisations, authorities and media partners. The Group regularly collects views from stakeholders through a variety of channels, such as meetings, liaison groups, panel discussions, workshops, surveys and feedback programmes. The following table summarises the channels established to engage and communicate with stakeholders to understand their views and expectations.

Stakeholders	Engagement Channels
Employees	<ul style="list-style-type: none">• Employee surveys• Focus groups• Trainings and workshops• Performance and development discussions• Intranet platform for internal communications• Business briefings• Regular department meetings• Employee newsletters• Corporate Social Responsibility (“CSR”) programmes & communications• Staff engagement in CSR projects• Graduate recruitment and Apprenticeship programmes• Employee wellness programmes• Health & Safety programmes

Stakeholders	Engagement Channels
Shareholders & Investors	<ul style="list-style-type: none"> • Annual general meetings and other general meetings • Shareholder on-site visits • Corporate communications • Interim and annual reports • Announcements and circulars • Meetings and roadshows • Meetings with senior management • Investor relations meetings • Panel discussions
Customers	<ul style="list-style-type: none"> • Daily operations and storefront interactions • Relationship manager visits & one-on-one meetings • On-site customer representatives • Company websites • Customer hotlines and email enquiries • Seasonal seminar/conferences • Customer loyalty events • Customer satisfaction surveys • Customer feedback programmes • Customer liaison groups
Business partners	<ul style="list-style-type: none"> • Regular business reports • Physical and virtual meetings • On-site visits • Regular gatherings and seminars • Relationship-building events
Suppliers	<ul style="list-style-type: none"> • Supplier risk assessments • Supplier due diligence and audit processes • Supplier Code of Conduct/Code of Practice • Supplier CSR performance reviews • Supplier environmental assessments • Annual supplier performance reviews • Supplier meetings and conferences • Site visits • Signatory to the Charter on Preferential Appointment of OSH Star Enterprise by the Occupational Safety & Health Council
Professional institutions	<ul style="list-style-type: none"> • Memberships • Committee/working groups • Meetings/visits/workshops • External audits • Index assessments/questionnaires • Company websites
Non-government organisations ("NGOs")	<ul style="list-style-type: none"> • Volunteer activities • Community investments and donations • CSR programmes/interviews • Staff workshops • Meetings • On-site visits • Strategic collaborations and joint-working groups

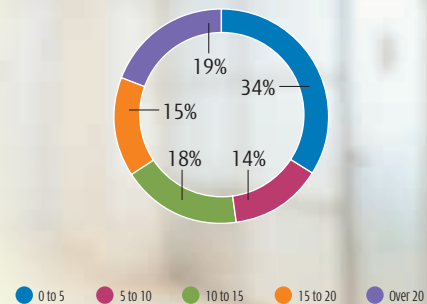
Environmental, Social and Governance Report

Stakeholders	Engagement Channels
Authorities	<ul style="list-style-type: none"> Regulatory meetings Compliance reporting On-site inspections Ad-hoc enquiries Circulars/guidelines Government liaison groups
Media Partners	<ul style="list-style-type: none"> Press conferences / briefings Media events Interviews Press releases Social gatherings

ESG compliance and how it is leveraged with the Group's businesses to benefit the community are among the key interests of the Group's stakeholders. Given the diversity of the Group's business operations, the ESG aspects that are considered important and relevant by stakeholder groups vary. Key ESG issues range from sourcing practices to environmental emissions to employment and operating practices, as well as community involvement. The material aspects identified are reviewed annually by the Group's ESG Committee and Board and updated as appropriate.

The six sections set out in this report summarise the Group's commitments to Employees, Customers, Supply Chain, Anti-corruption, the Environment and the Community. In each section, key initiatives and activities conducted by representative businesses have been included to demonstrate and highlight our efforts in creating long-term value for the Group's stakeholders.

Years of Service of Head Office Employees



Commitment to Employees

With more than 300,000 employees in over 50 countries, the Group has continued to grow during 2018. Employees are key to consistent delivery of quality and reliable products and services to our customers. Good talent management is integral to sustaining the long-term success of the Group. CK Hutchison aspires to be an employer of choice through effective talent acquisition, systematic training and provision of an inclusive working environment.

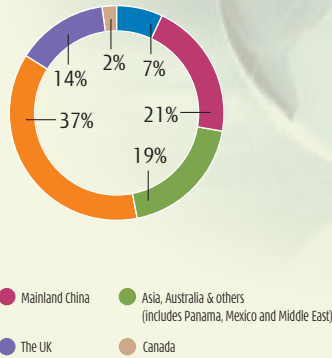
Recruiting, Engaging and Retaining Talent

The Group's success depends heavily on the ability to attract, retain and motivate suitable talent in the competitive labour markets. The Group works closely with educational institutions to recruit young talent that can support the Group's growth.

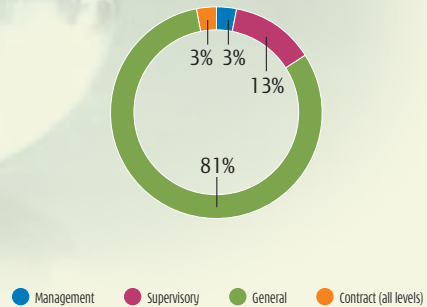
Where possible, different businesses across the Group conduct workshops, site visits, and internships to introduce their industries or professions to the younger generation. At the Head Office, short-term internship opportunities are offered to legal, chartered secretary and accounting students.

In Canada, Husky Energy Inc. ("Husky") offers Summer, Co-Op/Internships and New Graduate opportunities throughout the year. These programmes last from four to 16 months, giving students and new graduates the opportunity to gain career-related experience, with support and guidance from mentorship programmes and experienced professionals.

Headcount by Geographic Region as of 31 December 2018



Headcount by Grade as of 31 December 2018



As a market leader in Hong Kong, Hongkong International Terminals Limited (“Hutchison Ports HIT”) is keen on nurturing future talents for the industry. One of the initiatives is the establishment of “Start Your Journey @ Port Programme”, a programme that provides a series of learning opportunities for students who are pursuing tertiary education. It aims to increase students’ industry knowledge and nurture passion towards developing future careers in the logistics industry through seminars, placements, scholarships and terminal visits. Hutchison Ports HIT also offers structured development programmes to groom young graduates to embark on a career with the company.

A S Watson Group (“ASW”) operates two Hybris Academies in Milan and Italy in partnership with SAP Hybris and the Umana recruitment agency. The programme aims to identify young digital talent and provides an eight-week Hybris training tailored to the needs of eLab Technology, which was established in early 2015 as a centralised in-house digital team to offer global support to the retail group’s eCommerce businesses. These Academy students would be further selected for a six-month contract at the end of the programme. In Hong Kong, ASW launched the territory’s first ASW Retail Academy. The first graduating class saw 120 staff completed their Level 4 and 5 courses under the Hong Kong Qualifications Framework.

Denmark has created an internal education “3Academy” with support from SVU (The National Adult Education), where employees from customer service, shops and the sales departments can earn an Academic Profession Degree in Trade and Marketing during working hours. The programme aims to increase employee motivation and career opportunities.

In 2018, the Graduate Trainee Programme of ista International in Germany was awarded the prestigious seal of approval from Absolventa GmbH. Through this trainee programme, ista International offers an all-round experience across finance, operations and sales management functions within the business, depending on the aptitude and interests of each trainee.

Diverse Culture

Respecting and being inclusive of colleagues of different cultures have been crucial to the sustained growth of the Group over the past several decades.

The Group is continuously expanding awareness on equality-related issues across the Group. In the Ports division, female representation is encouraged. In order to prepare the port for more female operations personnel, Hutchison Ports Gdynia in Poland is in the process of modernising the existing washing facilities and dressing rooms by separating female areas, which are expected to be ready in 2019. Hutchison Ports Pakistan, the country’s first and only deep-water container terminal, trained and licensed two female engineering management trainees to operate remote-controlled ship to shore gantry cranes as the country’s first female Certified Crane Operators.

Environmental, Social and Governance Report

CK Hutchison hires and rewards staff for their performance and follows a stringent anti-discrimination employment policy by which staff is employed regardless of race, gender, physical ability or faith. The Group reviews the remuneration package annually to ensure that it stays competitive with the market and that employees are rewarded equitably. CK Hutchison values diversity and talent is hired solely based on the merits of candidates. The Group has adopted policies that provide equal employment opportunities to recruit, promote and assign employees based on their skillset, abilities and how these fit the job requirements. For instance, Watsons Singapore has signed up and adopted the Singapore government initiative of Tripartite Alliance for Fair and Progressive Employment Practices since 2017.

Valuing Employees

The Group respects the rights of employees in expressing their views and has established various channels to facilitate communications among Group businesses and employees. Businesses conduct regular seminars and forums to share views and collect ideas from employees. Feedback from employees through the many channels help improve and enhance talent management practices.

Recognising the benefits of healthy industrial relations, the Ports division has continued to promote the sharing of good practices across the division. Staff and management from a wide range of business functions channel key learning to business unit management to proactively address issues, concerns, or process improvement recommendation.

Many of the Group's businesses are lauded for their employee programmes. Apart from being recognised as the "Top Employer" in the Netherlands and Belgium for three consecutive years since 2016, ASW was awarded the "Family-Friendly Employers - Grand Award" in 2018, by the Family Council in Hong Kong, to recognise its remarkable achievements in introducing innovative family-friendly employment policies and practices. It has also been selected by HR Asia as one of the Best Companies to work for in Asia this year.

In Australia, SA Power Networks is recognised for its apprenticeship programmes while Reliance in Canada is recognised as one of the "Best Places to work". In Sweden, 3 Sweden is ranked one of the "Best Large Workplaces in Europe". These recognitions have demonstrated the commitment to talent retention and motivation to have employees build their careers with the Group.

The Group upholds labour standards and complies with the relevant employment guidelines and regulations throughout its businesses. The Group's policies strictly prohibit the use of child labour and forced labour, rigorous measures and audits are taken to prevent such practices in the Group's operations. For example, since 2016, ASW has become one of the Mekong Club members to help it develop a set of tools in raising awareness towards modern slavery. The awareness toolkit is shared with different business units and suppliers, with a target to cover all own-brand ("OB") suppliers.

Investing in Training and Development

It is a top priority of the Group to ensure that employees at all levels are developed and motivated to deliver the Group's commitments to its stakeholders. Each division develops its training programmes to meet specific business needs. Trainings include orientations, sharing sessions, workshops and internal-external courses. Employees are also entitled to various subsidies and sponsorships for job-related training courses to encourage lifelong learning. For example, 3 Ireland launched a Graduate Programme, which creates paid learning opportunities in various areas including IT and network, finance, marketing, business, human resources and customer relations.

At the Retail division, ASW for UK, Switzerland and Italy continued its ACTIVATE programme to provide Managers and Team Leaders with practical skills training to support their roles. Apart from retail business knowledge, the programme also includes training over other key competency areas such as self-management and influencing, people management and presentation skills. The programme is structured with four workshops, and also supported by pre-work, psychometric testing and on-the-job activities.

Promoting Well-being, Health and Safety

The Group cares about the well-being of its employees. The Group promotes work-life balance and provides a range of paid leave entitlements to employees. Where operation needs allow, many businesses are exploring and offering staff greater flexibility in managing their work and free time. For example, Hutchison Ports BEST in Spain offers the option of a flexible working schedule to employees with children under 12 years old, to assist with their child-care needs.

In the interest of employees' health, the ASW Group Office in Europe introduced a Well-Being App which enables employees to track and improve their overall well-being. The App has an information library providing advice on managing physical conditions and fitness priorities. The retail group also launched a fitness competition "Beat The Exec" to encourage office employees to walk more, and a total of around seven million steps were taken at the end of the competition.

3 UK believes a culture of wellness can inspire and align the workplace. The company then creates opportunities and space for employees to look after their physical, emotional and mental well-being. "wellness Wednesday" has been introduced to encourage employees to spend two hours doing something for their well-being.

The Group strives to create a safe workplace for all employees. Many businesses have implemented safety management systems in accordance with national or international standards, such as OHSAS 18001, to protect employees from occupational hazards. Safety training programmes are provided to our employees based on work nature and safety standards are also applied consistently in the workplace.

A safe workplace relies on the establishment of a safety culture, policies and procedures and employee behaviour. In addition to implementing industry best practices for safety, businesses are tasked with providing employees with periodic refresher courses to ensure the importance of following the guidelines are truly engrained into the operations' culture.

All of the Group's businesses strive to minimise accidents and continuously work to improve workplace safety and educate employees on proper procedures. Since 2016, Hutchison Ports instituted a policy in which serious workplace safety incidents were to be reviewed and investigated by externally trained personnel. The aim is to go as far as practicable in order to take effective measures to strengthen workplace safety and share the lessons learned across the business units of the Ports division. This system has helped several ports improve their safety management processes over the course of the year.



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To protect its workers, Husky changed its business practice to help prevent "gas-and-dash" incidents that put gas station staff and the public at risk. Husky introduced a pre-pay policy at its Alberta locations in September 2017 to enhance the safety of attendants. By the end of December 2017, all Husky fuel stations across Canada were only selling fuel by pre-payment.

Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group.

During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to employment, occupational health and safety, or labour standards.

Commitment to Customers

CK Hutchison's diverse products and services support the day-to-day lives of millions of people globally. The Group focuses on providing quality products and services to create an excellent customer experience.

Building Trust through Reliability and Quality

By placing reliability, safety and quality at the heart of the Group's businesses, CK Hutchison aims to create value for its customers that better their lives and provide sustainable solutions.

Delivering Reliable and Quality Services

Service reliability and public safety are critical to the Group's businesses. Individual and corporate customers depend upon the Group's services in telecommunications, ports services, power, energy, water and waste management operations. These businesses have dedicated significant efforts and resources in improving their practices, infrastructure and technologies to prevent interruptions from occurring in the first place. Operational conditions and practices are monitored around the clock and asset maintenance and replacements are instituted to uphold the highest safety and reliability commitments. In addition, professional teams are committed to identifying, testing and introducing new products and procedures that implement good practices to maintain and improve service reliability. Should incidents occur, the best measures are taken to minimise interruption, investigate the cause and quickly resume service. HK Electric of our Infrastructure division achieved over 99.999% supply reliability for 22 consecutive years since 1997.



The Telecommunications division embraces a service-oriented culture and is committed to delivering the highest possible levels of service quality and customer satisfaction. In order to encourage continuous improvement, 3 Ireland published its first Connected Ireland Report in October 2017, a four-part research project to identify how the Irish public wants mobile services to develop in the future. The second and third part of the report were published in February and June 2018 respectively. In the period between these two reports, 3 Ireland announced a three-year partnership with Jigsaw, the National Centre for Youth Mental Health in Ireland which will see the delivery of eJigsaw, a one-of-a-kind digital portal to support the mental health needs of young people. 3 Ireland will continue to monitor the evolution of Ireland's economy and society as mobile technologies and services drive transformation in the lives of consumers, workers and citizens.

Enabling Sustainable Options

To deliver sustainable value to stakeholders, the Group continues to invest strategically in research and development on technology. This allows the Group to provide innovative solutions and enable customers to make environmentally responsible choices in how they live and work. Many consumer billings have included e-billing options to reduce paper waste. For instance, HK Electric has implemented an incentive system to promote electronic bill payment services. A new round of e-Bill and Autopay promotion campaign was launched in May 2018 in which a one-off HK\$50 incentive was offered to customers that switched to e-Bill and Autopay during the promotion period.

In the area of sustainable sourcing, PARKnSHOP, ASW's supermarket arm has increased the number of sustainable options for its consumers such as cage free and free range chicken and eggs, organic beef and pork selections and a range of organic vegetables.

Improving Customer Experience

To continuously improve customer experience, members of the Group implemented policies and procedures to regularly solicit customer feedback and make the effort to follow up and act on their advice.

At the Retail division, guidelines have been established to handle customer enquiries and complaints at the stores, and staff are trained to professionally address customer concerns. Complaints received are acknowledged, investigated and duly followed up. Reviews and analyses of complaints received are conducted periodically. The lessons learned from these sessions are shared with quality assurance and procurement teams for continuous improvement.

The Telecommunications division fosters a culture of continuous improvement by benchmarking and publishing its service performance statistics regularly. They have also received numerous awards and third party assessment that attest to their exemplary network performance and service excellence.

Protecting Customers

CK Hutchison believes accurate and factual product information provides transparency and help customers make informed purchasing decisions. Products are labelled and advertised in compliance with the requirements of the destination countries.

The Group's commitment to complying with data privacy laws and regulations and protecting the personal information of customers is well supported by its corporate strategies and policies. In ASW, policies on personal data protection are established, and reviewed every half year by its Financial Control Services team with inputs from the relevant Group Functions, such as Legal Department.

Furthermore, robust systems and processes are in place to control the collection, access, update, security and retention of data received, and the processes are audited regularly.

Additionally, awareness campaigns with periodic internal communications, workshops for customer-facing employees, dedicated education website for colleagues are used to reinforce the importance of customer data protection. For example, at Hutchison Ports (UK), workshops and online trainings were delivered to ensure the team is ready for the requirements of the General Data Protection Regulation, which came into effect from May 2018.



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Regulatory Compliance

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The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility during the year.

Supply Chain Management

The Group's diversified businesses are supported by a wide range of suppliers and contractors. Many of the policies within the Group are implemented in close collaboration with the Group's business partners. Through regular dialogue and cooperation, the Group and its partners are able to deliver sustainable value to all stakeholders.



Sourcing Responsibly and Engaging Suppliers

The Group addresses supply chain challenges through risk management, responsible sourcing, supplier engagement and oversight.

Approach to Supply Chain Management

The Group's procurement activities follow a set of fair and transparent tendering process. Tenderers are required to declare any conflict of interest and take a firm stance against fraud and misconduct. Supplier relationships will be suspended or terminated if contravention is found.

The Group strives to bring a positive influence in the business community by setting expectations in environmental, social and governance related matters with key suppliers. For instance, ASW, the world's largest international health and beauty retailer, has been upholding the Business Social Compliance Initiative ("BSCI") Code of Conduct since 2008. With a goal to drive compliance, fair business practices and environmental performance, suppliers have been invited to acknowledge and endorse the BSCI Code of Conduct. ASW joined the Mekong Club, an association that provides valuable information and resources to combat modern slavery. The retail group is rolling out training for its employees as well as its suppliers.

Since 2017, UK Power Networks has introduced a new Supplier Relationship Management ("SRM") framework approach with an active policy reinforcing the importance of Health & Safety in all aspects of work activity. It includes equipment supply and installation, seeking and sharing innovation, technological advances and continuous improvement. The SRM framework has been introduced across business units including Victoria Power Networks. Apart from adopting the SRM, UK Power Networks has paused the normal operations during safety stand-down days to engage in safety education. Meetings are held to monitor Lost Time Incidents and Very Serious Incidents. Regular project review and site safety inspections are also carried out.

Delivering Safe and Quality Products and Services

ASW builds trust with its customers from the get-go, starting with managing the reputation of OB products. For example, in PARKnSHOP, the five-step process guides the OB development cycle at the business unit level:

- **Social and governance** : Protect operations against unfair business practices
- **Supplier due diligence** : Encourage suppliers to adopt responsible operations and practices and comply with health, safety and worker welfare guidelines
- **Quality Assurance** : Ensure the quality, value and safety of products
- **Distribution** : Provide products that comply with all legislations in their distribution markets
- **Customer care** : Listen actively to customer feedback and respond to complaints

By providing guidance to suppliers of OB retail products and helping them meet the ASW expectations on product safety and quality requirements, suppliers are steered towards developing more sustainable and responsible products. In an effort to pioneer higher standards of health and hygiene, PARKnSHOP has set up Asia's first multi-temperature distribution and processing centre, as well as Hong Kong's first dedicated Food Safety Laboratory.



Anti-corruption

The Group values and upholds integrity, fairness, transparency and accountability. The Group has zero-tolerance for corruption and fraud. Anti-bribery and anti-corruption standards are important parts of the Group's policies and operating practices which are reinforced by the Group's employees and communicated to relevant stakeholders with dealings with the Group. Whistle-blowing policies apply to all stakeholders including employees, shareholders, customers and suppliers. The whistle-blowing mechanisms allow stakeholders to report suspected misconduct, malpractices or fraudulent activities with confidence. Cases reported are followed up independently; all cases will be reported by the Group's Internal Audit function to the Audit Committee and executive management.

Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group.

During the year, the Group was not aware of any breach of laws and regulations that have a significant impact on the Group relating to anti-corruption.

Commitment to Our Environment

CK Hutchison believes it is crucial for businesses to thrive in a sustainable environment, without which, no business would survive in the long term. Therefore, the Group understands that without determination, any environmental protection plans would be futile. The message is not only sent across the boardroom, but it is also spread to employees across more than 50 countries. By engaging business units in minimising carbon emissions and planning creative strategies most efficient to their industries, they make sustainable development a reality.

Managing Emissions

Below are some of the initiatives to reduce and control emissions of greenhouse gas ("GHG") and waste. CK Hutchison's business units monitor the progress of existing environmental initiatives as well as explore new projects to further the initiatives.

Air and GHG Emissions

Managing air and GHG emissions remains one of the top priorities.

It is challenging for a power utility to continue reducing carbon emissions; but environmental protection is a crucial long-term process with no shortcut. The Group's Infrastructure division has taken steps to integrate this priority in as many units as possible. Incorporating advanced technologies to cut pollutants, HK Electric has been making strides to optimise its fuel mix by increasing the usage of natural gas. The fuel mix diversification strategy is to improve air quality, combat climate change whilst meeting the tightening emissions allowances set by the Hong Kong Government. HK Electric continued to meet the stipulated emissions allowances in all categories, and also worked with the government to agree

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on new and more stringent emissions allowances from 2022 onwards. In 2018, two new gas-fired generating units under construction were equipped with the Selective Catalytic Reduction systems and are on schedule for commission by 2022. The new systems would reduce nitrogen oxide ("NO_x") emission levels during power generation. Furthermore, under the HK Electric 2019-2023 Development Plan, three more gas-fired generating units are scheduled for production and expected to be commissioned in the next five years. With the three additional units, the electricity produced from gas-fired generators will rise from 33% in 2018 to 70% in 2023.

Reducing the carbon-footprint from fugitive emissions produced during the gas distribution process is another target from the Group. Northern Gas Networks in the UK has implemented a reduction programme aiming to reduce such emissions by replacing old, leak prone metallic pipes with robust plastic pipes, to effectively manage gas pipe pressure, and applying Monothylene Glycol on metallic joints to prevent gas leakage. This programme has proven effective, with fugitive emissions decreasing year on year from 360 GWh in 2016, to 332 GWh in 2017, and 329 GWh in 2018.

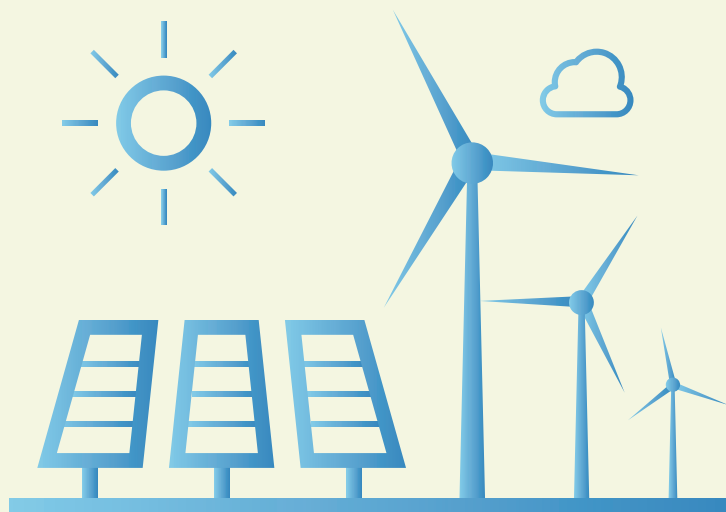
Husky has a Fugitive Emission Management Program to detect fugitive emissions and ensure the timely repair of leaking equipment. As part of its GHG emissions risk management approach, Husky researches new ways to capture carbon dioxide ("CO₂"). For instance, it has implemented a second pilot project at its Pikes Peak South thermal project testing carbon capture technology. The captured CO₂ is then used for enhanced oil recovery.

Besides the tremendous efforts dedicated by the Infrastructure division and Husky in managing air and GHG emissions, the Ports division has also taken actions with the same objective, such as adopting cleaner energy sources and using its operations equipment and vehicles in a more efficient manner.

Renewable Energy

The Telecommunications division attaches great importance to reducing cellular networks energy consumption. In recent years, 3 Austria has taken many initiatives to reduce power consumption and increase energy efficiency to more than 44% through the adoption of renewable power sources, LTE deployments and optimisation of network infrastructures. Up to 90 % of the used power for 3 Austria's network is CO₂ neutral energy sources, such as hydro, wind power and photovoltaic energy.

Globally, the Group is also able to harvest wind electricity from its wind farms generated with a know-how to best utilise technology maximising green electricity generation. One example is the Infrastructure division in Portugal, wind farms operator Iberwind, which optimises the control of wind farms by using the SCADA and condition monitoring systems, an extensive and comprehensive wind database.



Waste and Pollutants

Cutting down waste and facilitating ways to encourage more reuse and recycling are on the agenda of the Group's operations.

3 Ireland involves employees and customers in developing measures to encourage recycling efforts and electronic waste reduction. 3 Ireland has adopted waste segregation bin system, which recycles nearly 65% of the office waste, and with an aim to increase 15% over the next 18 months. 3 Ireland also operates "Three Recycle", a corporate social responsibility programme to encourage customers and employees to recycle their old handsets.

Innovation on energy-from-waste management was taken further by the Infrastructure division. AVR of the Netherlands completed construction of a separation plant that separates plastics and drinks cartons from residual waste. The plant generates steam via the incineration of residual waste and uses the heat to warm 150,000 households and supply electricity for 190,000 houses.

HK Electric has been collecting ash and gypsum produced during the manufacturing process of cement. In 2018, about 181,000 tonnes of ash and 49,000 tonnes of gypsum were collected for reuse by third parties, compared to 235,000 tonnes and 61,000 tonnes respectively in 2017.

Husky also worked with a Calgary-based company, to combine sulphur from the base of a former sulphur pad at the Ram River gas plant with food waste to produce sulphur-rich fertilisers to be marketed in Western Canada. This agreement is expected to keep almost 500,000 tonnes of material out of the landfill.

In New Zealand, EnviroNZ's onsite Gas-to-Energy sites convert methane gas product in Hampton Landfill to energy. The plant produced enough energy to power Hampton PARRC and generated a surplus enough to be sold back to the grid. Hampton Landfill generated around 38,600 MWh of electricity in 2018 compared to around 26,600 MWh in 2017, indicating a 45% increase in electricity generation.

Optimising Resource Use

As a responsible global citizen, CK Hutchison encourages its businesses to use resources cautiously. From energy, water to packaging materials, it is acknowledged that only an integrated and technological approach could make responsible consumption possible. ASW was awarded the Green Office and Eco-Healthy Workplace Awards Label by World Green Organisation for three consecutive years since 2015.

Energy

CK Hutchison continues to lead the push for a circular economy through innovation. A hallmark example is the usage of a cutting edge technology in hydrogen electrolysis in the Group's infrastructure division. Australian Gas Networks is currently working with SA Power Networks and Siemens to establish Australia's first hydrogen park. Supported by the Australian Government, the hydrogen park pilot project aims to provide carbon-free hydrogen produced on-site to Australian citizens. Hydrogen will be produced from renewable electricity and recycled water using Polymer Electrolyte Membrane electrolysis, which would then be injected into the local gas distribution network in the award-winning Tonsley Innovation District. By leveraging the expertise of Australian Gas Network, the Group aims to showcase an innovative method for delivery of zero-carbon hydrogen gas to households. The park is currently in construction, and is scheduled for production in 2020.

Wales and West Gas Networks in the UK has continued incorporating energy saving measures to reduce electricity consumption. The number of depots, offices, and stores with LED lighting and active sensors increased from 80% in 2017 to 95% in 2018. As a result, electricity consumption measured in CO₂ equivalence is down 15% as compared to the same period last year, marking a significant decrease.

In Italy, the Group has also been greatly optimising energy usage across Wind Tre on a mass scale. Starting in 2018, Wind Tre has been decommissioning large numbers of sites with old and environment energy-inefficient technologies to be replaced by more modern, energy-efficient sites to reduce electricity consumption and optimise operational costs. In 2018, around 1,742 sites were decommissioned, saving 43.55 million kWh per year and around 10,200 sites were upgraded with Radio Network equipment, effectively saving seven million kWh per year, or by 20% from 2017 level.



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Water

Husky recycles produced water at its Sunrise Energy Project and Tucker Thermal Project for use in steam generation. At Sunrise, Husky brings in process-affected water, which is industrial wastewater, from a neighbouring operator for use as a make-up water source, reducing the amount drawn from groundwater sources. At Tucker, Husky uses saline groundwater as a make-up water source.

HK Electric has been collecting rain water and plant processing water for reuse at the Lamma Power Station. In 2018, about 132,000 m³ of rain water and plant processing water were collected for reuse compared to 112,000 m³ in 2017. This marks a 20,000 m³ year on year increase in water collection, or around 18%. Green Island Cement Hong Kong has also recycled wastewater from production and storm water for process cooling, thus minimising the amount of freshwater consumed.

Hutchison Ports has also initiated a series of projects and campaigns to better protect waterways during operations. Hutchison Ports Karachi in Pakistan is currently in the process of constructing a reverse-osmosis plant ("RO plant") to enhance water quality. RO plants minimise marine, shoreline and land impacts, thanks to pipe jacking of long and large diameter pipelines, smart structural design, and the removal of suspended solids from the brine before it is returned to the sea. Its sludge treatment also reduces energy and chemical consumption.

Seabank Power was able to increase the concentration factor of cooling water, effectively optimising water used for make-up and purging. As a result, water efficiency during cooling increased by approximately 26% this year. Water usage in cooling towers per load factor per equivalent operating hour reduced from around 800 m³ per hour in 2017 to 590 m³ per hour in 2018.

Packaging Materials

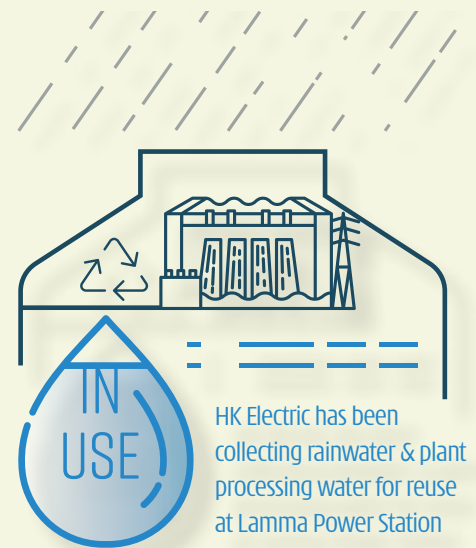
To meet UN Sustainable Development Goal No 12, which advocates sustainable consumption and production patterns, CK Hutchison has a set of sustainable guidelines established for employees and suppliers of the Retail division. The guidelines are set out to minimise material use, from greener packaging design in terms of size, thickness, and use of space to the application of recycled materials.

To tackle single-use packaging waste, ASW has joined forces with NGOs and key players in the beverage, retail, and waste industry to form a Single-Use Beverage Packing Working Group ("The Working Group") in 2018. The Working Group is a multi-stakeholder coalition aiming to develop practical solution to reduce, redesign, recover, and reuse single-use packaging, and to promote a circular economy in Hong Kong. The joint initiative, titled "Drink Without Waste", aims to increase single-use packaging collection rate to 70% in six years. In December 2018, The Working Group published a Strategies and Actions report detailing the "Drink Without Waste" initiative's goals, strategies, and planned action in the coming years.

Electronic Products

Exponential digital growth comes with leftover old digital products, causing excessive wastage every year. As a responsible global citizen, the Group takes initiatives to reduce, recycle and reuse old electronic products.

The Group's telecommunications business, Hutchison Telecommunications Hong Kong Holdings ("HTHKH") collected over 1,000 reusable electronic equipment. 3 Sweden has also initiated an electronic product refurbishment programme for reselling. The programme was successful, with 100% of office computers refurbished for reselling.



Safeguarding Environmental and Natural Resources

As a multinational corporation, CK Hutchison aspires to take the lead and be a positive role model for its stakeholders in protecting the environment and the ecosystems. The Group policies ensure caution is applied and discipline in actions that may impact natural resources.

In recognition of threatened species conservation and environmental protection, PARKnSHOP in the Retail division committed to WWF-Hong Kong's "No Shark Fin Corporate Pledge" by pledging not to consume and sell shark fin.

CK Hutchison's Infrastructure division continues to protect the wildlife and natural habitat through award-winning projects. For example, Northern Gas Networks has an innovative land remediation project underway at the Redheugh Gas Holder Station, which uses only solar power to recover coal tar from nine metre deep below the surface. To date the project has recovered over 4,500 litres of hazardous coal tar for safe offsite disposal, thereby reducing environmental risks associated with the site. This project won the "Best in situ treatment" category at the 2018 national land remediation awards ("Brownfield Briefing Awards") in the UK. Furthermore, in 2018, Northern Gas Networks has completed an additional three land remediation projects, summing up to 12 total projects completed to date. This is in accordance to the Group's yearly forecast performance.

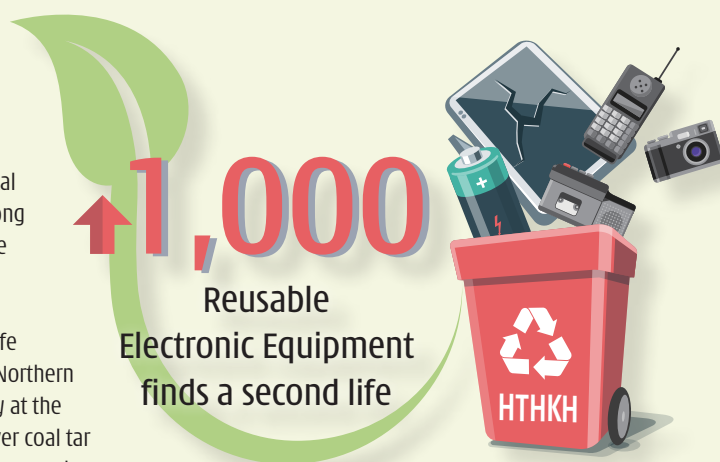
Hutchison Ports Sydney also constantly tracks and monitors noise disturbance within the area and frequently engages community stakeholders for feedback. In 2018, noise disturbance expressed as the number of community complaints or exceeding specified thresholds was 2.6 per 100,000 TEU.

HTHKH organised a tree-planting scheme in 2018 and sought to boost biodiversity and maintain woodland by planting native tree seedlings. A terrarium workshop and competition was also initiated to raise staff's interest in greening the environment. Staff took part in a lunch time workshop and created their own terrariums. Staff voting for the best terrarium received free mini potted plants or seeds and greening their office or home.

Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group.

The Group was not aware of any non-compliance of laws and regulations that has a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period.



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Commitment to the Community

With dedication and commitment, CK Hutchison has the responsibility to make the community a better place which will also provide long-lasting benefits to stakeholders. In 2018, the Group's approach in community activities focuses on youth empowerment, relief for the needy and environmental conservation. The CKHH Volunteer Team in Hong Kong has arranged community activities and contributed over 8,700 service hours and positively impacted over 96,400 service recipients.

Empowering the Youth

Hutchison Ports supports education and creates opportunities for youth through its "Hutchison Ports Dock School Programme". This programme aims to match a school to each port in the Group's global network, and provides assistance by sponsoring scholarships, improvement of education facilities and other educational initiatives.

ASW contributes to the growth and development of young athletes in Hong Kong. It organises annual challenges for junior athletes at the Watsons Athletic Club ("WAC"). The WAC Annual Challenge had over 3,000 outstanding junior athletes participating.

HTHKH senior executives shared their insight and experience with students during visits to the company and career sessions.

Supporting those in Need

Serving the Community

About one in three senior citizens in Hong Kong is living in poverty and one in four deprived children does not have three meals a day. To help alleviate hunger among the needy, and as part of the Retail division's efforts to achieve UN Sustainable Development Goal No. 12, PARKnSHOP donates edible surplus food to the local social enterprise Food Angel. In addition, PARKnSHOP Hong Kong has been organising the "City Food Drive" programme which helps Food Angel collect grocery food items and funds from the public since 2012. As of 2018, the programme helped raise more than 510,000 food items for Food Angel. When food items and cash donations combined, it has to date raised more than HK\$6.1 million and donated more than 1,600 tonnes of edible surplus food to help Food Angel prepare over 4.8 million of hot meal boxes to feed the needy in Hong Kong.

In May 2018, PARKnSHOP and Food Angel announced to strengthen their collaboration with the launch of the "Food Rescue@PARKnSHOP" programme. This programme aims to further promote the message of treasuring food to a wider public. For example, PARKnSHOP joins hands with Food Angel and food container supplier ClipFresh to create Smart Food Recipe and video of delicious dishes made with leftover food, and creatively display the ingredients appear in the Smart Food Recipe in selected stores.

ASW has launched the global CSR signature campaign "Give a Smile" in 2018, encouraging business units worldwide to support the work of Operation Smile to provide free surgery to those who suffer from cleft lips and palates. The first ASW's mission was carried out in Guizhou, China in November 2018 which benefited 92 patients in three surgery days. HK\$3.9 million was raised from all markets to carry out medical missions, and is targeted to help 1,000 patients around the world by 2019.





PARKnSHOP donates edible surplus food

On community service, ASW has multiplied its CSR activities up to 400 in 2018, counting 34,000 volunteers serving over 166,000 people in more than 87,000 hours. In 2018 alone, the Retail division donated 278 tonnes of edible surplus food which helped produce 832,000 meals to beneficiaries.

In supporting the vision of being a responsible corporate citizen, UK Power Networks has made a commitment to grant up to HK\$3 million per annum to benefit communities through the "Communities Matters" Programme. Through the initiatives such as "Charity Matched Funding", "Team Sport Awards", "Give As You Earn", "Donate A Day" volunteering and other charity donations, UK Power Networks have provided an estimated total value of HK\$3.5 million funding for local charities and communities this year.

Bridging the Digital Divide

Since 2017, CK Hutchison has extended efforts to narrow the digital divide not just for the crisis-affected refugees or displaced people, but also to the underprivileged and those who feel they have been left out by the society.

Drei Hilft, a non-profit organisation managed by the Corporate Communications team of 3 Austria, launched various initiatives against poverty, for people with disabilities, against violence against women and children and for education since 2015. As a UNICEF emergency partner, apart from financial assistance, Drei Hilft also provided assistance through the provision of free communication equipment and connectivity, including but not limited to WLAN-routers, SIM-cards or mobile phones. Employees from 3 Austria also volunteered with personal engagement and worked for a range of corporate volunteering projects. In 2018, an estimated total value of HK\$1 million has been contributed in supporting those in need.

3 Ireland secured 100Mhz spectrum nationally so that there will not be any urban-rural digital divide when 5G is rolled out.

HTHKH sponsored a "Make our life easier with AI" App Enhancement Competition where students look to make use of artificial intelligence to enhance application functionality and improve everyday lives.

CK Hutchison Family

CK Hutchison takes pride in serving the community through its businesses and other initiatives. Providing the local communities with products and services they trust and can rely on is part of building sustainable businesses. In addition to ESG teams within individual Group companies and business units, the Group has different avenues to share these developments amongst the businesses. The Group's magazine, *Sphere*, periodically shares stories, trends and ESG activities by businesses with other group companies and staff. The latest issue of the magazine can be viewed on the CK Hutchison website at <https://www.ckh.com.hk/en/about/journal.php>.

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Environmental KPIs	Unit	Ports and Related Services		Retail	
		2018	2017	2018	2017
NO _x emissions	tonne	292	2,023	–	–
SO _x emissions	tonne	2	269	–	–
Particulate matter emissions	tonne	23	88	–	–
Total greenhouse gas (“GHG”) emissions	tonne CO ₂ e	585,427	492,790	769,355	751,843
Total GHG emissions intensity	tonne CO ₂ e / revenue (HK\$’000)	0.022	0.019	0.006	0.006
GHG Scope 1 emissions	tonne CO ₂ e	324,123	286,456	327,673	329,402
GHG Scope 1 emissions and intensity	tonne CO ₂ e / revenue (HK\$’000)	0.012	0.011	0.003	0.003
GHG Scope 2 emissions	tonne CO ₂ e	261,304	206,334	441,682	422,441
GHG Scope 2 emissions and intensity	tonne CO ₂ e / revenue (HK\$’000)	0.010	0.008	0.003	0.003
Total hazardous waste produced	tonne	3,420	10,391	–	–
Total non-hazardous waste produced	tonne	23,847	57,916	49,890	46,794
Total energy consumption	kWh	1,818,441,989	1,529,197,199	1,777,517,672	1,690,310,638
Total energy consumption intensity	kWh / revenue (HK\$’000)	68.396	59.807	13.307	13.661
Total direct energy consumption	kWh	1,284,732,629	1,112,680,501	855,050,895	869,477,565
Total direct energy consumption intensity	kWh / revenue (HK\$’000)	48.322	43.517	6.401	7.027
Gasoline/Petrol	kWh	36,541,049	7,659,571	2,138,693	8,957,551
Diesel	kWh	1,226,179,177	1,072,927,881	257,983,415	274,494,210
Gas (exclude town gas/gas works gas and natural gas)	kWh	6,551,271	3,076,702	520,225,402	506,724,636
Natural gas	kWh	12,110,408	8,084,016	74,703,385	79,301,168
Other fuels	kWh	3,350,724	20,932,331	–	–
Total indirect energy consumption	kWh	533,709,360	416,516,698	922,466,777	820,833,073
Total indirect energy consumption intensity	kWh / revenue (HK\$’000)	20.074	16.290	6.906	6.634
Electricity	kWh	533,709,360	397,904,098	900,070,204	814,088,101
Town gas/Gas work gas consumption	kWh	–	18,612,600	22,396,573	6,744,972
Water consumption	m ³	1,356,871	2,603,889	3,238,995	2,605,878
Water consumption intensity	m ³ / revenue (HK\$’000)	0.051	0.102	0.024	0.021
Total packaging material used for finished products	tonne	19	1	57,177	42,749
Plastic	tonne	19	–	27,015	21,339
Paper	tonne	–	1	23,296	15,851
Metal	tonne	–	–	3,761	2,694
Glass	tonne	–	–	2,616	2,361
Other packaging material	tonne	–	–	489	504

Note 1: Environmental KPIs in this data table reflect the data of the Company and its subsidiaries for the year ended 31 December 2018, excluding those from acquisitions and disposals, unless otherwise specified.

Note 2: Husky Energy is a material associated company of the Group and we have included in this data table the Group’s proportionate share of its environmental KPIs for the year ended 31 December 2017. The environmental data for the year ended 31 December 2018 will be published at Husky’s corporate website at www.huskyenergy.ca in a later date.

Infrastructure		Telecommunications		Total		Energy	
2018	2017	2018	2017	2018	2017	2018	2017
1,800	2,118	1	1	2,093	4,142	4,163	3,927
58	146	–	–	60	415	2,508	3,555
224	332	–	–	247	420	237	–
1,753,659	1,753,074	561,471	571,814	3,669,912	3,569,521	5,384,522	5,372,066
0.090	0.105	0.007	0.009	0.014	0.016	0.120	0.176
1,402,170	1,378,727	62,798	74,516	2,116,764	2,069,101	4,492,124	4,517,036
0.072	0.083	0.001	0.001	0.008	0.009	0.100	0.148
351,489	374,347	498,673	497,298	1,553,148	1,500,420	892,398	855,030
0.018	0.022	0.006	0.008	0.006	0.007	0.020	0.028
19,240	18,556	3,397	1,294	26,057	30,241	–	–
67,234	40,670	122,947	110,556	263,918	255,936	–	–
4,699,244,344	4,646,480,001	1,050,437,862	1,134,761,701	9,345,641,867	9,000,749,539	16,639,341,600	16,889,439,778
240.715	278.613	13.299	17.746	36.129	39.147	370.191	554.356
3,981,333,643	3,924,554,749	24,741,373	171,409,356	6,145,858,540	6,078,122,171	15,726,452,000	15,940,410,500
203.941	235.325	0.313	2.681	23.759	26.436	349.881	523.206
15,015,373	12,843,859	10,115,371	1,404,984	63,810,486	30,865,965	–	–
227,212,393	255,208,542	14,626,002	63,329,107	1,726,000,987	1,665,959,740	–	–
10,939,739	10,335,936	–	–	537,716,412	520,137,274	–	–
22,446,240	19,593,234	–	–	109,260,033	106,978,418	12,161,280,600	15,164,824,889
3,705,719,898	3,626,573,178	–	106,675,265	3,709,070,622	3,754,180,774	3,565,171,400	775,585,611
717,910,701	721,925,252	1,025,696,489	963,352,345	3,199,783,327	2,922,627,368	912,889,600	949,029,278
36.774	43.288	12.986	15.066	12.370	12.712	20.310	31.150
717,910,701	721,925,252	1,017,805,519	958,929,769	3,169,495,784	2,892,847,220	912,889,600	949,029,278
–	–	7,890,970	4,422,576	30,287,543	29,780,148	–	–
79,312,888	78,487,767	120,974	100,516	84,029,728	83,798,050	12,737,060	13,018,320
4.063	4.706	0.002	0.002	0.325	0.364	0.283	0.427
3,528	4,480	418	688	61,142	47,918	–	–
–	–	152	425	27,186	21,764	–	–
3,528	4,480	266	263	27,090	20,595	–	–
–	–	–	–	3,761	2,694	–	–
–	–	–	–	2,616	2,361	–	–
–	–	–	–	489	504	–	–

Li Ka Shing Foundation – Changing Times, Unchanging Promise

Mr Li Ka-shing recognises the importance of education and healthcare to societal development. Established in 1980, the Li Ka Shing Foundation (“LKSF”) has invested over HK\$21.8 billion to develop education and healthcare initiatives, with over 80% of the projects benefiting the Greater China region. After stepping down as Chairman of the CK Group on 10 May 2018, Mr Li donned a new coat of armour to focus on the philanthropic efforts of his foundations to effect positive change.

Below are some of LKSF’s major projects in 2018:

Love Can Help

In August 2018, LKSF announced a contribution of HK\$100 million to launch “Love Can Help”, a healthcare subsidy scheme in collaboration with the Hospital Authority (“HA”), The University of Hong Kong (“HKU”) and The Chinese University of Hong Kong (“CUHK”). The programme offers financial assistance to self-sufficient patients with certain illnesses who fall outside of Government subsidy schemes.

HK\$30 million out of the contribution from LKSF to the HA will be used to subsidise Positron Emission Tomography – Computed Tomography (PET-CT) scan services and Percutaneous Coronary Intervention (PCI) Stents, and another HK\$35 million to establish a PET-CT Centre in New Territories West Cluster. Further, HKU Li Ka Shing Faculty of Medicine and CUHK Faculty of Medicine will each receive HK\$17.5 million to fund critical research and support patients suffering from certain illnesses in their respective teaching hospitals to alleviate their financial burden.



Mr Li Ka-shing (second from right) initiates the “Love Can Help” programme at a meeting with the management of the Hospital Authority and two universities.

Pioneering Medical Services

LKSF donated HK\$10 million to finance a pilot study of personalised cancer treatment for the digestive system at CUHK. Hong Kong Sanatorium & Hospital also received a contribution of HK\$10 million to launch a Transcatheter Cardiovascular Intervention Subsidy Scheme to provide local residents with access to advanced medical technologies and services.

Compassionate Guardians

From 2007, LKSF has contributed HK\$126 million towards the “Heart of Gold” Hong Kong Hospice Care Service Programme in collaboration with the HA. Providing a host of integrated palliative care services in hospice centres in 10 public hospitals, this innovative programme has served 38,000 terminally ill cancer patients and their family members.

The Community Chest

LKSF and the CK Group jointly contributed HK\$10 million to The Community Chest of Hong Kong to mark its 50th anniversary and to support its charitable work going forward.

Listening Angels

As at the end of December 2018, the Caritas Family Crisis Hotline and Education Centre had received over HK\$50 million from LKSF to offer a 24-hour hotline as well as crisis prevention workshops to meet public demand. Since 2008, the Centre has handled over 509,000 sessions.

Hot Meals for the Elderly

In February 2018, Mr Li Ka-shing visited a Food Angel community centre in Sham Shui Po, Hong Kong and enjoyed a warm meal with the elderly. LKSF pledged HK\$10 million for Food Angel to expand its good work in the community.



Mr Victor T K Li (left) and Ms Ezra Pau (right) present a donation cheque to Mr Charles Lee (centre), President of The Community Chest of Hong Kong to mark its 50th anniversary.

Tsz Shan Monastery – Clarity, Compassion and Action

Since its opening in 2015, the Monastery has welcomed almost one million visitors, including 269,286 visitors in 2018. Using the notions of clarity, compassion and action, Tsz Shan Institute focuses on Buddhist education, research and close examination to allow a holistic approach to learning about Buddhism.

“Loving-Care Project” life education services are spreading to hospitals, retirement homes, and even correctional facilities, girls’ homes, etc. The Buddhist Spiritual Counselling Centre strives to provide professional counselling services through Buddhist wisdom. Since its establishment in 2015, the Centre has provided counselling services for over 6,000 residents, and over 72,475 people have participated in workshops and other activities.

Moreover, the Tsz Shan Monastery Buddhist Art Museum will open to the public in May 2019. The Museum aims to nourish the spirituality of all generations through important Buddhist art objects gathered from different historical periods and regions expressing the beauty of Buddhist art. LKSF’s total donation of HK\$3 billion has supported the development of the Monastery and is also funding its daily operation.



Hong Kong SAR Chief Executive Mrs Carrie Lam (fourth from left), LKSF Chairman Mr Li Ka-shing (fourth from right), Director of Liaison Office of the Central People’s Government in the Hong Kong SAR Mr Wang Zhimin (third from right), Mr Victor T K Li and Mr Richard Li (third and first from left respectively) officiate at the ceremony celebrating the Grand Opening of Tsz Shan Monastery.

Shantou University

Shantou University (“STU”) is a comprehensive tertiary institution co-developed by the Ministry of Education, the Guangdong Provincial Government and LKSF. As the only privately funded public university in Mainland China, STU is dedicated to promoting reform and innovation in Mainland China’s higher education sector. LKSF has made grants and commitments of over HK\$10 billion to support STU’s development.

In 2018, STU became the first university in Guangdong that was awarded “Guangdong Demonstration University for Institutional Reform”. STU initiated a collaboration with the University of Michigan to develop an undergraduate curriculum in Biomedical Engineering. The Clinical Medicine, Chemistry, Marine Science and Mathematics departments garnered grants under the Top-tier University Development Funding Programme of Guangdong Province. For the fourth consecutive year, STU has been recognised internationally with a spot on the Times Higher Education World University Rankings.

For the sixth consecutive year, the quality of STU’s freshmen class continued to improve. In 2018, 100% of enrolled freshmen from Guangdong Province chose STU as their first preference. The first-time employment rate for STU graduates has been the highest in Guangdong Province for the past three years.



Mr Li Ka-shing delivers a speech at the Shantou University Commencement Ceremony in 2018.



Shantou University Medical College

Shantou University Medical College ("SUMC") is pioneering reforms in medical education in Mainland China based on student-centred education and internationalisation initiatives. For 21 consecutive years, all incoming students have selected SUMC as their first choice. SUMC has taken the lead in adopting the United States Medical Licensing Examination (USMLE Step 1) to evaluate students in the English-stream medical programme. Over the past seven years, SUMC students taking part in the USMLE Step 1 have passed with an average passing rate of over 92%, which is close to those of accredited medical schools in the US. In 2018 the employment rate of new graduates was among the highest for universities in Guangdong Province, a record for 18 consecutive years. The Clinical Medicine major has been in the global top 1% of ESI (Essential Science Index) for six years in a row.



The Foundation supports the University of Sydney to conduct Australia's first clinical trial testing CAR T-cell immunotherapy.

In 2018, SUMC earned a second prize in the National Higher Education Achievement Award with the HEART (Humanity, Empathy, Art, Respect, Team) teaching module for medical students, as well as a special recognition award for Clinical Medicine Programme Accreditation granted by the Ministry of Education. Eleven SUMC students out of 871 contestants made it through to the final round of the First Chinese University Student Academic English competition, winning two of the top prizes in the nation, along with other accolades.

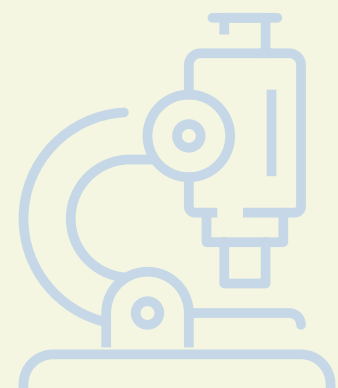
Currently under construction is a new 55,000 sq m research centre with an estimated development cost of RMB 476 million. The new Affiliated Cancer Hospital is being developed with a total investment of RMB1 billion. The new facility will cover an area of 150,000 sq m and have a capacity of about 700 beds.

Through the East-West Alliance programme, STU has expanded its international exchange and cooperation with 14 world-class universities such as Oxford University, Cambridge University, Stanford University and the University of California, Berkeley.

Guangdong Technion Israel Institute of Technology (Joint venture between STU and Technion)

In 2018, Guangdong Technion Israel Institute of Technology ("GTIIT") recruited its second cohort of students, and began admitting students from Hong Kong and Macau through the Joint Entrance Examination. With the enrollment of 263 undergraduate students in 2018, there are now 479 students in GTIIT, which was the latest university to be listed in the "Guangdong High Level University Development Program" in 2018.

LKSF donated US\$130 million to Technion to promote the co-establishment of GTIIT by Technion and STU, which is fully supported by the People's Government of Guangdong Province and the Shantou Municipal Government.



Cheung Kong Graduate School of Business

Since its founding in 2002, the Cheung Kong Graduate School of Business has aimed to cultivate business leaders with a global vision, a humanistic spirit, a strong sense of social responsibility and an innovative mind-set. After 16 years, the school boasts a growing network of 12,000 alumni who embody best practices in management education between the East and the West.

Jiangxi Education and Women's Development

LKSF pledged RMB3 million to set up a collaboration between Nanchang University, its First Affiliated Hospital, and the Nanchang's Women's Federation to launch multifaceted initiatives in Jiangxi Province.

Free Healthcare Services in Mainland China

Over the years, LKSF has contributed over RMB1 billion to support free medical care services, including "Heart of Gold" Nationwide Hospice Care Services, China Disabled Persons Federation's "Cheung Kong New Milestone" (three phases) to install prosthetics and provide rehabilitation support and training, Nationwide Medical Relief for the Poor, and the Kumbum Tibetan Medical Hospital Aid Programme. Over 17 million patients have benefited.

Overseas Medical Research

In 2018, LKSF made new commitments of over HK\$250 million to support overseas projects. These include the following donations: HK\$7 million to Medecins Sans Frontieres to support the organisation's work in Bangladesh and an HIV/AIDs Project in the Republic of Congo; and HK\$25 million (approximately A\$4.5 million) to the University of Sydney to support Australia's first clinical trial testing Chimeric Antigen Receptor (CAR) T-cell immunotherapy.

LKSF will continue to cultivate a culture of giving as its unchanging promise.



Mr Li Ka-shing receives a Special Contribution Award from the Chinese Medical Association.



Information on Directors

Biographical Details of Directors

LI Tzar Kuoi, Victor

aged 54, has been a Director of the Company since December 2014. He was designated as Executive Director, Managing Director and Deputy Chairman of the Company in January 2015, re-designated as Executive Director, Group Co-Managing Director and Deputy Chairman of the Company in June 2015, and appointed as Chairman of the Company since 10 May 2018. Mr Li has been a member of the Remuneration Committee of the Company since 10 May 2018 and Chairman of the Nomination Committee of the Company since 1 January 2019. He joined Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") in 1985 and acted as Deputy Managing Director from 1993 to 1998. He was Deputy Chairman of Cheung Kong (Holdings) since 1994, Managing Director since 1999 and Chairman of the Executive Committee since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited (the "SEHK") was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He is Chairman, Managing Director and Executive Director of CK Asset Holdings Limited ("CKA"). He was an Executive Director of Hutchison Whampoa Limited ("HWL") since 1995 and Deputy Chairman since 1999 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. Mr Li is the Chairman of CK Infrastructure Holdings Limited ("CKI") and CK Life Sciences Int'l., (Holdings) Inc. ("CKLS"), a Non-executive Director of Power Assets Holdings Limited ("Power Assets") and HK Electric Investments Manager Limited ("HKEIML") as the trustee-manager of HK Electric Investments ("HKEI"), a Non-executive Director and Deputy Chairman of HK Electric Investments Limited ("HKEIL") and Co-Chairman of Husky Energy Inc. ("Husky Energy"). Save and except CKA, the aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Li acts as Chairman, Co-Chairman, Deputy Chairman or Director for the purpose of overseeing the management of such businesses. Mr Li is also the Deputy Chairman of Li Ka Shing Foundation Limited ("LKSF"), Li Ka Shing (Overseas) Foundation ("LKSOF") and Li Ka Shing (Canada) Foundation, and a Director of The Hongkong and Shanghai Banking Corporation Limited. He serves as a member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China. He is also a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr Li is the Honorary Consul of Barbados in Hong Kong. He holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering and an honorary degree, Doctor of Laws, honoris causa (LL.D.). Mr Li is a son of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), and a nephew of Mr Kam Hing Lam, Deputy Managing Director of the Company. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

FOK Kin Ning, Canning

aged 67, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director and Group Co-Managing Director of the Company in June 2015. He has been a member of the Nomination Committee of the Company since 1 January 2019. Mr Fok was a Director of Cheung Kong (Holdings) since 1985 and became a Non-executive Director in 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Fok was an Executive Director of HWL since 1984, Group Managing Director since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is also Chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPHM") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), Power Assets, HKEIML as the trustee-manager of HKEI, and HKEIL, Co-Chairman of Husky Energy and Deputy Chairman of CKI. The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Fok acts as Chairman, Co-Chairman, Deputy Chairman or Director for the purpose of overseeing the management of such businesses. Mr Fok is a director of certain companies controlled by a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of Chartered Accountants Australia and New Zealand.

Frank John SIXT

aged 67, has been a Non-executive Director of the Company since January 2015 and was re-designated as an Executive Director, Group Finance Director and Deputy Managing Director of the Company in June 2015. He has been a member of the Nomination Committee of the Company since 1 January 2019. Mr Sixt was an Executive Director of Cheung Kong (Holdings) since 1991 and became a Non-executive Director in 1998 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He was an Executive Director of HWL since 1991, Group Finance Director since 1998 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is also Non-executive Chairman of TOM Group Limited ("TOM"), an Executive Director of CKI, a Director of HTAL and Husky Energy, and an Alternate Director to Directors of HTAL, HKEIML as the trustee-manager of HKEI, and HKEIL. The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Sixt acts as Chairman or Director for the purpose of overseeing the management of such businesses. Mr Sixt is a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Québec and Ontario, Canada.

IP Tak Chuen, Edmond

aged 66, has been a Director of the Company since December 2014 and was designated as an Executive Director and Deputy Managing Director of the Company in January 2015. He has been a member of the Nomination Committee of the Company since 1 January 2019. He is an Executive Director and a Deputy Managing Director of CKA. He was an Executive Director of Cheung Kong (Holdings) since 1993 and Deputy Managing Director since 2005 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. Mr Ip is also an Executive Director and Deputy Chairman of CKI, Senior Vice President and Chief Investment Officer of CKLS, and a Non-executive Director of Hui Xian Asset Management Limited ("HXAML") as the manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT"). Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Ip acts as Director or senior executive for the purpose of overseeing the management of such businesses. Mr Ip is a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

KAM Hing Lam

aged 72, has been an Executive Director and Deputy Managing Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He is also an Executive Director and Deputy Managing Director of CKA. Mr Kam was Deputy Managing Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015 and he was re-designated as Director of Cheung Kong (Holdings) in June 2015. He is also Group Managing Director of CKI and the President and Chief Executive Officer of CKLS. Mr Kam was an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is also Chairman of HXAML as the manager of Hui Xian REIT. Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Kam acts as Director or senior executive for the purpose of overseeing the management of such businesses. He holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. Mr Kam is the brother-in-law of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the SFO, and an uncle of Mr Li Tzar Kuoi, Victor, Chairman and Group Co-Managing Director of the Company.

LAI Kai Ming, Dominic

aged 65, has been an Executive Director and Deputy Managing Director of the Company since June 2015 and a member of the Nomination Committee of the Company since 1 January 2019. Mr Lai was an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is a Non-executive Director of HTHKH, a Director of HTAL and a member of the Board of Commissioners of PT Duta Intidaya Tbk ("PTDI"). He is also an Alternate Director to Directors of HTHKH, HTAL and TOM. The aforementioned companies are either subsidiaries or associated companies of the Group of which Mr Lai acts as Director or Commissioner for the purpose of overseeing the management of such businesses. Mr Lai has over 35 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Information on Directors

Edith SHIH

aged 67, has been an Executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since 1 January 2019. She is also the Company Secretary of the Company and was the Head Group General Counsel of the Company from June 2015 to March 2017. She was previously the Head Group General Counsel of HWL from 1993 to June 2015 and has been the Company Secretary of HWL since 1997. HWL was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. She is a Non-executive Director of HTHKH, Hutchison China MediTech Limited ("Chi-Med") and HPHM as the trustee-manager of HPH Trust. She is also a member of the Board of Commissioners of PTDI. The aforementioned companies are either subsidiaries or associated companies of the Group of which Ms Shih acts as Director or Commissioner for the purpose of overseeing the management of such businesses. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is at present the International President and Executive Committee Chairman of the Institute of Chartered Secretaries and Administrators ("ICSA") as well as a past President and current chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also the Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants, a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the ICSA and HKICS, holding Chartered Secretary and Chartered Governance Professional dual designations. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHOW Kun Chee, Roland

aged 81, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He was a Director of Cheung Kong (Holdings) since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Chow is a solicitor of the High Court of the Hong Kong Special Administrative Region and is a consultant of Messrs. Herbert Tsoi and Partners, Solicitors. He holds a Master of Laws degree from the University of London. Mr Chow is a cousin of Mr Leung Siu Hon, a Non-executive Director of the Company. Mr Chow is a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO, and a director of certain companies controlled by certain substantial shareholders of the Company.

LEE Yeh Kwong, Charles

GBM, GBS, OBE, JP, aged 82, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. Mr Lee was a Non-executive Director of Cheung Kong (Holdings) since 2013 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was a Director of Cheung Kong (Holdings) during the period from August 1972 to March 1997. Mr Lee was also a Non-executive Director of HWL since 2013 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is the President, Chairman of the Board and a Vice Patron of The Community Chest of Hong Kong as well as a member of the Board of Governors of Our Hong Kong Foundation. Mr Lee is one of the founders of the solicitor's firm Woo Kwan Lee & Lo, a major law firm in Hong Kong. He holds a Master's degree in law and is a qualified solicitor in both Hong Kong and the United Kingdom. He was awarded the degree of Doctor of Laws honoris causa by The Hong Kong University of Science and Technology, the degree of Doctor of Business Administration honoris causa by The Hong Kong Polytechnic University and the degree of Doctor of Social Sciences honoris causa by the University of Hong Kong and The Open University of Hong Kong respectively. Mr Lee is also a qualified accountant and a chartered secretary.

LEUNG Siu Hon

aged 87, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He was a Director of Cheung Kong (Holdings) since 1984 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was an Independent Non-executive Director of Cheung Kong (Holdings) prior to his re-designation as a Non-executive Director of Cheung Kong (Holdings) in September 2004. Mr Leung holds a B.A. Law (Honours) (Southampton) degree, and has been awarded the Honorary degree of Doctor of Laws by the University of Southampton in July 2001 and appointed by the Northwest University of Politics & Law, China to the post of Adjunct Professor in May 2014. Mr Leung is a solicitor of the High Court of the Hong Kong Special Administrative Region and an attesting officer appointed by the People's Republic of China. He is presently a consultant of Messrs. S.H. Leung and Co., Solicitors. Mr Leung is a cousin of Mr Chow Kun Chee, Roland, a Non-executive Director of the Company.

George Colin MAGNUS

OBE, BBS, aged 83, has been a Non-executive Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He acted as an Executive Director of Cheung Kong (Holdings) since 1980 and Deputy Chairman since 1985 until he retired from these offices in October 2005. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. He was a Non-executive Director of Cheung Kong (Holdings) since November 2005 until June 2015. Mr Magnus was an Executive Director of HWL since 1980 and was re-designated as a Non-executive Director since November 2005 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He served as Deputy Chairman of HWL from 1984 to 1993. He is also a Non-executive Director of CKI, an Independent Non-executive Director of HKEIML as the trustee-manager of HKEI, and HKEIL, and a Director (independent) of Husky Energy. Mr Magnus holds a Master's degree in Economics.

WOO Mo Fong, Susan (alias CHOW WOO Mo Fong, Susan)

aged 65, has been a Non-executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since 1 January 2019. She was an Executive Director and Group Deputy Managing Director of the Company from June 2015 to July 2016, Senior Advisor of the Company from August 2016 to December 2016, Executive Director of HWL (which was privatised by way of a scheme of arrangement and became a wholly owned subsidiary of the Company since June 2015) from October 1993 to June 2015, Deputy Group Managing Director from January 1998 to June 2015 and Director from June 2015 to July 2016. Prior to joining HWL, Mrs Chow was a partner of Woo Kwan Lee & Lo, a major law firm in Hong Kong. Mrs Chow is an Alternate Director to Directors of CKI, HKEIML as the trustee-manager of HKEI, and HKEIL. She previously served as a member of the Listing Committee of the SEHK, the Joint Liaison Committee on Taxation of the Law Society of Hong Kong, the Committee on Real Estate Investment Trusts of the Securities and Futures Commission, the Trade and Industry Advisory Board, the Court of the Hong Kong University of Science and Technology and the Appeal Boards Panel (Education). Mrs Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

KWOK Tun-li, Stanley

aged 92, has been an Independent Non-executive Director of the Company since January 2015, a member of the Audit Committee of the Company since March 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He was a member of the Remuneration Committee of the Company from March 2015 to June 2015. He was a Director of Cheung Kong (Holdings) since 1989 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. Mr Kwok holds a Bachelor's degree in Science (Architecture) from St. John's University, Shanghai, China, and an A.A. Diploma from the Architectural Association School of Architecture, London, England. Mr Kwok is a Director (independent) of Husky Energy. He is also presently a Director of Amara Holdings Inc. and Element Lifestyle Retirement Inc..

CHENG Hoi Chuen, Vincent

GBS, OBE, JP, aged 70, has been an Independent Non-executive Director and a member of both the Audit Committee and the Remuneration Committee of the Company since June 2015, and a member of the Nomination Committee of the Company since 1 January 2019. He was an Independent Non-executive Director of HWL since 2014 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is an Independent Non-executive Director of MTR Corporation Limited, Great Eagle Holdings Limited, CLP Holdings Limited, HXAML as manager of Hui Xian REIT, Shanghai Industrial Holdings Limited and Wing Tai Properties Limited. He was previously an Independent Non-executive Director of China Minsheng Banking Corp., Ltd.. Mr Cheng joined The Hongkong and Shanghai Banking Corporation Limited in 1978 of which he became Chief Financial Officer in 1994, General Manager and an Executive Director in 1995 and Chairman from 2005 to 2010. He was also the Chairman of HSBC Bank (China) Limited from 2007 to 2011, an Executive Director of HSBC Holdings plc from 2008 to 2011 and an adviser to the Group Chief Executive of HSBC Holdings plc from 2011 to 2012. In 2008, Mr Cheng was appointed as a member of the 11th National Committee of the CPPCC of the People's Republic of China and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC of the People's Republic of China. Mr Cheng's previous government advisory roles include being a member of the Executive Council (the Hong Kong government's highest policy-making body) from 1995 to 1997, Hong Kong Affairs Adviser to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council of the Hong Kong Government from 1991 to 1995. In 2005, Honorary Doctorates of Social Science and of Business Administration were conferred on Mr Cheng by The Chinese University of Hong Kong and The Open University of Hong Kong respectively. Mr Cheng holds a Bachelor of Social Science degree in Economics and a Master of Philosophy degree in Economics.

Information on Directors

The Hon Sir Michael David KADOORIE

GBS, Commandeur de la Légion d'Honneur, Commandeur de l'Ordre des Arts et des Lettres, Commandeur de l'Ordre de la Couronne, Commandeur de l'Ordre de Leopold II, aged 77, has been an Independent Non-executive Director of the Company since June 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He was a Director of HWL since 1995 until July 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is the Chairman of CLP Holdings Limited and The Hongkong and Shanghai Hotels, Limited, as well as Heliservices (Hong Kong) Limited.

LEE Wai Mun, Rose

JP, aged 66, has been an Independent Non-executive Director of the Company since June 2015 and a member of the Nomination Committee of the Company since 1 January 2019. She was an Independent Non-executive Director of HWL since 2012 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. She is also an Independent Non-executive Director of Swire Pacific Limited and MTR Corporation Limited, a Board Member of The Community Chest of Hong Kong as well as Deputy Chairman and a member of its Executive Committee and Nominating Committee respectively and a Board Member of the West Kowloon Cultural District Authority and a member of its Investment Committee. Ms Lee was previously an Executive Director, Vice-chairman and Chief Executive of Hang Seng Bank Limited, Group General Manager of HSBC Holdings plc, Chairman of the Board of Governors of Hang Seng Management College ("HSMC", now known as The Hang Seng University of Hong Kong), Vice President of The Hong Kong Institute of Bankers, Vice-chairman of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, a member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a member of the Court of The Hong Kong University of Science and Technology. Ms Lee is a Fellow of The Hong Kong Institute of Bankers. She holds a Bachelor's degree in Business Administration.

William Elkin MOCATTA

aged 66, has been an Alternate Director to The Hon Sir Michael David Kadoorie, an Independent Non-executive Director of the Company, since June 2015. He was an Alternate Director to The Hon Sir Michael David Kadoorie, former Independent Non-executive Director of HWL, since 1997 until July 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. He is the Chairman of CLP Power Hong Kong Limited, CLP Properties Limited and Castle Peak Power Company Limited. He is also the Vice Chairman of CLP Holdings Limited and a Director of The Hongkong and Shanghai Hotels, Limited. He is a Fellow of The Institute of Chartered Accountants in England and Wales.

William SHURNIAK

S.O.M., M.S.M., LLD (Hon), aged 87, has been an Independent Non-executive Director and a member of the Audit Committee of the Company since June 2015, and a member of the Nomination Committee of the Company since 1 January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. In addition, Mr Shurniak is a Director (independent) and Deputy Chairman of Husky Energy. He has broad banking experience and he holds Honorary Doctor of Laws degrees from the University of Saskatchewan, The University of Western Ontario and the University of Regina in Canada. He was awarded the Saskatchewan Order of Merit by the Government of Saskatchewan in 2009, the Queen Elizabeth II Diamond Jubilee Medal by the Lieutenant Governor of Saskatchewan in 2012 and the Meritorious Service Medal by Governor General of Canada in 2016.

WONG Chung Hin

CBE, JP, aged 85, has been an Independent Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee of the Company since June 2015, and a member of the Nomination Committee of the Company since 1 January 2019. He was a Director of HWL since 1984 until June 2015 upon the privatisation of HWL by way of a scheme of arrangement, which became a wholly owned subsidiary of the Company. Mr Wong is an Independent Non-executive Director of Power Assets. He is a solicitor.

WONG Yick-ming, Rosanna

DBE, JP, aged 66, has been an Independent Non-executive Director of the Company since January 2015, Chairman of the Remuneration Committee of the Company since March 2015 and a member of the Nomination Committee of the Company since 1 January 2019. She was an Independent Non-executive Director of Cheung Kong (Holdings) since 2001 until June 2015. The listing status of Cheung Kong (Holdings) on the SEHK was replaced by the Company in March 2015. She was previously an Alternate Director of the Company and Cheung Kong (Holdings). She is currently a member of the 13th National Committee of the CPPCC of the People's Republic of China. She is also a member of The Hong Kong University of Science and Technology Business School Advisory Council and serves as a Global Advisor to Mars, Incorporated. She is an Independent Non-executive Director of HTHKH and The Hongkong and Shanghai Hotels, Limited, the Senior Advisor of The Hong Kong Federation of Youth Groups ("HKFYG"), a Director of RJJ Ideas Limited, a Steward of The Hong Kong Jockey Club, a member of the Board of Governors of Our Hong Kong Foundation and Chairman of the Advisory Board of California Center Early Learning School, Shanghai. She was previously the Executive Director of HKFYG, Non-executive Chairman of the Advisory Committee of The Hongkong Bank Foundation and an Independent Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. She holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), U.S.A. and has been awarded Honorary Doctorates by The Chinese University of Hong Kong, The Hong Kong Polytechnic University, the University of Hong Kong, The Hong Kong Institute of Education and University of Toronto in Canada.

Changes in Information of Directors

Pursuant to Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2018 Interim Report of the Company are set out below:

Directors	Details of Changes
Victor T K Li	Appointed as <ul style="list-style-type: none">- Chairman of the Nomination Committee of each of the Company, CKA, CKI and CKLS on 1 January 2019- member of the Nomination Committee of each of Power Assets and HKEIL on 1 January 2019
Fok Kin Ning, Canning	Appointed as <ul style="list-style-type: none">- member of the Nomination Committee of each of the Company and CKI on 1 January 2019- Chairman of the Nomination Committee of each of HTHKH, Power Assets and HKEIL on 1 January 2019
Frank John Sixt	Appointed as member of the Nomination Committee of each of the Company and CKI on 1 January 2019
Ip Tak Chuen, Edmond	Appointed as member of the Nomination Committee of each of the Company, CKA, CKI and CKLS on 1 January 2019
Kam Hing Lam	Appointed as member of the Nomination Committee of each of the Company, CKA, CKI and CKLS on 1 January 2019
Lai Kai Ming, Dominic	Appointed as member of the Nomination Committee of each of the Company and HTHKH on 1 January 2019
Edith Shih	Appointed as member of the Nomination Committee of each of the Company and HTHKH on 1 January 2019
Chow Kun Chee, Roland	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Chow Woo Mo Fong, Susan	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Lee Yeh Kwong, Charles	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Leung Siu Hon	Appointed as member of the Nomination Committee of the Company on 1 January 2019
George Colin Magnus	Appointed as member of the Nomination Committee of each of the Company, CKI and HKEIL on 1 January 2019

Information on Directors

Directors	Details of Changes
Kwok Tun-li, Stanley	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Cheng Hoi Chuen, Vincent	Appointed as member of the Nomination Committee of the Company on 1 January 2019
The Hon Sir Michael David Kadoorie	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Lee Wai Mun, Rose	<p>Appointed as</p> <ul style="list-style-type: none"> - member of the Board of the West Kowloon Cultural District Authority on 23 October 2018 - member of the Investment Committee of the West Kowloon Cultural District Authority on 15 November 2018 - member of the Nomination Committee of the Company on 1 January 2019 <p>Ceased to act as</p> <ul style="list-style-type: none"> - Vice President of The Hong Kong Institute of Bankers in 2017 - Vice-chairman of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen in 2017 - Member of the Consulting Committee of Qianhai & Shekou Area of Shenzhen, China (Guangdong) Pilot Free Trade Zone, and Qianhai Shenzhen - Hong Kong Modern Service Industry Cooperation Zone of Shenzhen in 2017 - Member of the Court of The Hong Kong University of Science and Technology in 2018 - Chairman of the Nomination Committee for appointment of Council Members of HSMC on 1 July 2018 - Chairman of the Nomination Committee for appointment of Governors and Board Committee Chairmen/ Members of HSMC on 1 July 2018
William Shurniak	Appointed as member of the Nomination Committee of the Company on 1 January 2019
Wong Chung Hin	Appointed as member of the Nomination Committee of each of the Company and Power Assets on 1 January 2019
Wong Yick Ming, Rosanna	<p>Appointed as</p> <ul style="list-style-type: none"> - Steward of The Hong Kong Jockey Club in August 2018 - Member of the Board of Governors of Our Hong Kong Foundation in August 2018 - Chairman of the Advisory Board of the California Center Early Learning School, Shanghai in August 2018 - member of the Nomination Committee of each of the Company and HTHKH on 1 January 2019 <p>Ceased to act as member of the Advisory Committee of The Jockey Club CPS Limited on 3 September 2018</p>

In respect of the change in emoluments of Directors, please refer to note 4 to the financial statements on pages 192 to 193.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "CKHH Securities Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares Held	Total	Approximate % of Shareholding
Li Tzar Kuoi, Victor	Beneficiary of trusts	Other interest	1,160,195,710 ⁽¹⁾)	1,163,393,260	30.1691%
	Beneficial owner	Personal interest	220,000)		
	Interest of controlled corporations	Corporate interest	2,572,350 ⁽²⁾⁽³⁾)		
	Interest of spouse	Family interest	200,000)		
	Interest of child	Family interest	205,200 ⁽⁴⁾)		
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	5,111,438 ⁽⁵⁾	5,111,438	0.1325%
Frank John Sixt	Beneficial owner	Personal interest	136,800	136,800	0.0035%
Kam Hing Lam	Beneficial owner	Personal interest	51,040)	108,400	0.0028%
	Interest of child	Family interest	57,360)		
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	34,200	34,200	0.0008%
Edith Shih	Beneficial owner	Personal interest	52,125)	57,187	0.0014%
	Interest of spouse	Family interest	5,062)		
Chow Kun Chee, Roland	Beneficial owner	Personal interest	99,752	99,752	0.0025%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	129,960	129,960	0.0033%
Lee Yeh Kwong, Charles	Beneficial owner	Personal interest	762,124)	806,584	0.0209%
	Interest of spouse	Family interest	37,620)		
	Interest of a controlled corporation	Corporate interest	6,840 ⁽⁶⁾)		
Leung Siu Hon	Beneficial owner	Personal interest	663,968)	748,030	0.0193%
	Interest of spouse	Family interest	84,062)		

Information on Directors

Directors	Capacity	Nature of Interests	Number of Shares Held	Approximate % of	
				Total	Shareholding
George Colin Magnus	Founder and/or beneficiary of a discretionary trust	Other interest	833,868 ⁽⁷⁾	936,000	0.0242%
	Beneficial owner	Personal interest	85,361		
	Interest of spouse	Family interest	16,771		
Cheng Hoi Chuen, Vincent	Beneficial owner	Personal interest	10,000	10,000	0.0002%
Michael David Kadoorie	Founder, a beneficiary and/or a discretionary object of discretionary trust(s)	Other interest	11,752,120 ⁽⁸⁾	11,752,120	0.3047%
William Shurniak	Beneficial owner	Personal interest	265,000	265,000	0.0068%

Notes:

(1) The 1,160,195,710 shares of the Company comprise:

- (a) 1,003,380,744 shares held by Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1") and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies"). Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Unity Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, Mr Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO as a Director of the Company.

- (b) 72,387,720 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3") and its related companies in which TUT3 as trustee of UT3 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT3 related companies"). Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3, TDT3 and TDT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, Mr Li Tzar Kuoi, Victor is taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 and TUT3 related companies under the SFO as a Director of the Company.

- (c) 84,427,246 shares held by a company controlled by TDT3 as trustee of DT3.

- (2) Among those shares, 300,000 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (3) Among those shares, 2,272,350 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (4) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.
- (5) Such shares are held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- (6) Such shares are held by a company of which Mr Lee Yeh Kwong, Charles is interested in the entire issued share capital.
- (7) 184,000 shares are held by a company controlled by a trust of which Mr George Colin Magnus is a discretionary beneficiary and 649,868 shares are indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and/or a discretionary beneficiary.
- (8) Such shares are ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 31 December 2018, Mr Li Tzar Kuoi, Victor, as a Director of the Company, was deemed to be interested in the following by virtue of, inter alia, his interests as described in Note (1) above:

- (i) 5,428,000 ordinary shares, representing approximately 0.20% of the issued voting shares, in CKI held by TUT1 as trustee of UT1;
- (ii) 153,280 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by TUT3 as trustee of UT3;
- (iii) 294,703,249 common shares, representing approximately 29.32% of the issued voting shares, in Husky Energy held by a company controlled by TDT3 as trustee of DT3; and
- (iv) 15,000,000 ordinary shares, representing approximately 15% of the issued voting shares, in Beautiland Company Limited held by a wholly owned subsidiary of TUT1 as trustee of UT1.

As at 31 December 2018, Mr Li Tzar Kuoi, Victor was also deemed to be interested in (i) 7,870,000 share stapled units, representing approximately 0.08% of the issued voting share stapled units, in HKEI and HKEIL of which 5,170,000 share stapled units are held by LKSF and 2,700,000 share stapled units are held by a wholly owned subsidiary of LKSOF; (ii) 2,835,759,715 ordinary shares, representing approximately 29.50% of the issued voting shares, in CKLS held by wholly owned subsidiaries of LKSF; and (iii) 245,546 ordinary shares, representing approximately 0.005% of the issued voting shares, in HTHKH held by LKSOF. By virtue of the terms of the constituent documents of LKSF and LKSOF, Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF and LKSOF.

Information on Directors

In addition, Mr Li Tzar Kuoi, Victor had, as at 31 December 2018, the following interests:

- (i) personal interests in 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS held in his capacity as a beneficial owner;
- (ii) family interests in (a) 192,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in HTHKH held by a company in which his child is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings; and (b) 227,000 ordinary shares, representing approximately 0.008% of the issued voting shares, in CKI held by his spouse; and
- (iii) corporate interests in (a) a nominal amount of US\$45,792,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited ("HWI(09)"); (b) 2,519,250 ordinary shares, representing approximately 0.05% of the issued voting shares, in HTHKH; and (c) a nominal amount of US\$38,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by CK Hutchison Capital Securities (17) Limited, which are held by companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

Mr Fok Kin Ning, Canning had, as at 31 December 2018, the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (ii) family interests in 26,740 ordinary shares, representing approximately 0.04% of the issued voting shares, in Chi-Med held by his spouse;
- (iii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.02% of the issued voting shares, in HTHKH;
- (iv) corporate interests in 255,365 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy;
- (v) corporate interests in 2,000,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL; and
- (vi) corporate interests in 1,500,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS.

Mr Fok Kin Ning, Canning holds the above personal interests in his capacity as a beneficial owner and holds the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in (i) 1,000,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in HTAL; (ii) 17,000 American depositary shares (each representing 15 ordinary shares), representing approximately 0.01% of the issued voting shares, in HTHKH; (iii) 70,190 common shares, representing approximately 0.01% of the issued voting shares, in Husky Energy; (iv) 900,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS; and (v) 492,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM.

Mr Ip Tak Chuen, Edmond in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in (i) 262,840 common shares, representing approximately 0.02% of the issued voting shares, in Husky Energy; and (ii) 2,250,000 ordinary shares, representing approximately 0.02% of the issued voting shares, in CKLS.

Mr Kam Hing Lam had, as at 31 December 2018, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in CKI held in his capacity as a beneficial owner; and
- (ii) family interests in (a) 100,000 ordinary shares, representing approximately 0.004% of the issued voting shares, in Power Assets; (b) 1,025,000 share stapled units, representing approximately 0.01% of the issued voting share stapled units, in HKEI and HKEIL; and (c) 6,225,000 ordinary shares, representing approximately 0.06% of the issued voting shares, in CKLS, which are held by his child.

Ms Edith Shih in her capacity as a beneficial owner had, as at 31 December 2018, personal interests in (i) 70,000 ordinary shares and 100,000 American depository shares (each representing 0.5 ordinary share), in aggregate representing approximately 0.18% of the issued voting shares, in Chi-Med; (ii) a nominal amount of US\$300,000 in the 7.625% Notes due 2019 issued by HWI(09); and (iii) a nominal amount of US\$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited.

Mr Chow Kun Chee, Roland in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in (i) 10,000 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKI; (ii) 903,936 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS; (iii) 134,918 ordinary shares, representing approximately 0.01% of the issued voting shares, in Power Assets; (iv) 582,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in TOM; and (v) 33,730 share stapled units, representing approximately 0.0003% of the issued voting share stapled units, in HKEI and HKEIL.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2018, personal interests in 250,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in HTHKH.

Mr Lee Yeh Kwong, Charles had, as at 31 December 2018, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.003% of the issued voting shares, in CKI held in his capacity as a beneficial owner;
- (ii) 247,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in Power Assets comprising corporate interests in 100,000 ordinary shares held through a company of which Mr Lee is interested in the entire issued share capital and family interests in 147,000 ordinary shares held by his spouse;
- (iii) family interests in 1,532 common shares, representing approximately 0.0001% of the issued voting shares, in Husky Energy held by his spouse; and
- (iv) corporate interests in 25,000 share stapled units, representing approximately 0.0002% of the issued voting share stapled units, in HKEI and HKEIL held through a company of which Mr Lee is interested in the entire issued share capital.

Mr Leung Siu Hon had, as at 31 December 2018, the following interests:

- (i) 2,106,000 share stapled units, representing approximately 0.02% of the issued voting share stapled units, in HKEI and HKEIL comprising personal interests in 1,200,000 share stapled units held in his capacity as a beneficial owner and family interests in 906,000 share stapled units held by his spouse;
- (ii) personal interests in 100,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in TOM held in his capacity as a beneficial owner; and
- (iii) 1,693,100 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS comprising (a) personal interests in 1,688,130 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 2,000 ordinary shares held by his spouse; and (c) corporate interests in 2,970 ordinary shares held by a company which is wholly owned by Mr Leung and his spouse.

Information on Directors

Mr George Colin Magnus had, as at 31 December 2018, the following interests:

- (i) 13,333 ordinary shares, representing approximately 0.0002% of the issued voting shares, in HTHKH comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse;
- (ii) personal interests in 34,974 common shares and 38,753 unlisted and physically settled Deferred Share Units (each representing one common share), in aggregate representing approximately 0.01% of the issued voting shares, in Husky Energy held in his capacity as a beneficial owner; and
- (iii) 765,000 ordinary shares, representing approximately 0.01% of the issued voting shares, in CKLS comprising (a) personal interests in 753,360 ordinary shares held in his capacity as a beneficial owner; (b) family interests in 600 ordinary shares held by his spouse; and (c) other interests in 11,040 ordinary shares held by a company controlled by a trust of which Mr Magnus is a discretionary beneficiary.

Mr Kwok Tun-li, Stanley had, as at 31 December 2018, the following interests:

- (i) 102,287 common shares, representing approximately 0.01% of the issued voting shares, in Husky Energy comprising (a) personal interests in 20,606 common shares held in his capacity as a beneficial owner; (b) family interests in 10,215 common shares held by his spouse; and (c) family interests in 71,466 unlisted and physically settled Deferred Share Units (each representing one common share) held by his spouse; and
- (ii) family interests in 200,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS held by his spouse.

Ms Lee Wai Mun, Rose had, as at 31 December 2018, the following interests:

- (i) personal interests in 2,200 ordinary shares, representing approximately 0.0001% of the issued voting shares, in Power Assets held in her capacity as a beneficial owner; and
- (ii) 43,122 common shares, representing approximately 0.004% of the issued voting shares, in Husky Energy comprising corporate interests in 10,488 common shares held through a company of which Ms Lee is interested in the entire issued share capital and other interests in 32,634 common shares held jointly with another person.

Mr William Shurniak in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in (i) 43,376 common shares, representing approximately 0.004% of the issued voting shares, in Husky Energy; and (ii) 225,000 ordinary shares, representing approximately 0.002% of the issued voting shares, in CKLS.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the CKHH Securities Code.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Directors' Interests in Competing Business

During the year ended 31 December 2018, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Core Business Activities of the Company and its subsidiaries:

- (1) Ports and related services
- (2) Retail
- (3) Infrastructure
- (4) Energy
- (5) Telecommunications

Interests in Competing Business:

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Li Ka-shing	CKA	Chairman ^(a)	(3) & (4)
Victor T K Li	CKA	Chairman ^(b) and Managing Director	(3) & (4)
	CKLS	Chairman	(2)
	HKEIML as trustee-manager of HKEI, and HKEIL	Deputy Chairman of HKEIL and Non-executive Director of both HKEIML and HKEIL	(3) & (4)
	Husky Energy Power Assets	Co-Chairman Non-executive Director	(4) (3) & (4)
Fok Kin Ning, Canning	HKEIML as trustee-manager of HKEI, and HKEIL	Chairman	(3) & (4)
	HPHM as trustee-manager of HPH Trust	Chairman	(1)
	Husky Energy Power Assets	Co-Chairman Chairman	(4) (3) & (4)
	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
Frank John Sixt	Husky Energy	Director	(4)
	TOM	Non-executive Chairman	(5)

Information on Directors

Directors	Name of Company/ Partnership/ Sole Proprietorship	Interest in the Competing Business	Nature of Competing Business
Ip Tak Chuen, Edmond	CKA	Deputy Managing Director	(3) & (4)
	CKLS	Senior Vice President and Chief Investment Officer	(2)
Kam Hing Lam	CKA	Deputy Managing Director	(3) & (4)
	CKLS	President and Chief Executive Officer	(2)
Lai Kai Ming, Dominic	TOM	Alternate Director	(5)
Edith Shih	HPHM as trustee-manager of HPH Trust	Non-executive Director	(1)
Chow Woo Mo Fong, Susan	HKEIML as trustee-manager of HKEI, and HKEIL	Alternate Director	(3) & (4)
Lee Yeh Kwong, Charles	Team Investment Limited	Director and Shareholder	(4)

Notes:

- (a) Retired as Chairman and Executive Director on 10 May 2018
- (b) Appointed as Chairman on 10 May 2018

Save as disclosed above, none of the Directors is interested in any businesses (apart from the businesses of the Company or its subsidiaries) which compete or are likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries during the year.

Information on Senior Management

Biographical Details of Senior Management

The Company is engaged in five core businesses, each with a Managing Director who oversees the operations of the relevant business, with his own team of executives, under the guidance of the Board and supported by executives from the head office of the Company. The senior management of the Company comprises the Managing Directors of these core businesses and the executives in charge of major head office functions of the Company.

CHEUNG Kwan Hoi

aged 54, has been Group Deputy Chief Financial Officer of the Company since June 2015 and was previously the Group Deputy Chief Financial Officer since 2011 of Hutchison Whampoa Limited ("HWL"), which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the CK Hutchison Holdings Limited group (the "Group") for over 21 years in various finance and accounting roles and has over 30 years of experience in accounting and finance. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Management Science. He is a member of both the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants.

IP Sing Chi

aged 65, has been Group Managing Director of Hutchison Port Holdings Limited, the Company's ports division, since 2014 and has been with the Group since 1993. He is an Executive Director of Hutchison Port Holdings Management Pte. Limited ("HPHM") as trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"). He is also a Non-independent Non-executive Director of Westports Holdings Berhad, an Independent Non-executive Director of COSCO SHIPPING Energy Transportation Co., Ltd. and Piraeus Port Authority S.A. and a Non-executive Director of Orient Overseas (International) Limited. He was previously an Independent Non-executive Director of COSCO SHIPPING Ports Limited and an outside Director of Hyundai Merchant Marine Co., Ltd.. In addition, Mr Ip was a member of the Hong Kong Port Development Council from 2009 until the end of December 2014 and was the founding Chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited. He has over 35 years of experience in the maritime industry. He holds a Bachelor of Arts degree.

KAM Hing Lam

aged 72, has been an Executive Director and Deputy Managing Director of the Company since January 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He is also an Executive Director and a Deputy Managing Director of CK Asset Holdings Limited ("CKA"). He is the founding Group Managing Director of CK Infrastructure Holdings Limited, the infrastructure arm of the Company, and the founding President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc., the agriculture-related/nutraceutical/pharmaceutical business of the Company. Mr Kam was Deputy Managing Director of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") since 1993 until June 2015. The listing status of Cheung Kong (Holdings) on The Stock Exchange of Hong Kong Limited was replaced by the Company in March 2015 and he was then re-designated as Director of Cheung Kong (Holdings) in June 2015. He was an Executive Director of HWL since 1993 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement and became a wholly owned subsidiary of the Company. He is also the Chairman and a Non-executive Director of Hui Xian Asset Management Limited ("HXAML") as manager of Hui Xian Real Estate Investment Trust. Save and except CKA and HXAML, the aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Kam acts as Director or senior executive for the purpose of overseeing the management of such businesses. Prior to joining the Group, Mr Kam had more than 20 years of experience in senior and regional capacities at major US multinational companies, including Johnson and Johnson, American Express and Levi Strauss. Mr Kam holds a Bachelor of Science degree in Engineering and a Master's degree in Business Administration. He is the brother-in-law of Mr Li Ka-shing, the Senior Advisor of the Company and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the uncle of Mr Li Tzar Kuoi, Victor, Chairman and Group Co-Managing Director of the Company.

Information on Senior Management

LAI Kai Ming, Dominic

aged 65, has been an Executive Director and Deputy Managing Director of the Company since June 2015 and a member of the Nomination Committee of the Company since 1 January 2019. He was an Executive Director of HWL since 2000 and was re-designated as Director in June 2015 upon the privatisation of HWL by way of a scheme of arrangement and became a wholly owned subsidiary of the Company. He is Group Managing Director of the A.S. Watson Group, the retail arm of the Company, and has been with the Group for over 20 years. He is also a Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and a Director of Hutchison Telecommunications (Australia) Limited ("HTAL"), as well as Alternate Director to directors of each of HTHKH, HTAL and TOM Group Limited, and a member of the Board of Commissioners of PT Duta Intidaya Tbk ("PTDI"). The aforementioned companies are either subsidiaries or associated companies of the Group in which Mr Lai acts as Director or Commissioner for the purpose of overseeing the management of such businesses. He has over 35 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

LUI Pok Man, Dennis

aged 68, has been Deputy Chairman and a Non-executive Director of HTHKH since 2009 and was re-designated as Co-Deputy Chairman and Non-executive Director of HTHKH on 1 August 2018. He is also currently responsible for the telecommunications operations of the Company in Indonesia, Sri Lanka and Vietnam; and assists in overseeing those in Austria, Denmark, Ireland, Sweden, Italy and the United Kingdom. He has been with the telecommunications arm of the Company for over 32 years in various positions in a number of countries. He has over 33 years of experience in the telecommunications industry. He holds a Bachelor of Science degree.

John Lyon MULCAHY

aged 63, has been Group Treasurer of the Company since June 2015 and was previously the Group Treasurer since January 2015 of HWL, which was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. He has been with the Group since 2000 as Deputy Group Treasurer of HWL and has over 39 years of experience in banking and finance. He holds a Bachelor of Science degree in International Politics and a Master's degree in Business Administration.

Edith SHIH

aged 67, has been an Executive Director of the Company since January 2017 and a member of the Nomination Committee of the Company since 1 January 2019. She is also the Company Secretary of the Company and was the Head Group General Counsel of the Company from June 2015 to March 2017 overseeing legal, regulatory, corporate finance, compliance and corporate governance affairs of the Group. She was previously the Head Group General Counsel of HWL from 1993 to June 2015 and has been the Company Secretary of HWL since 1997. HWL was privatised by way of a scheme of arrangement in June 2015 and is currently a wholly owned subsidiary of the Company. She is also a Non-executive Director of HTHKH, Hutchison China MediTech Limited and HPHM as trustee-manager of HPH Trust, as well as a member of the Board of Commissioners of PTDI. Ms Shih acts as Director or Commissioner of the aforementioned companies of the Group for the purpose of overseeing the management of such businesses. She has been with the Group for over 30 years and has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. She holds a Bachelor of Science degree in Education, a Master of Arts degree in Education, a Master of Arts degree in Teaching of English and a Master of Education degree in Applied Linguistics. She is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, holding Chartered Secretary and Chartered Governance Professional dual designations.

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiary and associated companies and joint ventures are shown on pages 283 to 286.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2018 (if any) as well as an indication of likely future development in the business of the Group are provided in the sections "Chairman's Statement", "Operations Review", "Analyses of Core Business Segments by Geographical Location", "Analyses by Core Business Segments", "Key Financial Information", "Key Business Indicators" and "Business Highlights" on pages 4 to 71 and "Risk Factors" on pages 78 to 84 of this annual report. Discussions on the Group's environmental policies and performance, and an account of the Group's key relationships with its stakeholders are provided in the "Environmental, Social and Governance Report" on pages 85 to 105 of this annual report. Details regarding the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided in the "Environmental, Social and Governance Report" on pages 85 to 105 and the "Corporate Governance Report" on pages 148 to 164 of this annual report. All such discussions form part of this report.

Group Profit

The Consolidated Income Statement is set out on page 170 and shows the Group profit for the year ended 31 December 2018.

Dividends

An interim dividend of HK\$0.87 per share was paid to shareholders on 13 September 2018.

The Directors recommended the declaration of a final dividend of HK\$2.30 per share to be payable on Friday, 31 May 2019 to all persons registered as holders of shares on the register of members of the Company on Wednesday, 22 May 2019, being the record date for determining the entitlement of shareholders to the proposed final dividend.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 44 to the financial statements on pages 281 to 282 and the Consolidated Statement of Changes in Equity on pages 174 to 175 respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$42 million (2017 – approximately HK\$25 million).

Fixed Assets

Particulars of the movements of fixed assets are set out in note 9 to the financial statements on pages 196 to 197.

Report of the Directors

Share Capital

Details of the shares movement during the year are set out in note 29 to the financial statements on page 226.

Directors

As at the date of this report, the board of Directors of the Company (the "Board") comprises Mr Li Tzar Kuoi, Victor, Mr Fok Kin Ning, Canning, Mr Frank John Sixt, Mr Ip Tak Chuen, Edmond, Mr Kam Hing Lam, Mr Lai Kai Ming, Dominic, Ms Edith Shih, Mr Chow Kun Chee, Roland, Mrs Chow Woo Mo Fong, Susan, Mr Lee Yeh Kwong, Charles, Mr Leung Siu Hon, Mr George Colin Magnus, Mr Kwok Tun-ii, Stanley, Mr Cheng Hoi Chuen, Vincent, The Hon Sir Michael David Kadoorie, Ms Lee Wai Mun, Rose, Mr William Elkin Mocatta (Alternate Director to The Hon Sir Michael David Kadoorie), Mr William Shurniak, Mr Wong Chung Hin and Dr Wong Yick-ming, Rosanna.

During the year ended 31 December 2018 and the period up to the date of this report, the following changes to the Board composition took place:

- (1) Mr Li Ka-shing retired as Chairman and Executive Director on 10 May 2018; and
- (2) Mr Li Tzar Kuoi, Victor was appointed as Chairman on 10 May 2018.

Mr Li Tzar Kuoi, Victor, Mr Frank John Sixt, Mrs Chow Woo Mo Fong, Susan, Mr George Colin Magnus, The Hon Sir Michael David Kadoorie, Ms Lee Wai Mun, Rose and Mr William Shurniak will retire by rotation under the provision of Article 111(A) of the Articles of Association of the Company at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the annual general meeting.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all the Independent Non-executive Directors to be independent.

The Directors' biographical details are set out in the "Information on Directors" section of this annual report.

Directors' Service Contract

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Material Interests in Significant Transactions, Arrangements or Contracts

Save as otherwise disclosed in the transactions relating to "Economic Benefits Agreements" under the section "Connected Transactions" in this report, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

Economic Benefits Agreements

During the year ended 31 December 2018 and up to the date of this report, the Group conducted the following transaction which constituted connected transaction for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement dated 31 August 2018 was issued.

On 31 August 2018, Henley Riches Limited ("CKH Sub", an indirect wholly owned subsidiary of the Company) and the Company (as guarantor of CKH Sub) entered into, among other things, an economic benefits agreement (the "Economic Benefits Agreement") with Team Ace Enterprises Limited ("CKA Sub", a wholly owned subsidiary of CK Asset Holdings Limited ("CKA")) pursuant to which CKH Sub will pay CKA Sub its economic benefits amounts (the "Economic Benefits Amounts") on an ongoing basis with effect from the date upon receipt by CKH Sub of the consideration of approximately US\$1,222.93 million (equivalent to approximately HK\$9,600 million) (the "Effective Date").

The Economic Benefits Amounts payable by CKH Sub to CKA Sub under the Economic Benefits Agreement refer to the sums (in US dollars) equal to 40% of the economic benefits, comprising amounts including dividends and other distributions declared by Cheung Kong (Infrastructure Investment) Limited ("CKII", an indirect wholly owned subsidiary of the Company) to Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)", a wholly owned subsidiary of the Company and a holding company of CKII) and other proceeds or payments received by Cheung Kong (Holdings) from CKII from and including the Effective Date.

CKII (through the intermediate companies) holds shareholding interests in the relevant businesses, which are infrastructure businesses comprising interests in (a) Park'N Fly, the largest off-airport car park provider in Canada, (b) Northumbrian Water, one of the 10 regulated water and sewerage companies in England and Wales, (c) Australian Gas Networks, one of Australia's largest distributors of natural gas, (d) Wales & West Gas Networks, a gas distribution network that serves Wales and the South West of England, (e) UK Rails, one of the three major rolling stock operating companies in the United Kingdom and (f) Dutch Enviro Energy, the largest energy-from-waste company in the Netherlands.

The Company had unconditionally and irrevocably guaranteed to CKA Sub the due and punctual performance by CKH Sub of its obligations under the Economic Benefits Agreement, including the payment obligation of CKH Sub in respect of the Economic Benefits Amounts.

The Economic Benefits Agreement enables the Group to maintain leverage post completion of various pending transactions, including the Company's acquisition of an additional stake in Wind Tre S.p.A., at a level consistent with its current financial profile, and allows the Company to further streamline its infrastructure portfolio investments primarily through its holdings in CK Infrastructure Holdings Limited ("CKI", a non-wholly owned subsidiary of the Company).

Given that CKA is deemed by The Stock Exchange of Hong Kong Limited (the "SEHK") as a connected person of the Company under the Listing Rules, the entering into of the Economic Benefits Agreement with CKA Sub constituted a connected transaction for the Company under the Listing Rules. Since Mr Victor T K Li has or may be regarded as having a material interest in the transactions contemplated in the Economic Benefits Agreement, he had voluntarily abstained from voting on the board resolutions of the Company for approving the Economic Benefits Agreements.

Proposed formation of Joint Venture for the proposed acquisition of APA

During the year, a joint announcement was made by the Company, CKA, CKI and Power Assets Holdings Limited ("Power Assets") on 13 August 2018 in relation to the consortium formation agreement entered into between, among others, CKA, CKI and Power Assets on 12 August 2018 (the "Joint Venture Transaction") pursuant to which, subject to the fulfilment of certain conditions, CKA, CKI and Power Assets would, among other things, form the consortium (the "Consortium"), enter into a shareholders' agreement regarding CKM UK Holdings Limited ("JV Co") and indirectly fund CKM Australia Bidco Pty Ltd ("Bidco", a wholly owned subsidiary of JV Co) to implement the proposed acquisition by Bidco of all of the stapled securities in issue of APA (which comprised Australian Pipeline Trust and APT Investment Trust) by way of the trust schemes (the "APA Acquisition"). The maximum financial commitment of CKI in relation to the Joint Venture Transaction would be up to approximately AUD2,633 million (equivalent to approximately HK\$15,272 million).

Given that CKA is deemed by the SEHK as a connected person of the Company under the Listing Rules, the entering into of the Joint Venture Transaction by CKI, which is a subsidiary of the Company, with CKA constituted a connected transaction for the Company under the Listing Rules. As announced by the Company and the Consortium on 20 November 2018, the Consortium would not proceed with the Joint Venture Transaction and the APA Acquisition as the condition precedent of a written no objection notification under the FIRB Act would not be satisfied.

Report of the Directors

Continuing Connected Transactions

As announced by the Company on 15 December 2017 (the "Announcement"), the Company entered into an agreement (the "Master Leasing Agreement") with CKA on the same date setting out the framework terms governing the leasing and licensing of premises (including office space, car parks and building areas but excluding hotel premises) by members of the CKA group to members of the Group (the "Leasing Transactions") for the period from 1 January 2018 to 31 December 2020.

Pursuant to the Master Leasing Agreement, relevant members of the Group and of the CKA group would enter into separate lease, tenancy or licence agreements with respect to each of the Leasing Transactions. The terms of, and the consideration payable under, such agreements would be negotiated on a case-by-case and arm's length basis, on normal commercial terms which, from the Group's perspective, would be no less favourable than those which the relevant members of the Group could obtain from independent landlords, lessors or licensors of comparable premises. In particular, the rental or licence fee payable would be at market rates, and the Group would seek competitive quotes for management review with a view to ensuring that the rental or licence fees payable by the Group to the relevant members of the CKA group are reasonable, having regard to the size, location, facilities and conditions of the premises required. The management/service fees chargeable by the CKA group to relevant members of the Group would be the same as those chargeable by the CKA group to other tenants or licensees of the same building or property.

CKA is deemed by the SEHK as a connected person of the Company under the Listing Rules. Accordingly, the Leasing Transactions constituted continuing connected transactions of the Company under the Listing Rules.

As disclosed in the Announcement, the maximum aggregate annual amount payable by the Group in respect of the Leasing Transactions for each of the year ended 31 December 2018, and the two years ending 31 December 2019 and 2020 would not exceed HK\$770 million, HK\$891 million and HK\$937 million respectively.

The aggregate amount paid by the Group for the year ended 31 December 2018 was approximately HK\$679 million (being approximately 88% of the annual cap of HK\$770 million for 2018).

The internal audit of the Group has reviewed the Leasing Transactions for the year ended 31 December 2018 (the "2018 CCTs") and the internal control procedures in respect of the negotiation, review, approval, management, reporting and monitoring process of the separate leases, tenancy or licence agreements for the Leasing Transactions, and is of the view that the 2018 CCTs were conducted in accordance with the terms of the Master Leasing Agreement and in compliance with the internal control procedures.

All the Independent Non-executive Directors of the Company, having reviewed the 2018 CCTs and the findings provided by the Group's internal audit, confirmed that such transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged its external auditor to report on the 2018 CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

- (i) the 2018 CCTs have not been approved by the Board;
- (ii) the 2018 CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iii) the aggregate amount paid by the Group in respect of the 2018 CCTs has exceeded the annual cap for 2018 as disclosed in the Announcement.

A summary of all related parties transactions entered into by the Group during the year ended 31 December 2018 is contained in note 36 to the consolidated financial statements. All the related parties transactions described in this note do not fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules, other than the Company's acquisition of Hutchison Whampoa Limited ("HWL") pursuant to a group reorganisation took place in 2015 resulting in the consolidation of traded debt securities issued by Husky Energy Inc. as described in note 36 which falls under the definition of "connected transaction" under the Listing Rules and was disclosed previously by HWL pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules.

Permitted Indemnity Provisions

The Articles of Association of the Company provides that subject to the provisions of the relevant statutes, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place for the Directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the Directors. The relevant provisions in the Articles of Association of the Company and the Directors' liability insurance were in force during the financial year ended 31 December 2018 and as of the date of this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures are set out in the section "Information on Directors" on pages 117 to 122.

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as the Directors and chief executive of the Company are aware, as at 31 December 2018, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Names	Capacity	Number of Shares Held	Total	Approximate % of Shareholding
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")	Trustee and beneficiary of a trust	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")	Trustee and beneficiary of a trust	1,003,380,744	1,003,380,744 ⁽¹⁾	26.01%
Li Ka-shing	Interest of controlled corporations	707,800))	
	Founder of discretionary trusts	1,160,195,710))	
)	1,160,903,510 ⁽²⁾	30.10%

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(II) Interests and short positions of other persons in the shares and underlying shares of the Company

(a) Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Interest of controlled corporations	12,329,948)		
)		
	Investment manager	25,677,049)		
)		
	Person having a securities interest in shares	7,720,471)		
)		
	Trustee	54,001)		
)		
	Approved lending agent	151,140,091)	196,921,560 ⁽³⁾	5.10%

(b) Short positions in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Interest of controlled corporations	14,321,237	14,321,237 ⁽⁴⁾	0.37%

(c) Lending pool in the shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	Approximate % of Shareholding
JPMorgan Chase & Co.	Approved lending agent	151,140,091	151,140,091	3.91%

Notes:

- (1) The three references to 1,003,380,744 shares of the Company relate to the same block of shares of the Company. Of these 1,003,380,744 shares of the Company, 913,378,704 shares of the Company are held by TUT1 as trustee of UT1 and 90,002,040 shares of the Company are held by companies controlled by TUT1 as trustee of UT1. Each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of another discretionary trust is taken to have a duty of disclosure under the SFO in relation to the same 1,003,380,744 shares of the Company as described in Note (1)(a) under the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- (2) The 1,160,903,510 shares of the Company comprise:
- (a) 707,800 shares of the Company of which:
- (i) 407,800 shares held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (ii) 300,000 shares held by Li Ka Shing Foundation Limited ("LKSF"). By virtue of the terms of the constituent documents of LKSF, Mr Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at the general meetings of LKSF.
- (b) 1,160,195,710 shares of the Company as described in Note (1) under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above. As Mr Li Ka-shing may be regarded as a founder of each of DT1, DT2, DT3 and DT4 for the purpose of the SFO, Mr Li Ka-shing is taken to have a duty of disclosure under the SFO as a substantial shareholder in relation to the same 1,160,195,710 shares of the Company after his retirement from the directorship of the Company.

- (3) Such long position includes derivative interests in 861,605 underlying shares of the Company of which 494,000 underlying shares are derived from listed and physically settled derivatives, 60,844 underlying shares are derived from unlisted and physically settled derivatives and 306,761 underlying shares are derived from unlisted and cash settled derivatives.
- (4) Such short position includes derivative interests in 10,046,237 underlying shares of the Company of which 403,500 underlying shares are derived from listed and physically settled derivatives, 631,000 underlying shares are derived from listed and cash settled derivatives, 5,546,737 underlying shares are derived from unlisted and physically settled derivatives and 3,465,000 underlying shares are derived from unlisted and cash settled derivatives.

Save as disclosed above, as at 31 December 2018, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

Share Option Schemes

The Company has no share option scheme, but certain of the Company's subsidiary companies have adopted share option schemes. The principal terms of such share option schemes are summarised as follows:

(I) Hutchison China MediTech Limited ("Chi-Med")

2006 Share Option Scheme (the "2006 Plan")

On 18 May 2006, Chi-Med adopted the 2006 Plan for the grant of options to acquire ordinary shares in the share capital of Chi-Med (the "Chi-Med Shares"). The 2006 Plan was valid and effective during the period from 18 May 2006 to 17 May 2016, being the date falling 10 years from the date on which the 2006 Plan was adopted. After 17 May 2016, no further share options could be granted under the 2006 Plan but the provisions of the 2006 Plan remained in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior to the end of the validity period or otherwise to the extent as may be required in accordance with the provisions of the 2006 Plan. A summary of the 2006 Plan is as follows:

- (1) The purpose of the 2006 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2006 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a "2006 Chi-Med Eligible Person", being any person who is (or will be on and following the date of offer of the relevant option) a director (other than an independent non-executive director) or an employee of Chi-Med, its listed parent company (which is currently the Company) and any of its subsidiaries, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the board of directors of Chi-Med (the "Chi-Med Board") determines will be subject to the 2006 Plan, who is notified by the Chi-Med Board that he or she is an eligible person. Actual participation is at the discretion of the Chi-Med Board.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2006 Chi-Med Eligible Person, there is no minimum period required under the 2006 Plan for the holding of a share option before it can be exercised.
- (5) Subject to any adjustment according to the rules of the 2006 Plan, the subscription price shall be:
 - (a) in the case of the one-time initial grants of share options by Chi-Med under the 2006 Plan to founders and non-founders prior to the Chi-Med Listing (as defined below), the price determined by the Chi-Med Board and notified to the relevant share option holder; and

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(b) in respect of any other share option, the 2006 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

where "2006 Market Value" on any particular day on or after the Chi-Med Listing means the higher of: (a) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date; (b) the closing price of the Chi-Med Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and (c) the nominal value of the Chi-Med Shares.

- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2006 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all share options to be granted under all share option schemes of Chi-Med must not in aggregate exceed 5% of the Chi-Med Shares in issue on the date on which the Chi-Med Shares are listed for trading on a recognised stock exchange (including the AIM) (the "Chi-Med Listing");
 - (b) the Chi-Med Board may refresh and recalculate the limit in paragraph (6)(a) above by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company (which is currently the Company), if required, under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares issued and issuable pursuant to the exercise of share options under all share option schemes of Chi-Med may not exceed 10% of the issued ordinary share capital on the date of the approval of the refreshed limit. Share options previously granted under the 2006 Plan and any other employee share schemes of Chi-Med (including those outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of Chi-Med Shares available for issue under the 2006 Plan (including the share options granted but yet to be exercised) is 184,518, representing approximately 0.28% of the total number of Chi-Med Shares in issue;
 - (c) share options may be granted to any 2006 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board in excess of the limit, including the refreshed limit, under paragraphs (6)(a) and (6)(b) above, with the approval of the shareholders of Chi-Med in a general meeting and by the shareholders of the listed parent company, if required under the Listing Rules, and subject to paragraphs (6)(d) and (6)(e) below and restrictions on grant to key individuals under the 2006 Plan;
 - (d)
 - (i) no 2006 Chi-Med Eligible Person may be granted a share option if, as a result, the total number of Chi-Med Shares over which that 2006 Chi-Med Eligible Person holds share options granted in the previous 12 months, when added to the number of Chi-Med Shares, the subject of the proposed grant, would exceed 1% of the issued ordinary share capital of Chi-Med on that date; and
 - (ii) notwithstanding paragraph (6)(d)(i) above, share options may be granted to any 2006 Chi-Med Eligible Person(s) which would cause the limit under paragraph (6)(d)(i) above to be exceeded, but only with the approval of the shareholders of the listed parent in a general meeting (with such 2006 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
 - (e) the total number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2006 Plan and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2006 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

Particulars of share options outstanding under the 2006 Plan at the beginning and at the end of the financial year ended 31 December 2018 and share options granted, exercised, cancelled or lapsed under the 2006 Plan during the year were as follows:

2006 Plan

Category of participants	Date of grant of share options	Number of share options held as at 1 January 2018	Granted during 2018	Exercised during 2018	Lapsed/ cancelled/ during 2018	Number of share options held as at 31 December 2018	Exercise period of share options	Exercise price of share options £	Price of Chi-Med Share prior to the grant date of share options £	Price of Chi-Med Share prior to the exercise date of share options £
Employees in aggregate	24.6.2011 ⁽¹⁾	75,000	–	–	–	75,000	24.6.2011 to 23.6.2021	4.405	4.400 ⁽²⁾	N/A
	20.12.2013 ⁽¹⁾	207,726	–	(98,208)	–	109,518	20.12.2013 to 19.12.2023	6.100	6.100 ⁽²⁾	47.167 ⁽³⁾
Total:		282,726	–	(98,208)	–	184,518				

Notes:

- (1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (2) The stated price was the closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date of grant of share options.
- (3) The stated price was the weighted average closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date on which the share options were exercised.

2016 Share Option Scheme (the "2016 Plan")

On 24 April 2015, Chi-Med conditionally adopted the 2016 Plan for the grant of options to acquire the Chi-Med Shares. The 2016 Plan is valid and effective during the period commencing on 13 May 2016 and ending on 12 May 2026, being the date falling 10 years from the date on which the 2016 Plan became unconditional. The 2016 Plan has a remaining term of approximately seven years as at the date of this report. A summary of the 2016 Plan is as follows:

- (1) The purpose of the 2016 Plan is to provide Chi-Med with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to 2016 Chi-Med Eligible Persons (as defined below).
- (2) Share options may be granted to a "2016 Chi-Med Eligible Person", being any person who is (or will be on and following the date of offer of the relevant option) a non-executive director (excluding any independent non-executive directors) or an employee or a director holding salaried office or employment under a contract with Chi-Med, its listed parent company (which is currently the Company) and any of its subsidiaries or affiliates, and any holding company, subsidiaries or affiliates of Chi-Med or other companies which the Chi-Med Board determines will be subject to the 2016 Plan, who is notified by the Chi-Med Board that he or she is an eligible person.
- (3) Share option holders are not required to pay for the grant of any share option.
- (4) Unless otherwise determined by the Chi-Med Board and stated in the offer of the grant of share options to a 2016 Chi-Med Eligible Person, there is no minimum period required under the 2016 Plan for the holding of a share option before it can be exercised.
- (5) Subject to any adjustment according to the rules of the 2016 Plan, the exercise price shall be, in respect of any share option, the 2016 Market Value (as defined below) of the Chi-Med Shares as at the offer date,

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where "2016 Market Value" on any particular day means:

- (i) where the Chi-Med Shares of the same class are admitted to trading on any stock exchange, the higher of:
 - (a) the average of the closing prices of the Chi-Med Shares on the five dealing days immediately preceding the offer date;
 - (b) the closing price of the Chi-Med Shares as stated on a recognised stock exchange's daily quotations sheet of such shares on the offer date; and
 - (c) the nominal value of the Chi-Med Shares; or
 - (ii) where the Chi-Med Shares of the same class are not admitted to trading on any recognised stock exchange, the value of a Chi-Med Share is determined in such manner as the Chi-Med Board considers reasonable according to objective criteria.
- (6) The maximum number of Chi-Med Shares which may be allotted and issued pursuant to the 2016 Plan is subject to the following:
- (a) the total number of Chi-Med Shares which may be issued upon the exercise of all options to be granted under the 2016 Plan must not in aggregate exceed 4% of the Chi-Med Shares in issue as at 13 May 2016, being the date on which the 2016 Plan was approved by the shareholders of the Company in a general meeting (the "Scheme Limit"). Share options lapsed in accordance with the terms of the 2016 Plan will not be counted for the purpose of calculating the Scheme Limit;
 - (b) the Chi-Med Board may refresh the Scheme Limit by reference to the issued share capital of Chi-Med then prevailing with the approval of the shareholders of its listed parent company (which is currently the Company), if required, under the Listing Rules in a general meeting, provided that the total number of Chi-Med Shares which may be issued upon the exercise of share options to be granted under the 2016 Plan and any options under any other share option schemes of Chi-Med under the limit as refreshed shall not exceed 10% of the Chi-Med Shares in issue at the date on which shareholders of the listed parent company approve the refreshed limit (where applicable). Share options previously granted under the 2016 Plan and any other share option schemes of Chi-Med (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as refreshed. As at the date of this report, the total number of Chi-Med Shares available for issue under the 2016 Plan (including the share options granted but yet to be exercised) is 2,313,097, representing approximately 3.47% of the total number of Chi-Med Shares in issue;
 - (c) share options may be granted to any 2016 Chi-Med Eligible Person(s) specifically identified by the Chi-Med Board which would cause the Scheme Limit (including, for the avoidance of doubt, any such limit as refreshed under paragraph (6)(b) above) to be exceeded, but only with the approval of the shareholders of Chi-Med in a general meeting (and by the shareholders of the listed parent company, if required under the Listing Rules), and subject always to paragraphs (6)(d) and (6)(e) below and restrictions on grant to key individuals under the 2016 Plan;
 - (d)
 - (i) the Chi-Med Board shall not grant any share options (the "Relevant Chi-Med Options") to any 2016 Chi-Med Eligible Person which, if exercised, would result in such person becoming entitled to subscribe for such number of Chi-Med Shares as, when aggregated with the total number of Chi-Med Shares already issued or to be issued to him/her under all share options (including both exercised and outstanding share options) granted to him/her in the 12-month period up to, and including, the offer date of the Relevant Chi-Med Options, exceeds 1% of the Chi-Med Shares in issue at such date; and
 - (ii) notwithstanding paragraph (6)(d)(i) above, the Chi-Med Board may grant share options to any 2016 Chi-Med Eligible Person(s) which would cause the limit under paragraph (6)(d)(i) above in relation to such 2016 Chi-Med Eligible Person to be exceeded, but only with the approval of the shareholders of the listed parent in a general meeting (with such 2016 Chi-Med Eligible Person and his/her associates abstaining from voting) and subject to paragraph (6)(e) below; and
 - (e) the total number of Chi-Med Shares which may be issued upon exercise of all outstanding share options granted and not yet exercised under the 2016 Plan, and under any other share option scheme of Chi-Med must not exceed 10% of the Chi-Med Shares in issue from time to time.

Subject to and in accordance with the rules of the 2016 Plan, a share option may be exercised during a period which is notified at the offer date of the share option, such period will not exceed the period of 10 years from such offer date.

Particulars of share options outstanding under the 2016 Plan at the beginning and at the end of the financial year ended 31 December 2018 and share options granted, exercised, cancelled or lapsed under the 2016 Plan during the year were as follows:

2016 Plan

Name or category of participants	Date of grant of share options	Number of share options held as at 1 January 2018	Granted during 2018	Exercised during 2018	Lapsed/ cancelled during 2018	Number of share options held as at 31 December 2018	Exercise period of share options	Exercise price of share options £	Price of Chi-Med Share prior to the grant date of share options £	Price of Chi-Med Share prior to the exercise date of share options £
Director										
Weiguo Su	15.6.2016 ⁽¹⁾	300,000	–	–	–	300,000	15.6.2016 to 19.12.2023	19.700	19.750 ⁽⁴⁾	N/A
	27.3.2017 ⁽²⁾	100,000	–	–	–	100,000	27.3.2017 to 26.3.2027	31.050	31.050 ⁽⁴⁾	N/A
	19.3.2018 ⁽²⁾	–	100,000	–	–	100,000	19.3.2018 to 18.3.2028	49.740	48.900 ⁽⁴⁾	N/A
Employees in aggregate										
	15.6.2016 ⁽¹⁾	293,686	–	–	–	293,686	15.6.2016 to 19.12.2023	19.700	19.750 ⁽⁴⁾	N/A
	15.6.2016 ⁽³⁾	100,000	–	(100,000)	–	–	15.6.2016 to 27.6.2024	19.700	19.750 ⁽⁴⁾	45.978 ⁽⁵⁾
	27.3.2017 ⁽²⁾	50,000	–	(12,500)	(37,500)	–	27.3.2017 to 26.3.2027	31.050	31.050 ⁽⁴⁾	51.500 ⁽⁵⁾
	19.3.2018 ⁽²⁾	–	50,000	–	(50,000)	–	19.3.2018 to 18.3.2028	49.740	48.900 ⁽⁴⁾	N/A
	20.4.2018 ⁽²⁾	–	762,690	–	(33,345)	729,345	20.4.2018 to 19.4.2028	46.450	45.900 ⁽⁴⁾	N/A
	6.6.2018 ⁽²⁾	–	36,936	–	–	36,936	6.6.2018 to 5.6.2028	41.660	41.100 ⁽⁴⁾	N/A
	6.8.2018 ⁽²⁾	–	68,000	–	–	68,000	6.8.2018 to 5.8.2028	48.600	50.000 ⁽⁴⁾	N/A
	19.10.2018 ⁽²⁾	–	43,000	–	–	43,000	19.10.2018 to 18.10.2028	46.100	46.000 ⁽⁴⁾	N/A
Total:		843,686	1,060,626	(112,500)	(120,845)	1,670,967				

Notes:

- (1) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of approximately 50% on the day after the acceptance of the offer, approximately 25% on 20 December 2016 and approximately 25% on 20 December 2017.
- (2) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (3) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of approximately 50% on the day after the acceptance of the offer, approximately 25% on 28 June 2017 and approximately 25% on 28 June 2018.
- (4) The stated price was the closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date of grant of share options.
- (5) The stated price was the weighted average closing price of the Chi-Med Shares quoted on AIM on the trading day immediately prior to the date on which the share options were exercised.

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As at the date of this report, Chi-Med has 184,518 share options and 1,670,967 share options outstanding under the 2006 Plan and 2016 Plan respectively, representing approximately 0.28% and 2.51% respectively of the Chi-Med Shares in issue.

The fair values of share options granted during the year, determined using the Polynomial Model were as follows:

Grant date	19.3.2018	20.4.2018	6.6.2018	6.8.2018	19.10.2018
Value of each share option	£17.06	£16.73	£14.83	£16.93	£16.57
Significant inputs into the valuation model:					
Exercise price	£49.74	£46.45	£41.66	£48.60	£46.10
Share price at effective grant date	£48.45	£46.45	£41.40	£48.00	£46.10
Expected volatility	37.49%	37.72%	37.82%	37.22%	37.41%
Risk-free interest rate	1.44%	1.48%	1.37%	1.30%	1.58%
Contractual life of share options	10 years	10 years	10 years	10 years	10 years
Expected dividend yield	0%	0%	0%	0%	0%

The volatility of the underlying stock during the life of the share options was estimated with reference to the historical volatility prior to the issuances of share options. Changes in such subjective input assumptions could affect the fair value estimate.

(II) Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”)

On 6 April 2009, HTHKH conditionally adopted a share option scheme (the “HTHKH Plan”) for the grant of options to acquire ordinary shares in the share capital of HTHKH (the “HTHKH Shares”). The HTHKH Plan is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the HTHKH Plan became unconditional. The HTHKH Plan has a remaining term of approximately two months as at the date of this report. A summary of the HTHKH Plan is as follows:

- (1) The purpose of the HTHKH Plan is to enable HTHKH and its subsidiaries (the “HTHKH Group”) to grant share options to selected participants as incentives or rewards for their contribution to the HTHKH Group, to continue and/or render improved service with the HTHKH Group and/or to establish a stronger business relationship between the HTHKH Group and such participants.
- (2) The directors of HTHKH (the “HTHKH Directors”) (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for HTHKH Shares:
 - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of HTHKH, any of its subsidiaries or any entity in which any member of the HTHKH Group holds any equity interest (the “HTHKH Invested Entity”);
 - (b) any non-executive directors (including independent non-executive directors) of HTHKH, any of its subsidiaries or any HTHKH Invested Entity;
 - (c) any supplier of goods or services to any member of the HTHKH Group or any HTHKH Invested Entity;
 - (d) any customer of any member of the HTHKH Group or any HTHKH Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of the HTHKH Group or any HTHKH Invested Entity;
 - (f) any shareholders of any member of the HTHKH Group or any HTHKH Invested Entity or any holder of any securities issued by any member of the HTHKH Group or any HTHKH Invested Entity;

- (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the HTHKH Group; and
- (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any share options by HTHKH for the subscription of HTHKH Shares or other securities of the HTHKH Group to any person who falls within any of the above classes of participants shall not, by itself, unless the HTHKH Directors otherwise determine, be construed as a grant of share options under the HTHKH Plan.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the HTHKH Directors from time to time on the basis of their contribution to the development and growth of the HTHKH Group.

- (3) A nominal consideration of HK\$1 is payable on acceptance of the offer of the grant of a share option.
- (4) Unless otherwise determined by the HTHKH Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the HTHKH Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the HTHKH Shares under the HTHKH Plan shall be a price determined by the HTHKH Directors but shall not be less than the highest of (a) the closing price of HTHKH Shares as stated in the daily quotations sheet of the SEHK for trade in one or more board lots of the HTHKH Shares on the date of the offer of grant of the share options which must be a business day; (b) the average closing price of the HTHKH Shares as stated in the SEHK's daily quotations sheet for trade in one or more board lots of the HTHKH Shares for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (c) the nominal value of HTHKH Shares.
- (6) The maximum number of HTHKH Shares which may be allotted and issued pursuant to the HTHKH Plan is as follows:
 - (a) the maximum number of HTHKH Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the HTHKH Plan and any other share option scheme adopted by the HTHKH Group ("Other HTHKH Plan") must not in aggregate exceed 30% of the relevant class of securities of HTHKH (or its subsidiaries) in issue from time to time;
 - (b) the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the HTHKH Plan and Other HTHKH Plan) to be granted under the HTHKH Plan and Other HTHKH Plan must not in aggregate exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue, being 4,814,346,208 HTHKH Shares, as at 8 May 2009, the date on which the HTHKH Shares were first listed on the SEHK (the "HTHKH Listing Date") (the "HTHKH General Scheme Limit"). Based on the number of HTHKH Shares in issue on the HTHKH Listing Date, the HTHKH General Scheme Limit of the HTHKH Plan is 481,434,620 HTHKH Shares. As at the date of this report, the total number of HTHKH Shares available for issue under the HTHKH Plan (including the share options granted but yet to be exercised) is 476,884,620, representing approximately 9.90% of the total number of HTHKH Shares in issue;
 - (c) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(d) below, HTHKH may seek approval of its shareholders (the "HTHKH Shareholders") in a general meeting to refresh the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the HTHKH Shareholders for that purpose) provided that the total number of HTHKH Shares which may be allotted and issued upon the exercise of all share options to be granted under the HTHKH Plan and Other HTHKH Plan must not exceed 10% of the relevant class of securities of HTHKH (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options including those outstanding, cancelled, lapsed or exercised in accordance with the HTHKH Plan and Other HTHKH Plan previously granted under the HTHKH Plan and Other HTHKH Plan will not be counted;

Report of the Directors

- (d) subject to paragraph (6)(a) above and without prejudice to paragraph (6)(c) above, HTHKH may seek separate approval of the HTHKH Shareholders in a general meeting to grant share options under the HTHKH Plan beyond the HTHKH General Scheme Limit (a circular containing the information required by the Listing Rule to be despatched to the HTHKH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph (6)(c) above to participants specifically identified by HTHKH before such approval is sought; and
- (e) the total number of HTHKH Shares issued and to be issued upon the exercise of the share options granted to each participant under the HTHKH Plan and Other HTHKH Plan (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of HTHKH, unless approved by the HTHKH Shareholders in a general meeting (with such participant and his/her associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the HTHKH Plan at any time during a period to be determined on the date of offer of grant of the share option and notified by the HTHKH Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof.

Particulars of share options outstanding under the HTHKH Plan at the beginning and at the end of the financial year ended 31 December 2018 and share options granted, exercised, cancelled or lapsed under the HTHKH Plan during the year were as follows:

Category of participants	Date of grant of share options ⁽¹⁾	Number of share options held as at 1 January 2018	Granted during 2018	Exercised during 2018	Lapsed/ cancelled during 2018	Number of share options held as at 31 December 2018	Exercise period of share options	Exercise price of share options ⁽²⁾ HK\$	Price of HTHKH Share prior to the grant date of share options ⁽³⁾ HK\$	Price of HTHKH Share prior to the exercise date of share options HK\$
Employees in aggregate	1.6.2009	200,000	–	–	–	200,000	1.6.2009 to 31.5.2019	1.00	0.96	N/A

Notes:

- (1) The share options were vested in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010, respectively, so long as the grantee remained an Eligible Participant (as defined in the HTHKH Plan) on each vesting date.
- (2) The exercise price of the share options is subject to adjustment in accordance with the provisions of the HTHKH Plan.
- (3) The stated price was the closing price of the HTHKH Shares on the SEHK on the trading day immediately prior to the date of grant of the share options.

As at the date of this report, HTHKH has 200,000 share options outstanding under the HTHKH Plan, which represent approximately 0.004% of the HTHKH Shares in issue.

No share option was granted under the HTHKH Plan during the year ended 31 December 2018.

(III) Hydros핀 Monitoring Solutions Ltd ("Hydros핀")

On 14 November 2018, Hydros핀 ceased to be a subsidiary of the Company. Accordingly, the disclosure made for the share option scheme of Hydros핀 (the "Hydros핀 Plan") as set out below is for the period from 1 January 2018 to 14 November 2018.

On 11 June 2015, Hydros핀, an incubator Company in Israel, adopted the Hydros핀 Plan for the grant of options to acquire ordinary shares in the share capital of Hydros핀 (the "Hydros핀 Shares"). The Hydros핀 Plan is valid and effective during the period commencing on 11 June 2015 and ending on 10 June 2025, being the date falling 10 years from the date on which the Hydros핀 Plan was adopted. The Hydros핀 Plan has a remaining term of approximately six years as at the date of this report. A summary of the Hydros핀 Plan is as follows:

- (1) The purpose of the Hydros핀 Plan is to enable Hydros핀 to grant share options to selected participants as incentives or rewards for their contribution to Hydros핀 and its subsidiaries (the "Hydros핀 Group"), to continue and/or render improved service with the Hydros핀 Group, and/or to establish a stronger business relationship between the Hydros핀 Group and such participants.
- (2) The directors of Hydros핀 (the "Hydros핀 Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Hydros핀 Shares:
 - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Hydros핀, any of its subsidiaries or any entity in which any member of the Hydros핀 Group holds an equity interest (the "Hydros핀 Invested Entity");
 - (b) any non-executive directors (including independent non-executive directors) of Hydros핀, any of its subsidiaries or any Hydros핀 Invested Entity;
 - (c) any supplier of goods or services to any member of the Hydros핀 Group or any Hydros핀 Invested Entity;
 - (d) any customer of any member of the Hydros핀 Group or any Hydros핀 Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of the Hydros핀 Group or any Hydros핀 Invested Entity;
 - (f) any shareholder of any member of the Hydros핀 Group or any Hydros핀 Invested Entity or any holder of any securities issued by any member of the Hydros핀 Group or any Hydros핀 Invested Entity;
 - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Hydros핀 Group; and
 - (h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Hydros핀 Directors from time to time on the basis of their contribution to the development and growth of the Hydros핀 Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Hydros핀 Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Hydros핀 Plan for the holding of a share option before it can be exercised.
- (5) The subscription price for the Hydros핀 Shares under the Hydros핀 Plan shall be a price determined by the Hydros핀 Directors but shall, if the Hydros핀 Shares are traded on a stock exchange (the "Stock Exchange", being the SEHK or other principal stock exchange in Hong Kong for the time being or such other stock exchange which is the principal stock exchange (as determined by the Hydros핀 Directors) on which the relevant shares are for the time being listed or traded), not be less than the highest of (a) the closing price of the Hydros핀 Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Hydros핀 Shares on the date of the offer of grant of the share options which must be a day on which the banks in the State of Israel are open for business (the "Israel Business Day"); (b) the average closing price of the Hydros핀 Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Hydros핀 Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of a Hydros핀 Share.

Report of the Directors

The subscription price of any share option granted within the period commencing six months before the listing of the Hydrospin Shares on the Stock Exchange up to the listing date of the Hydrospin Shares on the Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Hydrospin Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Hydrospin Shares which may be allotted and issued pursuant to the Hydrospin Plan is as follows:
- (a) the maximum number of the Hydrospin Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Hydrospin Plan and any other share option scheme adopted by the Hydrospin Group ("Other Hydrospin Plan") shall not exceed 30% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue from time to time;
 - (b) the total number of the Hydrospin Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Hydrospin Plan and Other Hydrospin Plan) to be granted under the Hydrospin Plan and Other Hydrospin Plan must not in aggregate exceed 10% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue as at the date the Hydrospin Plan is approved and adopted by the Hydrospin Directors (the "Hydrospin General Scheme Limit"). Based on the number of the Hydrospin Shares in issue on the date the Hydrospin Plan is approved and adopted, the Hydrospin General Scheme Limit of the Hydrospin Plan is 122 Hydrospin Shares. As at 14 November 2018, the total number of Hydrospin Shares available for issue under the Hydrospin Plan was 122, representing approximately 10% of the total number of the Hydrospin Shares in issue;
 - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of its shareholders (the "CKHH Shareholders") in a general meeting to refresh the Hydrospin General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Hydrospin Shares which may be allotted and issued upon the exercise of all share options to be granted under the Hydrospin Plan and Other Hydrospin Plan must not exceed 10% of the relevant class of securities of Hydrospin (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Hydrospin Plan and Other Hydrospin Plan) previously granted under the Hydrospin Plan and Other Hydrospin Plan will not be counted;
 - (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Hydrospin Plan beyond the Hydrospin General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Hydrospin before such approval is sought; and
 - (e) the total number of the Hydrospin Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Hydrospin Plan and Other Hydrospin Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Hydrospin for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his/her associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Hydrospin Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Hydrospin Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Hydrospin Plan during the period from 1 January 2018 to 14 November 2018.

(IV) Aquarius Spectrum Ltd (“Aquarius”)

On 14 November 2018, Aquarius ceased to be a subsidiary of the Company. Accordingly, the disclosure made for the share option scheme of Aquarius (the “Aquarius Plan”) as set out below is for the period from 1 January 2018 to 14 November 2018.

On 8 July 2015, Aquarius, an incubator company in Israel, adopted the Aquarius Plan for the grant of options to acquire ordinary shares in the share capital of Aquarius (the “Aquarius Shares”). The Aquarius Plan is valid and effective during the period commencing on 8 July 2015 and ending on 7 July 2025, being the date falling 10 years from the date on which the Aquarius Plan was adopted. The Aquarius Plan has a remaining term of approximately six years as at the date of this report. A summary of the Aquarius Plan is as follows:

- (1) The purpose of the Aquarius Plan is to enable Aquarius to grant share options to selected participants as incentives or rewards for their contribution to Aquarius and its subsidiaries (the “Aquarius Group”), to continue and/or render improved service with the Aquarius Group and/or to establish a stronger business relationship between the Aquarius Group and such participants.
- (2) The directors of Aquarius (the “Aquarius Directors”) (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Aquarius Shares:
 - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Aquarius, any of its subsidiaries or any entity in which any member of the Aquarius Group holds an equity interest (the “Aquarius Invested Entity”);
 - (b) any non-executive directors (including independent non-executive directors) of Aquarius, any of its subsidiaries or any Aquarius Invested Entity;
 - (c) any supplier of goods or services to any member of the Aquarius Group or any Aquarius Invested Entity;
 - (d) any customer of any member of the Aquarius Group or any Aquarius Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of the Aquarius Group or any Aquarius Invested Entity;
 - (f) any shareholder of any member of the Aquarius Group or any Aquarius Invested Entity or any holder of any securities issued by any member of the Aquarius Group or any Aquarius Invested Entity;
 - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Aquarius Group; and
 - (h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Aquarius Directors from time to time on the basis of their contribution to the development and growth of the Aquarius Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Aquarius Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Aquarius Plan for the holding of a share option before it can be exercised.

Report of the Directors

- (5) The subscription price for the Aquarius Shares under the Aquarius Plan shall be a price determined by the Aquarius Directors but shall, if the Aquarius Shares are traded on the Stock Exchange, not be less than the highest of (a) the closing price of the Aquarius Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Aquarius Shares on the date of the offer of grant of the share options which must be an Israel Business Day; (b) the average closing price of the Aquarius Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Aquarius Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of an Aquarius Share.

The subscription price of any share option granted within the period commencing six months before the listing of the Aquarius Shares on the Stock Exchange up to the listing date of the Aquarius Shares on the Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Aquarius Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Aquarius Shares which may be allotted and issued pursuant to the Aquarius Plan is as follows:
- (a) the maximum number of the Aquarius Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Aquarius Plan and any other share option scheme adopted by the Aquarius Group ("Other Aquarius Plan") shall not exceed 30% of the relevant class of securities of Aquarius (or its subsidiaries) in issue from time to time;
 - (b) the total number of the Aquarius Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Aquarius Plan and Other Aquarius Plan) to be granted under the Aquarius Plan and Other Aquarius Plan must not in aggregate exceed 10% of the relevant class of securities of Aquarius (or its subsidiaries) in issue as at the date the Aquarius Plan is approved and adopted by the Aquarius Directors (the "Aquarius General Scheme Limit"). Based on the number of the Aquarius Shares in issue on the date the Aquarius Plan is approved and adopted, the Aquarius General Scheme Limit of the Aquarius Plan is 2,645 Aquarius Shares. As at 14 November 2018, the total number of Aquarius Shares available for issue under the Aquarius Plan was 2,645, representing approximately 4.79% of the total number of the Aquarius Shares in issue;
 - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of the CKHH Shareholders in a general meeting to refresh the Aquarius General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Aquarius Shares which may be allotted and issued upon the exercise of all share options to be granted under the Aquarius Plan and Other Aquarius Plan must not exceed 10% of the relevant class of securities of Aquarius (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Aquarius Plan and Other Aquarius Plan) previously granted under the Aquarius Plan and Other Aquarius Plan will not be counted;
 - (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Aquarius Plan beyond the Aquarius General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Aquarius before such approval is sought; and
 - (e) the total number of the Aquarius Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Aquarius Plan and Other Aquarius Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Aquarius for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his/her associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Aquarius Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Aquarius Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Aquarius Plan during the period from 1 January 2018 to 14 November 2018.

(V) Mercu Removal Ltd. ("Mercu")

On 21 August 2018, the share option scheme of Mercu (the "Mercu Plan") was revoked and Mercu ceased to be a subsidiary of the Company. Accordingly, the disclosure made for the Mercu Plan as set out below is for the period from 1 January 2018 to 21 August 2018.

On 23 May 2016, Mercu, an incubator company in Israel, adopted the Mercu Plan for the grant of options to acquire ordinary shares in the share capital of Mercu (the "Mercu Shares"). The Mercu Plan is valid and effective during the period commencing on 23 May 2016 and ending on 22 May 2026, being the date falling 10 years from the date on which the Mercu Plan was adopted. The Mercu Plan has a remaining term of approximately seven years as at the date of this report. A summary of the Mercu Plan is as follows:

- (1) The purpose of the Mercu Plan is to enable Mercu to grant share options to selected participants as incentives or rewards for their contribution to Mercu and its subsidiaries (the "Mercu Group"), to continue and/or render improved service with the Mercu Group, and/or to establish a stronger business relationship between the Mercu Group and such participants.
- (2) The directors of Mercu (the "Mercu Directors") (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for the Mercu Shares:
 - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of Mercu, any of its subsidiaries or any entity in which any member of the Mercu Group holds an equity interest (the "Mercu Invested Entity");
 - (b) any non-executive directors (including independent non-executive directors) of Mercu, any of its subsidiaries or any Mercu Invested Entity;
 - (c) any supplier of goods or services to any member of the Mercu Group or any Mercu Invested Entity;
 - (d) any customer of any member of the Mercu Group or any Mercu Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of the Mercu Group or any Mercu Invested Entity;
 - (f) any shareholder of any member of the Mercu Group or any Mercu Invested Entity or any holder of any securities issued by any member of the Mercu Group or any Mercu Invested Entity;
 - (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Mercu Group; and
 - (h) any company wholly owned by any one or more persons belonging to any one or more of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of share options shall be determined by the Mercu Directors from time to time on the basis of their contribution to the development and growth of the Mercu Group.

- (3) Share option holders are not required to pay for the acceptance of a grant of share options.
- (4) Unless otherwise determined by the Mercu Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Mercu Plan for the holding of a share option before it can be exercised.

Report of the Directors

- (5) The subscription price for the Mercu Shares under the Mercu Plan shall be a price determined by the Mercu Directors but shall, if the Mercu Shares are traded on the Stock Exchange, not be less than the highest of (a) the closing price of the Mercu Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Mercu Shares on the date of the offer of grant of the share options which must be an Israel Business Day; (b) the average closing price of the Mercu Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Mercu Shares for the five Israel Business Days immediately preceding the date of the offer of grant of the share options which must be an Israel Business Day; and (c) the nominal value of a Mercu Share.

The subscription price of any share option granted within the period commencing six months before the listing of the Mercu Shares on the Stock Exchange up to the listing date of the Mercu Shares on the Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Mercu Directors, provided that such subscription price shall not be lower than the new issue price.

- (6) The maximum number of the Mercu Shares which may be allotted and issued pursuant to the Mercu Plan is as follows:
- (a) the maximum number of the Mercu Shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Mercu Plan and any other share option scheme adopted by the Mercu Group ("Other Mercu Plan") shall not exceed 30% of the relevant class of securities of Mercu (or its subsidiaries) in issue from time to time;
 - (b) the total number of the Mercu Shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Mercu Plan and Other Mercu Plan) to be granted under the Mercu Plan and Other Mercu Plan must not in aggregate exceed 10% of the relevant class of securities of Mercu (or its subsidiaries) in issue as at the date the Mercu Plan is approved and adopted by the Mercu Directors (the "Mercu General Scheme Limit"). Based on the number of the Mercu Shares in issue on the date the Mercu Plan is approved and adopted, the Mercu General Scheme Limit of the Mercu Plan is 3,000 Mercu Shares. As at 21 August 2018, the total number of Mercu Shares available for issue under the Mercu Plan was 3,000, representing approximately 10% of the total number of the Mercu Shares in issue;
 - (c) subject to paragraph 6(a) above and without prejudice to paragraph 6(d) below, the Company may seek approval of the CKHH Shareholders in a general meeting to refresh the Mercu General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) provided that the total number of the Mercu Shares which may be allotted and issued upon the exercise of all share options to be granted under the Mercu Plan and Other Mercu Plan must not exceed 10% of the relevant class of securities of Mercu (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Mercu Plan and Other Mercu Plan) previously granted under the Mercu Plan and Other Mercu Plan will not be counted;
 - (d) subject to paragraph 6(a) above and without prejudice to paragraph 6(c) above, the Company may seek separate approval of the CKHH Shareholders in a general meeting to grant share options under the Mercu Plan beyond the Mercu General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the CKHH Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 6(c) above to participants specifically identified by Mercu before such approval is sought; and
 - (e) the total number of the Mercu Shares issued, and which may fall to be issued, upon the exercise of the share options granted under the Mercu Plan and Other Mercu Plan (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of Mercu for the time being unless approved by the CKHH Shareholders in a general meeting (with such participant and his/her associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be exercised in accordance with the terms of the Mercu Plan at any time during a period (which may not expire later than 10 years from the date of grant of the share option) to be determined on the date of grant of the share option and notified by the Mercu Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof.

No share options were granted under the Mercu Plan during the period from 1 January 2018 to 21 August 2018.

Save as disclosed above, at no time during the year was the Company or a subsidiary a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, the Company repurchased a total of 1,438,000 ordinary shares of HK\$1.00 each in the capital of the Company on the SEHK, with the aggregate consideration paid (before expenses) amounting to HK\$130,005,175.00. All the shares repurchased were subsequently cancelled. The Directors believed that such repurchase of shares would enhance the net assets and/or earnings per share of the Company and benefit the Company and its shareholders. As at 31 December 2018, the total number of shares of the Company in issue was 3,856,240,500.

Particulars of the share repurchase are as follows:-

Date	Number of shares repurchased	Purchase price per share		Aggregate consideration (before expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September 2018	1,438,000	91.05	89.05	130,005,175.00

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Major Customers and Suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers combined and the revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined was less than 30% of the total value of Group purchases and total Group revenue.

Sufficiency of Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the 2019 annual general meeting.

By order of the Board

Edith Shih

Executive Director and Company Secretary

Hong Kong, 21 March 2019

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality board of Directors (the "Board"), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2018 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the separate roles of Chairman and Chief Executive, and the nomination committee. The reasons for deviation are explained subsequently in this report.

The Company established a Nomination Committee on 1 January 2019 comprising all Directors. Further details of the Nomination Committee are set out in the section "Nomination Committee" below.

The Board

Corporate Strategy

The primary objective of the Company is to enhance long-term total return for shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Operations Review contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term, and the basis on which the Group will execute its strategy for delivering the Group's objectives.

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. Directors are charged with the task of promoting the long term success of the Company and making decisions in the best interests of the Company.

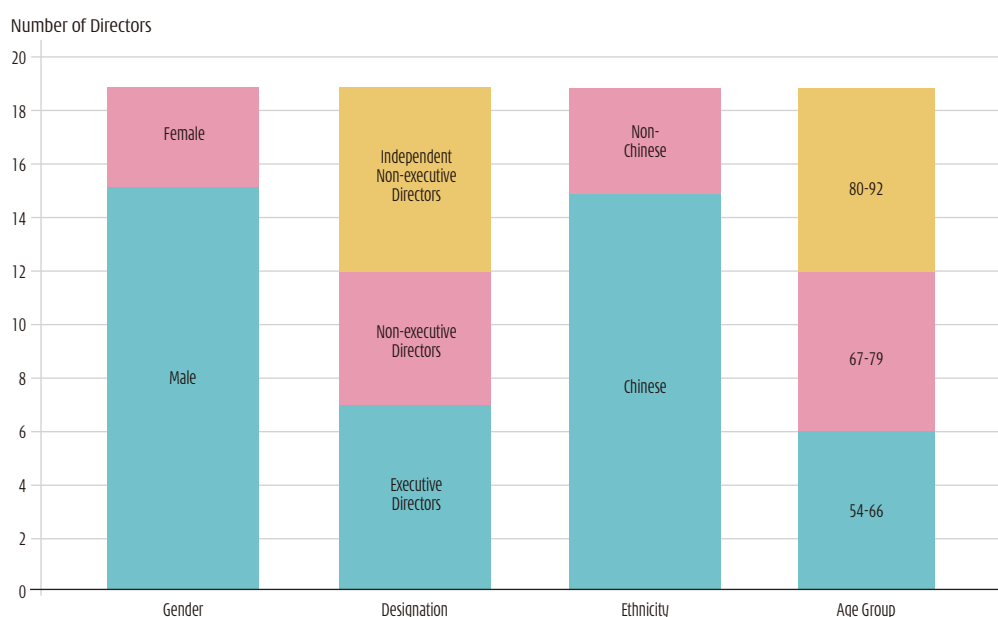
The Board, led by the Chairman, Mr Victor T K Li, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Group Co-Managing Directors.

Board Composition

With effect from the conclusion of the annual general meeting of the Company held on 10 May 2018, Mr Li Ka-shing retired from the positions as Chairman and Executive Director and member of the Remuneration Committee, while Mr Victor T K Li was appointed as Chairman and continued with his position as Group Co-Managing Director. As at 31 December 2018, the Board comprised 19 Directors, including the Chairman and Group Co-Managing Director, Group Co-Managing Director, Group Finance Director and Deputy Managing Director ("GFD/DMD"), three Deputy Managing Directors, one Executive Director, five Non-executive Directors and seven Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules. Information about changes to the Board composition during 2018 are set out in the section "Report of the Directors" on page 128.

The full Board is responsible for reviewing the structure, size, diversity profile and skills set of the Board and the progress in achieving the diversity objectives of the Company. The Board as a whole is also responsible for the selection and appointment of Directors and the review of succession plan for Directors. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of the Company's Board diversity policy and Director nomination policy are set out in the section "Nomination Committee" below.

The following chart shows the diversity profile of the Board as at 31 December 2018:



Biographical details of the Directors are set out in the section "Information on Directors" on pages 110 to 115 and on the website of the Group. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEX") (www.hkexnews.hk).

Chairman and Group Co-Managing Directors

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. He is also responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues discussed at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

The Group Co-Managing Directors, assisted by the other Executive Directors (of whom four are Deputy Managing Directors), are responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal managers of the Group's businesses, the Group Co-Managing Directors attend to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and are directly responsible for maintaining the operational performance of the Group. Working with the Executive Directors and the executive management team of each core business division, the Group Co-Managing Directors present annual budgets to the Board for consideration and approval, and ensure that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the GFD/DMD, the Group Co-Managing Directors see to it that the funding requirements of the businesses are met and closely monitor the operating and financial performance of the businesses against plans and budgets, taking remedial action if necessary. The Group Co-Managing Directors maintain an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. They are also responsible for building and maintaining an effective executive team to support them in their roles.

Corporate Governance Report

The position of Chief Executive of the Company has been jointly held by Mr Victor T K Li and Mr Fok Kin Ning, Canning as Group Co-Managing Directors since June 2015. As noted above, following the retirement of Mr Li Ka-shing as Chairman and Executive Director of the Company in May 2018, Mr Victor T K Li was appointed Chairman of the Company while continuing to hold the positions of Executive Director and Group Co-Managing Director of the Company. Accordingly, with Mr Fok Kin Ning, Canning acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared by Mr Victor T K Li and Mr Fok Kin Ning, Canning with no single individual having unfettered management decision-making power. Further, the Board which comprises experienced and seasoned professionals continues to monitor the management of the Company to ensure that joint management is effectively and properly exercised. Hence, notwithstanding the Company might deviate from code provision A.2.1, which requires the roles of Chairman and Chief Executive to be performed by different individuals, the current arrangements provide check and balance and do not jeopardise the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

Board Process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction or arrangement in which he/she or any of his/her close associates is materially interested in, and such Director is not counted for quorum determination purposes.

In 2018, the Company held four Board meetings with overall attendance of approximately 99%. All Directors (including Non-executive and Independent Non-executive Directors) attended the annual general meeting of the Company held on 10 May 2018 (the "2018 AGM") and the Board meeting held on the same day. The attendance record is set out below:

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2018 AGM
Chairman		
Li Ka-shing ⁽¹⁾⁽²⁾	2/2	✓
Victor T K Li ⁽¹⁾⁽³⁾ (<i>Group Co-Managing Director</i>)	4/4	✓
Executive Directors		
Fok Kin Ning, Canning (<i>Group Co-Managing Director</i>)	4/4	✓
Frank John Sixt (<i>Group Finance Director and Deputy Managing Director</i>)	4/4	✓
Ip Tak Chuen, Edmond (<i>Deputy Managing Director</i>)	4/4	✓
Kam Hing Lam ⁽¹⁾ (<i>Deputy Managing Director</i>)	4/4	✓
Lai Kai Ming, Dominic (<i>Deputy Managing Director</i>)	4/4	✓
Edith Shih	4/4	✓
Non-executive Directors		
Chow Kun Chee, Roland	4/4	✓
Chow Woo Mo Fong, Susan	4/4	✓
Lee Yeh Kwong, Charles	4/4	✓
Leung Siu Hon	4/4	✓
George Colin Magnus	4/4	✓
Independent Non-executive Directors		
Kwok Tun-li, Stanley	3/4	✓
Cheng Hoi Chuen, Vincent	4/4	✓
Michael David Kadoorie	4/4	✓
Lee Wai Mun, Rose	4/4	✓
William Shurniak	4/4	✓
Wong Chung Hin	4/4	✓
Wong Yick-ming, Rosanna	4/4	✓

Notes:

- (1) Mr Li Ka-shing is the father of Mr Victor T K Li and brother-in-law of Mr Kam Hing Lam.
- (2) Retired as Chairman and Executive Director on 10 May 2018.
- (3) Appointed as Chairman on 10 May 2018.

In addition to Board meetings, in 2018 the Chairman holds regular meetings with the Executive Directors and meets with Non-executive Directors (including Independent Non-executive Directors) twice without the presence of the Executive Directors. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent views to the Board.

All Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of appointment which contracts are automatically renewed for successive 12-month periods. All Directors are subject to re-election by shareholders at general meetings at least about once every three years on a rotation basis, in accordance with the Articles of Association of the Company. A retiring Director is eligible for re-election, and re-election of retiring Directors at general meetings is dealt with by separate resolutions. No Director has a service contract with the Company not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Corporate Governance Report

Training and Commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group and are provided with a detailed induction to the Group's businesses by senior executives.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars, webcasts and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors during the year is summarised as follows, representing an average of approximately 17 hours by each Director during the year:

Directors	Areas		
	Legal and Regulatory	Corporate Governance	Group's Businesses/ Directors' Duties
Chairman			
Li Ka-shing ⁽¹⁾	✓	✓	✓
Victor T K Li ⁽²⁾ (<i>Group Co-Managing Director</i>)	✓	✓	✓
Executive Directors			
Fok Kin Ning, Canning (<i>Group Co-Managing Director</i>)	✓	✓	✓
Frank John Sixt (<i>Group Finance Director and Deputy Managing Director</i>)	✓	✓	✓
Ip Tak Chuen, Edmond (<i>Deputy Managing Director</i>)	✓	✓	✓
Kam Hing Lam (<i>Deputy Managing Director</i>)	✓	✓	✓
Lai Kai Ming, Dominic (<i>Deputy Managing Director</i>)	✓	✓	✓
Edith Shih	✓	✓	✓
Non-executive Directors			
Chow Kun Chee, Roland	✓	✓	✓
Chow Woo Mo Fong, Susan	✓	✓	✓
Lee Yeh Kwong, Charles	✓	✓	✓
Leung Siu Hon	✓	✓	✓
George Colin Magnus	✓	✓	✓
Independent Non-executive Directors			
Kwok Tun-li, Stanley	✓	✓	✓
Cheng Hoi Chuen, Vincent	✓	✓	✓
Michael David Kadoorie	✓	✓	✓
Lee Wai Mun, Rose	✓	✓	✓
William Shurniak	✓	✓	✓
Wong Chung Hin	✓	✓	✓
Wong Yick-ming, Rosanna	✓	✓	✓
Alternate Director			
William Elkin Mocatta (<i>Alternate Director to Michael David Kadoorie</i>)	✓	✓	✓

Notes:

(1) Retired as Chairman and Executive Director on 10 May 2018.

(2) Appointed as Chairman on 10 May 2018.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public listed companies and major appointments as well as update the Company on any subsequent changes.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the year ended 31 December 2018.

Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Group and HKEX. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations under the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-back, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in the Group's securities, to ensure that the standards and disclosure requirements under the Listing Rules and applicable laws, rules and regulations are complied with and, where required, reported in the annual report of the Company.

The Company Secretary also serves a crucial conduit of communications internally and externally. The Company Secretary conveys the Board's decisions to the Management from time to time and ensures a good channel of communication with shareholders. The Company Secretary also works with the Board and Management to assist in responding to regulators in a timely manner.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman and the Group Co-Managing Directors, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih is the Company Secretary of the Company and has day-to-day knowledge of the Group's affairs. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules.

Corporate Governance Report

Accountability and Audit

Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 165 to 169 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Financial Statements

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable accounting standards.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments and estimates that are reasonable in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group, upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Wong with Mr Kwok, Mr Cheng and Mr Shurniak as members.

The Audit Committee held four meetings in 2018 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Chung Hin (<i>Chairman</i>)	4/4
Kwok Tun-li, Stanley	4/4
Cheng Hoi Chuen, Vincent	4/4
William Shurniak	4/4

Throughout 2018, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.

Under its terms of reference, the Audit Committee is responsible for monitoring the integrity of the Group's preliminary interim and annual results, and interim and annual financial statements, reviewing the Group's risk management and internal control systems as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's internal audit function, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

The Company is committed to achieving and maintaining high standards of openness, probity and accountability. In line with this commitment, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters, which is posted on the website of the Group.

The Audit Committee meets with the GFD/DMD and other senior management of the Group from time to time in reviewing the interim and annual results, the interim and annual reports and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets at least four times a year with the Group's principal external auditor, PricewaterhouseCoopers ("PWC"), to consider their reports on the scope, strategy, progress and outcome of its independent review of the interim financial report and annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, GFD/DMD and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in maintaining effective risk management and internal control systems. It reviews the process by which the Group evaluates its control environment and risk assessment, and the way in which significant risks are identified and managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the Group's risk management and internal control systems and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget. In addition, the Audit Committee reviews in conjunction with the Group's internal auditor the work plans for its audits together with its resource requirements and considers the reports of the Group Internal Audit to the Audit Committee on the effectiveness of risk management and internal controls in the Group's business operations. Further, it also receives the reports from the Group Legal Department on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements.

Corporate Governance Report

External Auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendation to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services - include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed to undertake, by it in its capacity as auditor.
- Taxation related services - include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services - include, for example, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the Group's internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services - the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 39 to the financial statements. For the year ended 31 December 2018, the PwC fees, amounting to HK\$201 million were primarily for audit services and those for non-audit services amounted to HK\$41 million, representing approximately 17% of the total PwC fees (audit and non-audit).

Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2018 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The unqualified auditor's report is set out on pages 165 to 169. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2018 have also been reviewed by the Audit Committee.

Risk Management, Internal Control and Legal & Regulatory Compliance

Role of the Board

The Board has overall responsibility for the Group's systems of risk management, internal control and legal and regulatory compliance.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. The Board evaluates and determines the nature and extent of the risks that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by Executive Directors and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management, as well as review by the Audit Committee of ongoing work of the Group's internal audit and risk management functions.

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Executive Director and Company Secretary, comprising representatives from key departments of the Company, continuously provides updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. The Competition, Regulatory and Public Affairs Group reviews, assesses, escalates and where appropriate, proposes handling measures on competition, regulatory and public affairs matters affecting business units. It meets regularly with business units to monitor compliance requirements and to formulate strategy and share information and expertise across jurisdictions and businesses. It also provides regular updates to the Governance Working Group.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the separate roles of Chairman and Chief Executive, and the nomination committee as explained in this report.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Risk Management

The Company adopts an Enterprise Risk Management (ERM) framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Directors and the executive management teams of each core business about the current and emerging risks, their plausible impact and mitigation measures. These measures include instituting additional controls and deploying appropriate insurance instruments to minimise or transfer the impact of risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business as well as discussions and reviews by the Executive Directors and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each core business is required to formally identify and assess the significant risks their business faces, whilst the Executive Directors provide input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the Executive Directors, form part of the Risk Management Report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the Report and provides input as and where appropriate so as to ensure effective risk management in place. Pages 78 to 84 of this annual report provide a description of the Group's risk factors which could affect the Group's financial condition or results of operations that differ materially from expected or historical results.

Internal Control Environment

Executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly, management of each business is accountable for its conduct and performance. The Group Co-Managing Directors monitor the performance and review the risk profiles of the Group companies on an ongoing basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

Corporate Governance Report

Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of the executive management teams of each core business attend monthly meetings with the GFD/DMD and members of his finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its unlisted subsidiary operations and the Group's Treasury function oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the GFD/DMD or an Executive Director prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, requiring the executive management team and senior management of each core business to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

Legal and Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The Group Legal Department has the responsibility for safeguarding the legal interests of the Group. The team, led by the Head Group General Counsel, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Group Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings with relevant regulatory and/or government authorities on regulatory issues and consultations. In addition, the Department prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. The Department also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, the Group Legal Department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the Group legal and corporate secretarial teams.

On the listed companies level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated and where their securities are listed and traded. The Group Legal Department is vigilant with the legal requirements under these statutes, rules and regulations which would have a material implication or impact on the Group.

Code of Conduct and Handling of Inside Information

The Group places utmost importance on the ethical, personal and professional standards of the Directors and employees of the Group. In addition to the various policies adopted and implemented by the Group imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations, every employee is required to undertake to adhere to the Group's Code of Conduct, and is expected to meet the highest standards of behaviour including avoiding conflict of interest, discrimination or harassment and bribery and corruption. Employees are required to report any non-compliance with the Code of Conduct in accordance with the established reporting and escalation procedures.

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), procedures including pre-clearance on dealing in the Group's securities by designated members of Management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling of inside information within the Group.

Internal Audit

The General Manager of the Group's internal audit function, reporting directly to the Audit Committee and also to the GFD/DMD, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. By applying risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit devises its yearly audit plan which is reviewed by the Audit Committee, and continually reassesses its plans during the year to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's risk management and internal control systems, including reviewing the continuing connected transactions of the Company (refer to page 130 of this annual report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the GFD/DMD and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial, IT, operations, and regulatory compliance reviews, recurring and surprise audits, fraud investigations, as well as productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the GFD/DMD and the finance director or financial controller of the relevant executive management team. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises four members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Wong, an Independent Non-executive Director, with the Chairman Mr Li, Independent Non-executive Directors Mr Cheng and Mr Wong, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2018 with 100% attendance.

Members	Attended/Eligible to Attend
Wong Yick-ming, Rosanna (<i>Chairman</i>)	1/1
Li Ka-shing ⁽¹⁾	N/A
Victor T K Li ⁽²⁾	1/1
Cheng Hoi Chuen, Vincent	1/1
Wong Chung Hin	1/1

Notes:

(1) Ceased to be a member on 10 May 2018.

(2) Appointed as a member on 10 May 2018.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

Corporate Governance Report

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the Group's business activities and human resources issues, and headcount and staff costs. It also reviewed and approved the proposed 2019 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2019 remuneration package of Executive Directors, subsidiaries' managing directors and senior executives of the Group. Executive Directors do not participate in the determination of their own remuneration.

Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Executive Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

2018 Remuneration

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. Details of emoluments paid to each Director in 2018 are set out below:

Name of directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ⁽¹⁾	-	-	-	-	-	-
Victor T K LI ⁽³⁾						
<i>Paid by the Company</i>	0.26	4.89	73.87	-	-	79.02
<i>Paid by CK Infrastructure Holdings Limited ("CKI")</i>	0.08	-	33.24	-	-	33.32
	0.34	4.89	107.11	-	-	112.34
FOK Kin Ning, Canning ⁽²⁾	0.22	11.53	213.50	1.04	-	226.29
Frank John SIXT ⁽²⁾	0.22	8.54	62.55	0.75	-	72.06
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	10.68	-	-	12.52
<i>Paid by CKI</i>	0.08	1.80	11.70	-	-	13.58
	0.30	3.42	22.38	-	-	26.10
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	10.17	-	-	12.81
<i>Paid by CKI</i>	0.08	4.20	11.70	-	-	15.98
	0.30	6.62	21.87	-	-	28.79
LAI Kai Ming, Dominic ⁽²⁾	0.22	5.85	62.00	0.84	-	68.91
Edith SHIH ⁽²⁾	0.22	4.33	18.51	0.32	-	23.38
CHOW Kun Chee, Roland ⁽⁴⁾	0.22	-	-	-	-	0.22
CHOW WOO Mo Fong, Susan ⁽⁴⁾	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles ⁽⁴⁾	0.22	-	-	-	-	0.22
LEUNG Siu Hon ⁽⁴⁾	0.22	-	-	-	-	0.22
George Colin MAGNUS ⁽⁴⁾						
<i>Paid by the Company</i>	0.22	-	-	-	-	0.22
<i>Paid by CKI</i>	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30

Name of directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
KWOK Tun-li, Stanley ^{(5) (6)}	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent ^{(5) (6) (7)}	0.41	-	-	-	-	0.41
Michael David KADOORIE ⁽⁵⁾	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose ⁽⁵⁾	0.22	-	-	-	-	0.22
William SHURNIAK ^{(5) (6)}	0.35	-	-	-	-	0.35
WONG Chung Hin ^{(5) (6) (7)}	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna ^{(5) (7)}	0.28	-	-	-	-	0.28
Total:	5.24	45.18	507.92	2.95	-	561.29

Notes:

- (1) Retired as Chairman, Executive Director and member of the Remuneration Committee on 10 May 2018. No remuneration was paid to Mr Li Ka-shing during the year other than director's fees of HK\$1,781 (2017 - HK\$5,000). The amount of Director's fees shown above is a result of rounding.
- (2) Directors' fees received by these Directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (3) Appointed as member of the Remuneration Committee on 10 May 2018.
- (4) Non-executive Director.
- (5) Independent Non-executive Director. The total emoluments of the Independent Non-executive Directors of the Company are HK\$2.24 million (2017 - HK\$2.24 million).
- (6) Member of the Audit Committee.
- (7) Member of the Remuneration Committee.

The remuneration paid to the members of senior management by bands during the year is set out below:

Remuneration Bands*	Number of Individuals
HK\$15 million to HK\$19 million	3
HK\$20 million to HK\$24 million	1
HK\$25 million to HK\$29 million	2
HK\$65 million to HK\$70 million	1

* Rounding to the nearest million.

Nomination of Directors

Nomination Committee

The Company established the Nomination Committee on 1 January 2019 which comprises all Directors and is chaired by the Chairman of the Board. Its composition deviates from code provision A.5.1 which requires the Nomination Committee to comprise a majority of Independent Non-executive Directors. The Board is of the view that the ultimate responsibility for the selection, nomination and appointment of Directors rests with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate. A sub-committee, chaired by the Chairman and comprising members in compliance with the code provision requirement under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the conduct of the selection and nomination process, and will be dissolved after the purpose for which it is established is achieved or discontinued.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of the Board against its needs and make recommendations on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in the conduct of the selection and nomination of Directors, makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. It also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

Before the establishment of the Nomination Committee, the Board was tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. During year 2018, the Board as a whole reviewed the succession plan for Directors (including the former Chairman of the Board) and made recommendations on re-appointment of retiring Directors. It has also assessed the independence of all the Independent Non-executive Directors and considered all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the day-to-day management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

The Board has adopted a Board diversity policy which recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

Board appointment has been, and will continue to be, made based on merit and attributes that the selected candidate will bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Company and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Board may consider relevant from time to time towards achieving a diversified Board.

The Board diversity policy is available on the website of the Group. The Board reviews and monitors from time to time the implementation of the policy to ensure its continued effectiveness.

In March 2019, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, and performed an assessment on the independence of all the Independent Non-executive Directors with the conclusion that all of them are independent. It also established a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Wong and Dr Wong which reviewed and recommended to the Board on the re-election of retiring Directors at the 2019 annual general meeting.

Director Nomination Policy

The Board has formalised the Company's existing approach and procedures and adopted a Director nomination policy on 1 January 2019 to ensure that, with the support of the newly established Nomination Committee and its sub-committee, proper selection and nomination processes are in place for the appointment of additional and replacement Directors and re-election of Directors.

As noted above, the Nomination Committee will, on an ad hoc basis, establish a sub-committee with members from the Nomination Committee who possess the relevant expertise as it considers appropriate, when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the sub-committee will consider the potential contributions a candidate can bring to the Board in terms of skills set, experience, expertise, independence, age, culture, ethnicity, gender and such other factors that it may consider appropriate for a position on the Board. The sub-committee will provide updated information and status of progress to the Nomination Committee/Board throughout the determination process as and when appropriate. The Board will take into consideration the benefits of a diversified Board when selecting Board candidates.

If the Board determines that an additional or replacement Director is required, the relevant sub-committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the relevant sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules. Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Group.

The Director Nomination Policy is available on the website of the Group. The Board will from time to time review the Director Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. The Group is committed to enhancing investor engagement and communications. Through its Executive Directors, the Group Corporate Affairs Department, Group Investor Relations Department and the Corporate Secretarial Department, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In 2018, about 300 meetings were held with institutional investors and analysts. The policy on shareholders' communication, which is available on the Group's website, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company are published on the websites of the Group and HKEX. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the Group's website.

The Board formalised and adopted a dividend policy for the Company which took effect from 1 January 2019. The Board is committed to maintaining an optimal capital structure and investment grade credit ratings. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth and investment opportunities. Subject to business conditions, market opportunities and maintenance of the Company's strong investment grade credit ratings, the Board aims to deliver a sustainable dividend that is in line with the earnings improvements and long-term growth of the Company.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 73 of the Articles of Association of the Company, any two or more shareholders (or one shareholder which is a recognised clearing house, or its nominee(s)) holding not less than one-tenth of the paid up share capital of the Company, carrying the right of voting at general meetings of the Company, have statutory rights to call for general meetings and to put forward agenda items for consideration by shareholders, by depositing at the principal office of the Company in Hong Kong a written request for such general meetings, signed by the shareholders concerned together with the objects of the meeting. The Board would within 21 days from the date of deposit of requisition convene the meeting to be held within a further 21 days.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Group's Hong Kong Share Registrar. The results of the poll are published on the websites of the Group and HKEX. In addition, regular updated financial, business and other information on the Group is made available to the shareholders and stakeholders on the Group's website.

The latest shareholders' meeting of the Company was the 2018 AGM which was held on 10 May 2018 at Harbour Grand Kowloon. The 2018 AGM was attended by PwC and all of the Directors, including the respective chairman of the Board, Audit Committee and the Remuneration Committee with 100% attendance. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Corporate Governance Report

Separate resolutions were proposed at the 2018 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 10 May 2018 are set out below:

Resolutions proposed at the 2018 AGM	Percentage of Votes
1 Adoption of the audited Financial Statements, the Reports of the Directors and the Independent Auditor for the year ended 31 December 2017	99.97%
2 Declaration of a final dividend	99.99%
3(a) Re-election of Mr Fok Kin Ning, Canning as a Director	92.83%
3(b) Re-election of Mr Ip Tak Chuen, Edmond as a Director	69.70%
3(c) Re-election of Mr Lai Kai Ming, Dominic as a Director	70.13%
3(d) Re-election of Mr Lee Yeh Kwong, Charles as a Director	90.96%
3(e) Re-election of Mr Leung Siu Hon as a Director	90.37%
3(f) Re-election of Mr Kwok Tun-li, Stanley as a Director	94.96%
3(g) Re-election of Dr Wong Yick-ming, Rosanna as a Director	95.29%
4 Appointment of Auditor and authorisation of Directors to fix the Auditor's remuneration	99.63%
5(1) Granting of a general mandate to Directors to issue additional shares of the Company	65.89%
5(2) Approval of the repurchase by the Company of its own shares	99.97%
5(3) Extension of the general mandate regarding issue of additional shares of the Company	60.75%

Accordingly, all resolutions put to shareholders at the 2018 AGM were passed. The results of the voting by poll were published on the websites of the Group and HKEX.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2019 and public float capitalisation as at 31 December 2018.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Group Investor Relations or the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or by email at ir@ckh.com.hk.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a committee, chaired by the Executive Director and Company Secretary comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and continually enhance the Group's ESG efforts. The "Environmental, Social and Governance Report" of the Group is set out on pages 85 to 105 of this annual report.

By order of the Board

Edith Shih

Executive Director and Company Secretary

Hong Kong, 21 March 2019

Independent Auditor's Report

To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 170 to 286, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2018;
- 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 financial position of the Company and of the Group as at 31 December 2018, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSKAs") issued by the HKICPA. 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 HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter

Goodwill and brand names with an indefinite useful life

Refer to notes 12, 13 and 42 to the consolidated financial statements

The Group has a significant amount of goodwill and brand names arising from various acquisitions. As at 31 December 2018, goodwill amounted to approximately HK\$323 billion and brand names with an indefinite useful life amounted to approximately HK\$69 billion.

Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values.

Based on the results of the impairment assessments conducted, the Group determined that there is no impairment of goodwill and brand names with an indefinite useful life. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets.

The significant assumptions are disclosed in notes 12, 13 and 42 to the consolidated financial statements.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included:

- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists;
- Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters *(continued)*

Key Audit Matter

Investments in associated companies and joint ventures

Refer to notes 14, 15 and 42 to the consolidated financial statements

The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2018, investments in associated companies and joint ventures amounted to approximately HK\$254 billion.

Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment.

In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values.

Hutchison Port Holdings Trust ("HPH Trust"), a listed associated company of the Group, has recorded an impairment loss as at 31 December 2018 as the carrying values of its assets exceeded the recoverable amounts calculated under the value in use model. The Group therefore recognised its share of impairment loss of HPH Trust of HK\$4.8 billion as at 31 December 2018. Refer to note 3(b)(xvii) to the consolidated financial statements for details.

Based on the results of the impairment assessments conducted, the Group determined that, except for HPH Trust, there is no impairment of the Group's investments in other associated companies and joint ventures. This judgement is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included:

- Testing the Group's assessments as to whether any indication of impairment exists by reference to the available information in the relevant markets and industries;
- Assessing the appropriateness of the valuation methodologies used;
- Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data;
- Performing sensitivity analyses on the key assumptions as stated above; and
- Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets.

In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Independent Auditor's Report

Responsibilities of Directors and Those Charged with Governance 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 HKFRSs issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 HKSAs 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.

As part of an audit in accordance with HKSAs, 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.

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

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Income Statement

for the year ended 31 December 2018

2018 [#] US\$ million		Note	2018 HK\$ million	2017 [*] HK\$ million
35,529	Revenue	2, 3	277,129	248,515
(14,047)	Cost of inventories sold		(109,564)	(101,328)
(4,677)	Staff costs		(36,478)	(33,572)
(2,067)	Expensed customer acquisition and retention costs		(16,124)	(16,545)
(2,530)	Depreciation and amortisation	3	(19,739)	(17,105)
(6,325)	Other operating expenses		(49,337)	(44,570)
	Share of profits less losses of:			
370	Associated companies		2,888	6,797
1,310	Joint ventures		10,220	12,500
7,563			58,995	54,692
(1,256)	Interest expenses and other finance costs	5	(9,797)	(8,274)
6,307	Profit before tax		49,198	46,418
(501)	Current tax	6	(3,912)	(5,415)
166	Deferred tax	6	1,294	2,599
5,972	Profit after tax		46,580	43,602
(972)	Profit attributable to non-controlling interests and holders of perpetual capital securities		(7,580)	(8,502)
5,000	Profit attributable to ordinary shareholders		39,000	35,100
US\$ 1.30	Earnings per share for profit attributable to ordinary shareholders	7	HK\$ 10.11	HK\$ 9.10

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 8.

See note 38.

* See note 41.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

2018 [#] US\$ million		Note	2018 HK\$ million	2017* HK\$ million
5,972	Profit after tax		46,580	43,602
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
79	Remeasurement of defined benefit obligations recognised directly in reserves		615	1,730
	Equity securities at FVOCI *			
(212)	Valuation losses recognised directly in reserves		(1,652)	–
29	Share of other comprehensive income of associated companies		224	68
70	Share of other comprehensive income of joint ventures		546	199
(12)	Tax relating to items that will not be reclassified to profit or loss	30 (b)	(93)	(213)
(46)			(360)	1,784
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Debt securities at FVOCI *			
(3)	Valuation losses recognised directly in reserves		(20)	–
	Available-for-sale investments			
–	Valuation gains recognised directly in reserves		–	149
–	Valuation gains previously in reserves recognised in income statement		–	(36)
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
46	Gains (losses) recognised directly in reserves		363	(114)
–	Losses previously in reserves recognised in initial cost of non-financial items		–	1
479	Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves		3,735	(4,683)
(1,193)	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		(9,305)	4,625
(268)	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		(2,093)	40
(364)	Share of other comprehensive income (losses) of associated companies		(2,835)	3,099
(680)	Share of other comprehensive income (losses) of joint ventures		(5,307)	10,116
(9)	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	30 (b)	(69)	(50)
(1,992)			(15,531)	13,147
(2,038)	Other comprehensive income (losses), net of tax		(15,891)	14,931
3,934	Total comprehensive income		30,689	58,533
(711)	Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities		(5,546)	(11,718)
3,223	Total comprehensive income attributable to ordinary shareholders		25,143	46,815

See note 38.

* See note 41.

Consolidated Statement of Financial Position

at 31 December 2018

2018 [#] US\$ million		Note	2018 HK\$ million	2017* HK\$ million
	Non-current assets			
14,180	Fixed assets	9	110,605	158,789
988	Leasehold land	10	7,702	8,305
8,233	Telecommunications licences	11	64,221	27,271
11,380	Brand names and other rights	12	88,761	75,985
41,431	Goodwill	13	323,160	255,334
17,473	Associated companies	14	136,287	145,343
15,135	Interests in joint ventures	15	118,053	162,134
2,597	Deferred tax assets	16	20,260	20,195
1,191	Liquid funds and other listed investments	17	9,292	7,813
1,374	Other non-current assets	18	10,717	5,540
113,982			889,058	866,709
	Current assets			
17,360	Cash and cash equivalents	20	135,411	160,470
3,001	Inventories		23,410	21,708
8,183	Trade receivables and other current assets	21	63,826	51,368
28,544			222,647	233,546
15,454	Assets classified as held for sale	22	120,539	–
43,998			343,186	233,546
	Current liabilities			
3,332	Bank and other debts	23	25,986	21,712
265	Current tax liabilities		2,071	2,948
14,907	Trade payables and other current liabilities	24	116,272	90,228
18,504			144,329	114,888
9,949	Liabilities directly associated with assets classified as held for sale	22	77,600	–
28,453			221,929	114,888
15,545	Net current assets		121,257	118,658
129,527	Total assets less current liabilities		1,010,315	985,367
	Non-current liabilities			
41,740	Bank and other debts	23	325,570	310,276
97	Interest bearing loans from non-controlling shareholders	26	752	3,143
2,469	Deferred tax liabilities	16	19,261	25,583
313	Pension obligations	27	2,443	3,770
9,162	Other non-current liabilities	28	71,466	51,048
53,781			419,492	393,820
75,746	Net assets		590,823	591,547

2018 [#] US\$ million		Note	2018 HK\$ million	2017* HK\$ million
	Capital and reserves			
494	Share capital	29 (a)	3,856	3,858
31,330	Share premium	29 (a)	244,377	244,505
25,374	Reserves	30	197,918	181,693
57,198	Total ordinary shareholders' funds		446,151	430,056
1,580	Perpetual capital securities	29 (b)	12,326	29,481
16,968	Non-controlling interests		132,346	132,010
75,746	Total equity		590,823	591,547

See note 38.

* See note 41.

Fok Kin Ning, Canning

Director

Frank John Sixt

Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Total equity ^a US\$ million		Attributable to					Total equity HK\$ million
		Ordinary shareholders		Perpetual capital securities HK\$ million	Non-controlling interests HK\$ million		
		Share capital and share premium ^(a) HK\$ million	Reserves ^(b) HK\$ million			Total ordinary shareholders' funds HK\$ million	
75,839	At 31 December 2017, as previously reported, and 1 January 2018	248,363	181,693	430,056	29,481	132,010	591,547
102	Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	-	430	430	-	364	794
75,941 5,972	At 1 January 2018, as adjusted Profit for the year	248,363 -	182,123 39,000	430,486 39,000	29,481 551	132,374 7,029	592,341 46,580
(212)	Other comprehensive income (losses) Equity securities at FVOCI * Valuation losses recognised directly in reserves	-	(1,490)	(1,490)	-	(162)	(1,652)
(3)	Debt securities at FVOCI * Valuation losses recognised directly in reserves	-	(20)	(20)	-	-	(20)
79	Remeasurement of defined benefit obligations recognised directly in reserves	-	455	455	-	160	615
46	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts) Gains recognised directly in reserves	-	322	322	-	41	363
479	Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	-	2,892	2,892	-	843	3,735
(1,193)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(7,733)	(7,733)	-	(1,572)	(9,305)
(268)	Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	-	(1,810)	(1,810)	-	(283)	(2,093)
(335)	Share of other comprehensive income (losses) of associated companies	-	(2,419)	(2,419)	-	(192)	(2,611)
(610)	Share of other comprehensive income (losses) of joint ventures	-	(3,918)	(3,918)	-	(843)	(4,761)
(21)	Tax relating to components of other comprehensive income (losses)	-	(136)	(136)	-	(26)	(162)
(2,038)	Other comprehensive income (losses), net of tax	-	(13,857)	(13,857)	-	(2,034)	(15,891)
3,934	Total comprehensive income	-	25,143	25,143	551	4,995	30,689
(2)	Hedging reserve gains transferred to the carrying value of non-financial item during the year	-	(14)	(14)	-	(2)	(16)
3	Impact of hyperinflation	-	21	21	-	5	26
(1,024)	Dividends paid relating to 2017	-	(7,985)	(7,985)	-	-	(7,985)
(430)	Dividends paid relating to 2018	-	(3,356)	(3,356)	-	-	(3,356)
(682)	Dividends paid to non-controlling interests	-	-	-	-	(5,317)	(5,317)
(129)	Distribution paid on perpetual capital securities	-	-	-	(1,006)	-	(1,006)
4	Equity contribution from non-controlling interests	-	-	-	-	35	35
(2,492)	Redemption of perpetual capital securities (see note 29(b))	-	1,740	1,740	(21,175)	-	(19,435)
574	Issuance of perpetual capital securities (see note 29(b))	-	-	-	4,475	-	4,475
(4)	Transaction costs in relation to issuance of perpetual capital securities	-	(33)	(33)	-	-	(33)
(17)	Buy-back and cancellation of issued shares (see note 29(a)(i))	(130)	(1)	(131)	-	-	(131)
6	Share option schemes and long term incentive plans of subsidiary companies	-	27	27	-	17	44
1	Unclaimed dividends write back of a subsidiary	-	6	6	-	-	6
6	Relating to acquisition of subsidiary companies	-	-	-	-	44	44
(7)	Relating to purchase of non-controlling interests	-	(28)	(28)	-	(28)	(56)
64	Relating to partial disposal of subsidiary companies	-	275	275	-	223	498
(4,129)		(130)	(9,348)	(9,478)	(17,706)	(5,023)	(32,207)
75,746	At 31 December 2018	248,233	197,918	446,151	12,326	132,346	590,823

Total equity [#] US\$ million		Attributable to					Total equity* HK\$ million
		Ordinary shareholders		Total ordinary shareholders' funds* HK\$ million	Perpetual capital securities* HK\$ million	Non-controlling interests* HK\$ million	
		Share capital and share premium ^{*(a)} HK\$ million	Reserves ^{*(b)} HK\$ million				
69,768	At 1 January 2017	248,363	145,806	394,169	30,510	119,511	544,190
5,590	Profit for the year	–	35,100	35,100	1,163	7,339	43,602
	Other comprehensive income (losses)						
	Available-for-sale investments						
19	Valuation gains recognised directly in reserves	–	145	145	–	4	149
(5)	Valuation gains previously in reserves recognised in income statement	–	(36)	(36)	–	–	(36)
222	Remeasurement of defined benefit obligations recognised directly in reserves	–	1,268	1,268	–	462	1,730
(15)	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts) Losses recognised directly in reserves	–	(134)	(134)	–	20	(114)
–	Losses previously in reserves recognised in initial cost of non-financial items	–	1	1	–	–	1
(600)	Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	(3,847)	–	(836)	(4,683)
593	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	2,551	–	2,074	4,625
5	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	22	22	–	18	40
406	Share of other comprehensive income of associated companies	–	2,950	2,950	–	217	3,167
1,322	Share of other comprehensive income of joint ventures	–	8,989	8,989	–	1,326	10,315
(33)	Tax relating to components of other comprehensive income (losses)	–	(194)	(194)	–	(69)	(263)
1,914	Other comprehensive income, net of tax	–	11,715	11,715	–	3,216	14,931
7,504	Total comprehensive income	–	46,815	46,815	1,163	10,555	58,533
(962)	Dividends paid relating to 2016	–	(7,503)	(7,503)	–	–	(7,503)
(386)	Dividends paid relating to 2017	–	(3,009)	(3,009)	–	–	(3,009)
(614)	Dividends paid to non-controlling interests	–	–	–	–	(4,790)	(4,790)
(153)	Distribution paid on perpetual capital securities	–	–	–	(1,192)	–	(1,192)
859	Equity contribution from non-controlling interests	–	–	–	–	6,700	6,700
(1,128)	Redemption of perpetual capital securities (see note 29(b))	–	–	–	(8,800)	–	(8,800)
1,000	Issuance of perpetual capital securities (see note 29(b))	–	–	–	7,800	–	7,800
(8)	Transaction costs in relation to issuance of perpetual capital securities	–	(62)	(62)	–	–	(62)
(9)	Transaction costs in relation to issuance of shares of a subsidiary	–	(41)	(41)	–	(27)	(68)
(2)	Transaction costs in relation to equity contribution from non-controlling interests	–	(14)	(14)	–	(4)	(18)
2	Share option schemes and long term incentive plans of subsidiary companies	–	9	9	–	6	15
1	Unclaimed dividends write back of a subsidiary	–	6	6	–	–	6
13	Relating to acquisition of subsidiary companies	–	–	–	–	106	106
(46)	Relating to purchase of non-controlling interests	–	(342)	(342)	–	(19)	(361)
–	Relating to partial disposal of subsidiary companies	–	28	28	–	(28)	–
(1,433)		–	(10,928)	(10,928)	(2,192)	1,944	(11,176)
75,839	At 31 December 2017	248,363	181,693	430,056	29,481	132,010	591,547

See note 38.

* See note 41.

(a) See note 29(a) for further details on share capital and share premium.

(b) See note 30 for further details on reserves.

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

2018 [#] US\$ million		Note	2018 HK\$ million	2017* HK\$ million
	Operating activities			
9,306	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	31 (a)	72,590	68,137
(1,367)	Interest expenses and other finance costs paid (net of capitalisation)		(10,661)	(9,375)
(588)	Tax paid		(4,584)	(4,870)
7,351	Funds from operations		57,345	53,892
(206)	Changes in working capital	31 (b)	(1,611)	(296)
7,145	Net cash from operating activities		55,734	53,596
	Investing activities			
(3,531)	Purchase of fixed assets		(27,540)	(23,521)
–	Additions to leasehold land		–	(149)
(1,093)	Additions to telecommunications licences		(8,527)	(216)
(190)	Additions to brand names and other rights		(1,479)	(29)
(1,836)	Purchase of subsidiary companies	31 (c)	(14,323)	(3,724)
(53)	Additions to other unlisted investments		(414)	(130)
285	Repayments from associated companies and joint ventures		2,222	804
(314)	Purchase of and advances to associated companies and joint ventures		(2,446)	(37,798)
12	Proceeds on disposal of fixed assets		92	2,231
144	Proceeds on disposal of subsidiary companies	31 (d)	1,121	14,201
19	Proceeds on partial disposal / disposal of associated companies and joint ventures		149	1,348
1	Proceeds on disposal of other unlisted investments		8	19
(6,556)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(51,137)	(46,964)
50	Disposal of liquid funds and other listed investments		387	278
(1,068)	Additions to liquid funds and other listed investments		(8,329)	(1,997)
(7,574)	Cash flows used in investing activities		(59,079)	(48,683)
(429)	Net cash inflow (outflow) before financing activities		(3,345)	4,913
	Financing activities			
7,092	New borrowings	31 (e)	55,313	100,488
(7,046)	Repayment of borrowings	31 (e)	(54,961)	(87,674)
(24)	Net loans to non-controlling shareholders	31 (e)	(185)	(2,139)
1,834	Consideration received from the economic benefits agreements (see note 28(b))	31 (e)	14,308	–
3	Issue of equity securities by subsidiary companies to non-controlling shareholders		25	1,584
–	Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs		–	5,063
–	Transaction costs in relation to issuance of shares by a subsidiary		–	(68)
(7)	Payments to acquire additional interests in subsidiary companies		(56)	(356)
570	Proceeds on issue of perpetual capital securities, net of transaction costs		4,442	7,738
(2,492)	Redemption of perpetual capital securities		(19,435)	(8,800)
(17)	Payments for buy-back and cancellation of issued shares		(131)	–
(1,454)	Dividends paid to ordinary shareholders		(11,341)	(10,512)
(654)	Dividends paid to non-controlling interests		(5,102)	(4,845)
(129)	Distribution paid on perpetual capital securities		(1,006)	(1,192)
(2,324)	Cash flows used in financing activities		(18,129)	(713)
(2,753)	Increase (decrease) in cash and cash equivalents		(21,474)	4,200
20,573	Cash and cash equivalents at 1 January		160,470	156,270
17,820	Cash and cash equivalents at 31 December		138,996	160,470

2018 [#] US\$ million		Note	2018 HK\$ million	2017* HK\$ million
	Analysis of cash, liquid funds and other listed investments			
17,820	Cash and cash equivalents, as above		138,996	160,470
(460)	Less: cash and cash equivalents included in assets classified as held for sale	22	(3,585)	–
17,360	Cash and cash equivalents	20	135,411	160,470
1,191	Liquid funds and other listed investments	17	9,292	7,813
18,551	Total cash, liquid funds and other listed investments		144,703	168,283
45,213	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	23	352,668	333,155
97	Interest bearing loans from non-controlling shareholders	26	752	3,143
26,759	Net debt		208,717	168,015
(97)	Interest bearing loans from non-controlling shareholders		(752)	(3,143)
26,662	Net debt (excluding interest bearing loans from non-controlling shareholders)		207,965	164,872

See note 38.

* See note 41.

Notes to the Financial Statements

1 Basis of preparation and presentation

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

The Group has initially applied Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers" ("HKFRS 15") with effect from 1 January 2018 and has taken transitional provisions and methods not to restate comparative information for prior periods. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised in note 41. Except for these changes, the accounting policies applied and methods of computation used in the preparation of these financial statements are consistent with those used in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 40.

These financial statements have been prepared on a historical cost basis, except for the following:

- defined benefit plans plan assets, certain properties, certain financial assets and liabilities (including derivative instruments) which are measured at fair values, and
- non-current assets and disposal groups classified as held for sale which are measured at the lower of carrying amount and fair value less cost to sell.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately from other assets and liabilities in the consolidated statement of financial position. Details of the major classes of assets and liabilities classified as held for sale are separately disclosed in note 22. Other assets and liabilities are presented in these financial statements on a net of reclassification to held for sale basis.

With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. This change in presentation has no impact on the total equity. The comparative information has been reclassified accordingly.

2 Revenue

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

	2018 HK\$ million	2017 HK\$ million
Sale of goods	165,781	152,235
Revenue from services	105,288	92,035
Interest	5,948	4,135
Dividend income	112	110
	277,129	248,515

2 Revenue (continued)

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

(i) By segments

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2018 Total HK\$ million
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million		
Ports and Related Services	–	26,425	26,425	162	26,587
Retail	133,371	204	133,575	–	133,575
Infrastructure	3,834	10,600	14,434	6,192	20,626
Husky Energy	–	–	–	–	–
3 Group Europe	12,534	50,321	62,855	–	62,855
Hutchison Telecommunications Hong Kong Holdings	4,250	3,662	7,912	–	7,912
Hutchison Asia Telecommunications	–	8,220	8,220	–	8,220
Finance & Investments and Others	13,404	764	14,168	3,186	17,354
	167,393	100,196	267,589	9,540	277,129

	Revenue from contracts with customers			Revenue from other sources HK\$ million	2017 Total HK\$ million
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million		
Ports and Related Services	–	25,640	25,640	122	25,762
Retail	123,834	–	123,834	–	123,834
Infrastructure	3,436	10,035	13,471	5,128	18,599
Husky Energy	–	–	–	–	–
3 Group Europe	10,362	36,186	46,548	–	46,548
Hutchison Telecommunications Hong Kong Holdings	2,899	6,786	9,685	–	9,685
Hutchison Asia Telecommunications	–	7,695	7,695	–	7,695
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

Notes to the Financial Statements

2 Revenue (continued)

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

(ii) By geographical locations

	Revenue from contracts with customers			Revenue	2018
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million	from other sources HK\$ million	Total Total HK\$ million
Hong Kong	35,404	3,537	38,941	34	38,975
Mainland China	31,669	570	32,239	5	32,244
Europe	63,108	71,154	134,262	5,068	139,330
Canada	—	392	392	231	623
Asia, Australia and Others	23,808	23,779	47,587	1,016	48,603
Finance & Investments and Others	13,404	764	14,168	3,186	17,354
	167,393	100,196	267,589	9,540	277,129

	Revenue from contracts with customers			Revenue	2017
	recognised at a point in time HK\$ million	recognised over time HK\$ million	Subtotal HK\$ million	from other sources HK\$ million	Total Total HK\$ million
Hong Kong	33,675	6,596	40,271	31	40,302
Mainland China	28,785	659	29,444	2	29,446
Europe	57,536	55,489	113,025	4,278	117,303
Canada	—	357	357	112	469
Asia, Australia and Others	20,535	23,241	43,776	827	44,603
Finance & Investments and Others	13,705	419	14,124	2,268	16,392
	154,236	86,761	240,997	7,518	248,515

2 Revenue (continued)

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

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

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

	31 December 2018 HK\$ million	1 January 2018 HK\$ million
Trade receivables (see note 21)	19,255	11,546
Contract assets (see notes 18 and 21)	6,943	3,842
Contract liabilities (see notes 24 and 28)	(5,883)	(6,325)

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. The acquisition of subsidiary companies during the year resulted in increase in trade receivables of HK\$8,596 million. In 2018, HK\$1,569 million was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The acquisition of a subsidiary during the year resulted in increase in contract assets of HK\$1,863 million. In 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\$3,224 million was recognised as revenue in 2018 that was included in the contract liability balance at the beginning of the year. The reclassification of the Group's interests in certain infrastructure investments as held for sale has resulted in decrease in contract liabilities of HK\$4,535 million.

(d) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration fixed, 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 performance. The analysis is solely for compliance with HKFRS 15 disclosure requirement in respect of transaction price allocated the remaining performance obligations.

	2018 HK\$ million
Within one year	17,591
More than one year	7,732
	25,323

3 Operating segment information

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

Ports and Related Services:

This division operates container terminals in five of the 10 busiest container ports in the world. This division had 288 operational berths as at 31 December 2018. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers. ASW operated 12 retail brands with 14,976 stores in 24 markets worldwide as at 31 December 2018.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), and the Group's interests in six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. During the year, the Group has divested a substantial portion of its economic benefits arising from these six infrastructure investments. Results of these six infrastructure investments for the period following the divestiture are included in the segment results on a net of divestiture basis.

Husky Energy:

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

Telecommunications:

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

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA"), Hutchison Whampoa (China), Hutchison E-Commerce, Hutchison Water (which was disposed during 2017), the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associated companies TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

3 Operating segment information (continued)

(b) Segment results, assets and liabilities

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items. 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)(xiii)) and EBIT (see note 3(b)(xiv)).

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$54 million (2017 - HK\$70 million), Hutchison Telecommunications Hong Kong Holdings of HK\$11 million (2017 - HK\$222 million) and Hutchison Asia Telecommunications of HK\$2 million (2017 - HK\$9 million).

HKFRS 9 and HKFRS 15 are applied with effect from 1 January 2018 without restating the comparative information. See notes 1 and 41. The comparative information set out in this note continues to be reported under the accounting policies prevailing prior to 1 January 2018.

(i) An analysis of revenue by segments

	Revenue							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	26,587	8,588	35,175	8%	25,762	8,384	34,146	8%
Retail	133,575	35,416	168,991	37%	123,834	32,329	156,163	38%
Infrastructure	19,522	45,202	64,724	14%	18,599	38,770	57,369	14%
Husky Energy	–	54,251	54,251	12%	–	44,948	44,948	11%
3 Group Europe	62,855	15,556	78,411	17%	46,548	24,186	70,734	17%
Hutchison Telecommunications Hong Kong Holdings	7,912	–	7,912	2%	9,685	–	9,685	2%
Hutchison Asia Telecommunications	8,220	–	8,220	2%	7,695	–	7,695	2%
Finance & Investments and Others	17,354	18,192	35,546	8%	16,392	17,705	34,097	8%
	276,025	177,205	453,230	100%	248,515	166,322	414,837	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	1,098	1,098		–	1,069	1,069	
Divestiture of infrastructure investments	1,104	860	1,964		–	–	–	
	277,129	179,163	456,292		248,515	167,391	415,906	

Notes to the Financial Statements

3 Operating segment information (continued)

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

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) ⁽ⁱⁱⁱ⁾							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	9,683	3,709	13,392	12%	8,921	3,642	12,563	12%
Retail	12,874	3,290	16,164	14%	11,911	2,887	14,798	14%
Infrastructure	11,234	24,188	35,422	31%	10,451	22,582	33,033	32%
Husky Energy	–	12,106	12,106	11%	–	8,992	8,992	9%
3 Group Europe	22,787	5,974	28,761	25%	14,546	9,791	24,337	23%
Hutchison Telecommunications Hong Kong Holdings ⁽ⁱⁱⁱ⁾	1,298	73	1,371	1%	4,272	65	4,337	4%
Hutchison Asia Telecommunications	1,028	–	1,028	1%	558	–	558	1%
Finance & Investments and Others	6,138	(802)	5,336	5%	1,852	3,884	5,736	5%
EBITDA	65,042	48,538	113,580	100%	52,511	51,843	104,354	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	752	752		–	741	741	
EBITDA (see note 31(a))	65,042	49,290	114,332		52,511	52,584	105,095	
Depreciation and amortisation	(19,351)	(21,615)	(40,966)		(17,105)	(19,921)	(37,026)	
Interest expenses and other finance costs	(9,562)	(8,463)	(18,025)		(8,274)	(9,750)	(18,024)	
Current tax	(3,982)	(3,813)	(7,795)		(5,415)	(2,483)	(7,898)	
Deferred tax	1,369	(1,652)	(283)		2,599	(756)	1,843	
Non-controlling interests	(7,563)	(700)	(8,263)		(8,502)	(388)	(8,890)	
	25,953	13,047	39,000		15,814	19,286	35,100	

3 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

	EBIT (LBIT) ⁽ⁱⁱⁱ⁾							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Ports and Related Services	6,470	2,256	8,726	12%	6,008	2,211	8,219	12%
Retail	10,506	2,572	13,078	18%	9,821	2,268	12,089	18%
Infrastructure	7,825	16,213	24,038	33%	7,535	15,914	23,449	35%
Husky Energy	–	5,742	5,742	8%	–	2,703	2,703	4%
3 Group Europe								
EBITDA before the following non-cash items:	22,787	5,974	28,761		14,546	9,791	24,337	
Depreciation	(5,064)	(950)	(6,014)		(3,968)	(1,103)	(5,071)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	(3,626)	(1,458)	(5,084)		(1,164)	(1,535)	(2,699)	
EBIT – 3 Group Europe	14,097	3,566	17,663	24%	9,414	7,153	16,567	25%
Hutchison Telecommunications Hong Kong Holdings ⁽ⁱⁱⁱ⁾	530	23	553	1%	688	19	707	1%
Hutchison Asia Telecommunications	321	–	321	–	226	–	226	–
Finance & Investments and Others	5,942	(3,178)	2,764	4%	1,714	1,918	3,632	5%
EBIT	45,691	27,194	72,885	100%	35,406	32,186	67,592	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	–	481	481		–	477	477	
Interest expenses and other finance costs	(9,562)	(8,463)	(18,025)		(8,274)	(9,750)	(18,024)	
Current tax	(3,982)	(3,813)	(7,795)		(5,415)	(2,483)	(7,898)	
Deferred tax	1,369	(1,652)	(283)		2,599	(756)	1,843	
Non-controlling interests	(7,563)	(700)	(8,263)		(8,502)	(388)	(8,890)	
	25,953	13,047	39,000		15,814	19,286	35,100	

Notes to the Financial Statements

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	Associates and JV	2018 Total	Company and Subsidiaries	Associates and JV	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,213	1,453	4,666	2,913	1,431	4,344
Retail	2,368	718	3,086	2,090	619	2,709
Infrastructure	3,409	7,975	11,384	2,916	6,668	9,584
Husky Energy	–	6,364	6,364	–	6,289	6,289
3 Group Europe	8,690	2,408	11,098	5,132	2,638	7,770
Hutchison Telecommunications Hong Kong Holdings ^(xviii)	768	50	818	3,584	46	3,630
Hutchison Asia Telecommunications	707	–	707	332	–	332
Finance & Investments and Others	196	2,376	2,572	138	1,966	2,104
	19,351	21,344	40,695	17,105	19,657	36,762
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	–	271	271	–	264	264
Divestiture of infrastructure investments	388	99	487	–	–	–
	19,739	21,714	41,453	17,105	19,921	37,026

(v) An analysis of capital expenditure by segments

	Capital expenditure							
	Fixed assets and leasehold land	Telecommunications licences	Brand names and other rights	2018 Total	Fixed assets and leasehold land	Telecommunications licences	Brand names and other rights	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	3,909	–	1	3,910	3,700	–	3	3,703
Retail	3,454	–	–	3,454	3,148	–	–	3,148
Infrastructure	5,924	–	136	6,060	5,543	–	6	5,549
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	10,990	6,384	1,341	18,715	7,880	197	3	8,080
Hutchison Telecommunications Hong Kong Holdings	513	–	–	513	1,018	–	9	1,027
Hutchison Asia Telecommunications	2,513	2,143	–	4,656	2,103	19	–	2,122
Finance & Investments and Others	237	–	1	238	278	–	8	286
	27,540	8,527	1,479	37,546	23,670	216	29	23,915

3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

	Total assets								
	Company and Subsidiaries		Assets classified as held for sale ^{(b)(i)}	Investments in associated companies and interests in joint ventures	2018 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2017 Total assets
	Segment assets ^{(b)(ii)}	Deferred tax assets				Segment assets ^{(b)(ii)}	Deferred tax assets		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Ports and Related Services	74,366	243	–	20,728	95,337	75,531	184	26,242	101,957
Retail	199,151	1,059	–	13,771	213,981	196,903	1,140	13,707	211,750
Infrastructure	54,963	12	118,187	142,569	315,731	172,958	489	157,420	330,867
Husky Energy	–	–	–	64,297	64,297	–	–	62,976	62,976
3 Group Europe	309,333	18,659	2,352	10	330,354	114,415	18,015	32,723	165,153
Hutchison Telecommunications									
Hong Kong Holdings	19,469	258	–	396	20,123	23,500	338	434	24,272
Hutchison Asia Telecommunications	11,333	–	–	–	11,333	7,973	–	–	7,973
Finance & Investments and Others	168,490	29	–	12,569	181,088	181,303	29	13,975	195,307
	837,105	20,260	120,539	254,340	1,232,244	772,583	20,195	307,477	1,100,255

(vii) An analysis of total liabilities by segments

	Total liabilities								
	Segment liabilities ^{(b)(ii)}	Current & deferred tax liabilities	Liabilities directly associated with assets classified as held for sale ^{(b)(i)}	Current & non-current borrowings and other non-current liabilities	2018 Total liabilities	Segment liabilities ^{(b)(ii)}	Current & deferred tax liabilities	Current & non-current borrowings and other non-current liabilities	2017 Total liabilities
	Ports and Related Services	13,433	4,472	–	16,127	34,032	13,746	4,624	16,652
Retail	26,366	9,962	–	13,407	49,735	25,813	10,523	13,768	50,104
Infrastructure	4,910	590	77,600	30,535	113,635	15,305	7,165	102,354	124,824
Husky Energy	–	–	–	–	–	–	–	–	–
3 Group Europe	55,915	94	–	113,808	169,817	23,866	460	14,759	39,085
Hutchison Telecommunications									
Hong Kong Holdings	1,804	16	–	343	2,163	2,229	3	4,286	6,518
Hutchison Asia Telecommunications	5,976	1	–	18,897	24,874	5,219	3	17,010	22,232
Finance & Investments and Others	10,311	6,197	–	230,657	247,165	7,820	5,753	217,350	230,923
	118,715	21,332	77,600	423,774	641,421	93,998	28,531	386,179	508,708

Notes to the Financial Statements

3 Operating segment information (continued)

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

(viii) An analysis of revenue by geographical locations

	Revenue							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	38,975	4,624	43,599	10%	40,302	4,963	45,265	11%
Mainland China	32,244	7,517	39,761	9%	29,446	7,234	36,680	9%
Europe	138,255	76,821	215,076	47%	117,303	77,602	194,905	47%
Canada ⁽ⁱⁱⁱ⁾	596	53,651	54,247	12%	469	43,852	44,321	11%
Asia, Australia and Others	48,601	16,400	65,001	14%	44,603	14,966	59,569	14%
Finance & Investments and Others	17,354	18,192	35,546	8%	16,392	17,705	34,097	8%
	276,025	177,205	453,230 ⁽¹⁾	100%	248,515	166,322	414,837 ⁽¹⁾	100%

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

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) ⁽ⁱⁱⁱ⁾							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	1,698	1,983	3,681	3%	3,864	2,506	6,370	6%
Mainland China	6,184	4,924	11,108	10%	4,873	4,806	9,679	9%
Europe	40,354	22,468	62,822	55%	31,424	24,867	56,291	54%
Canada ⁽ⁱⁱⁱ⁾	410	10,364	10,774	10%	299	7,598	7,897	8%
Asia, Australia and Others	10,258	9,601	19,859	17%	10,199	8,182	18,381	18%
Finance & Investments and Others	6,138	(802)	5,336	5%	1,852	3,884	5,736	5%
	65,042	48,538	113,580 ⁽²⁾	100%	52,511	51,843	104,354 ⁽²⁾	100%

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

3 Operating segment information (continued)

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

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) ^(iv)							
	Company and Subsidiaries	Associates and JV	2018 Total		Company and Subsidiaries	Associates and JV	2017 Total	
	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	%
Hong Kong	561	929	1,490	2%	110	1,472	1,582	2%
Mainland China	5,208	3,397	8,605	12%	3,836	3,221	7,057	10%
Europe	26,720	15,458	42,178	58%	21,978	18,335	40,313	60%
Canada ^(vii)	390	4,508	4,898	6%	276	1,932	2,208	4%
Asia, Australia and Others	6,870	6,080	12,950	18%	7,492	5,308	12,800	19%
Finance & Investments and Others	5,942	(3,178)	2,764	4%	1,714	1,918	3,632	5%
	45,691	27,194	72,885 ⁽³⁾	100%	35,406	32,186	67,592 ⁽³⁾	100%

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

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure							
	Fixed assets and leasehold land	Telecom- munications licences	Brand names and other rights	2018 Total	Fixed assets and leasehold land	Telecom- munications licences	Brand names and other rights	2017 Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,316	–	–	1,316	1,569	–	9	1,578
Mainland China	1,147	–	–	1,147	1,239	–	–	1,239
Europe	18,626	6,384	1,341	26,351	14,545	197	3	14,745
Canada	14	–	37	51	182	–	–	182
Asia, Australia and Others	6,200	2,143	100	8,443	5,857	19	9	5,885
Finance & Investments and Others	237	–	1	238	278	–	8	286
	27,540	8,527	1,479	37,546	23,670	216	29	23,915

Notes to the Financial Statements

3 Operating segment information (continued)

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

(xii) An analysis of total assets by geographical locations

	Total assets								
	Company and Subsidiaries		Assets classified as held for sale ^(xxx)	Investments in associated companies and interests in joint ventures	2018 Total assets	Company and Subsidiaries		Investments in associated companies and interests in joint ventures	2017 Total assets
	Segment assets ^(xxx)	Deferred tax assets				Segment assets ^(xxx)	Deferred tax assets		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Hong Kong	55,494	306	–	14,233	70,033	55,423	366	22,521	78,310
Mainland China	47,989	681	–	23,735	72,405	48,697	726	27,190	76,613
Europe	452,780	18,914	114,559	87,437	673,690	370,864	18,830	120,642	510,336
Canada ^(xxx)	3,638	6	2,558	63,027	69,229	6,249	3	63,977	70,229
Asia, Australia and Others	108,714	324	3,422	53,339	165,799	110,047	241	59,172	169,460
Finance & Investments and Others	168,490	29	–	12,569	181,088	181,303	29	13,975	195,307
	837,105	20,260	120,539	254,340	1,232,244	772,583	20,195	307,477	1,100,255

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

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

3 Operating segment information (continued)

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

- (xv) As announced on 31 August 2018, the Group divested a substantial portion of the economic benefits arising from its interests in six infrastructure investments co-owned with CKI comprising Northumbrian Water, ParkN Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. The Group recognised one-off loss of HK\$2,962 million attributable to ordinary shareholders. The amount of the loss is HK\$3,626 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.
- (xvi) As announced on 3 July 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. The Group recognised one-off re-measurement and other gains of HK\$8,600 million. The amount of the gains is HK\$8,600 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Other operating expenses" in the income statement.
- (xvii) The Group's 30.07% owned listed associated company, HPH Trust reported a one-off impairment of goodwill and investment in a joint venture of HK\$12,289 million for the year ended 31 December 2018. The Group's share of this loss (after consolidation adjustments) amounted to HK\$4,781 million. The amount of the loss is HK\$4,781 million at the EBITDA and EBIT levels, and is reported under "Finance & Investments and Others" in the segment results and is included in "Share of profits less losses of associated companies" in the income statement.
- (xviii) During the comparative 2017 year, HTHKH disposed of its fixed-line telecommunications business and reported a one-off gain of HK\$5,614 million. HTHKH also reported a one-off after tax and non-controlling interests accelerated depreciation charges of HK\$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau. The Group's share of this disposal gain is HK\$2,034 million at the EBITDA (included in Other operating expenses) level and EBIT level, and the Group's share of these accelerated depreciation charges is HK\$2,182 million at the EBIT level (included in Depreciation and amortisation). These one-offs resulted in a net loss of HK\$148 million at the EBIT level and the respective amounts are included in the Other operating expenses and Depreciation and amortisation in the income statement and reported under Hutchison Telecommunications Hong Kong Holdings in the segment results.
- (xix) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale. Segment liabilities comprise trade and other payables and pension obligations and exclude liabilities directly associated with assets classified as held for sale. As additional information, the Group's non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK\$73,511 million (2017 - HK\$81,118 million), HK\$85,882 million (2017 - HK\$84,307 million), HK\$463,580 million (2017 - HK\$443,138 million), HK\$66,500 million (2017 - HK\$68,789 million), HK\$159,698 million (2017 - HK\$156,169 million) respectively.
- (xx) See note 22.
- (xxi) Include contribution from the United States of America for Husky Energy.

Notes to the Financial Statements

4 Directors' emoluments

	2018 HK\$ million	2017 HK\$ million
Directors' emoluments	561	512

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

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2017 - nil).

In 2018, the five individuals whose emoluments were the highest for the year were five directors of the Company. In 2017 the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK\$4.73 million; provident fund contribution - HK\$0.3 million and discretionary bonus - HK\$28.34 million.

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

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

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

4 Directors' emoluments (continued)

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

2017						
Name of directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind HK\$ million	Discretionary bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
LI Ka-shing ^{(1) (8)}	0.01	–	–	–	–	0.01
Victor T K Li						
<i>Paid by the Company</i>	0.22	4.89	63.87	–	–	68.98
<i>Paid by CKI</i>	0.08	–	32.27	–	–	32.35
	0.30	4.89	96.14	–	–	101.33
FOK Kin Ning, Canning ⁽²⁾	0.22	11.59	197.68	1.04	–	210.53
Frank John SIXT ⁽²⁾	0.22	8.64	52.58	0.75	–	62.19
IP Tak Chuen, Edmond						
<i>Paid by the Company</i>	0.22	1.62	10.07	–	–	11.91
<i>Paid by CKI</i>	0.08	1.80	11.35	–	–	13.23
	0.30	3.42	21.42	–	–	25.14
KAM Hing Lam						
<i>Paid by the Company</i>	0.22	2.42	9.88	–	–	12.52
<i>Paid by CKI</i>	0.08	4.20	11.35	–	–	15.63
	0.30	6.62	21.23	–	–	28.15
LAI Kai Ming, Dominic ⁽²⁾	0.22	5.84	52.01	1.10	–	59.17
Edith SHIH ^{(2) (9)}	0.22	4.30	17.13	0.36	–	22.01
CHOW Kun Chee, Roland ⁽⁵⁾	0.22	–	–	–	–	0.22
CHOW WOO Mo Fong, Susan ^{(5) (9)}	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles ⁽⁵⁾	0.22	–	–	–	–	0.22
LEUNG Siu Hon ⁽⁵⁾	0.22	–	–	–	–	0.22
George Colin MAGNUS ⁽⁵⁾						
<i>Paid by the Company</i>	0.22	–	–	–	–	0.22
<i>Paid by CKI</i>	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley ^{(6) (7)}	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
Michael David KADOORIE ⁽⁶⁾	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose ⁽⁶⁾	0.22	–	–	–	–	0.22
William SHURNIAK ^{(6) (7)}	0.35	–	–	–	–	0.35
WONG Chung Hin ^{(6) (7) (8)}	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna ^{(6) (8)}	0.28	–	–	–	–	0.28
Total	5.21	45.30	458.19	3.25	–	511.95

- (1) No remuneration was paid to Mr Li Ka-shing during 2018 other than a director's fee of HK\$1,781 (2017 - HK\$5,000). The amount of director's fee shown above is a result of rounding.
- (2) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.
- (3) Retired on 10 May 2018.
- (4) Appointed as Member of the Remuneration Committee on 10 May 2018.
- (5) Non-executive director.
- (6) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK\$2.24 million (2017 - HK\$2.24 million).
- (7) Member of the Audit Committee.
- (8) Member of the Remuneration Committee.
- (9) Appointed on 1 January 2017.

Notes to the Financial Statements

5 Interest expenses and other finance costs

	2018 HK\$ million	2017 HK\$ million
Bank loans and overdrafts	1,971	1,556
Other loans	172	264
Notes and bonds	8,403	7,605
Interest bearing loans from non-controlling shareholders	262	260
Other finance costs	230	60
	11,038	9,745
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	235	210
Other non-cash interest adjustments ^(a)	(1,099)	(1,311)
	10,174	8,644
Less: interest capitalised ^(b)	(377)	(370)
	9,797	8,274

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK\$1,522 million (2017 - HK\$1,725 million) net with notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future of HK\$423 million (2017 - HK\$414 million).

(b) Borrowing costs have been capitalised at various applicable rates ranging from 2.7% to 6.2% (2017 - 4.6% to 6.2%) per annum.

6 Tax

	2018 HK\$ million	2017 HK\$ million
Current tax charge		
Hong Kong	76	598
Outside Hong Kong	3,836	4,817
	3,912	5,415
Deferred tax charge (credit)		
Hong Kong	53	(255)
Outside Hong Kong	(1,347)	(2,344)
	(1,294)	(2,599)
	2,618	2,816

Hong Kong profits tax has been provided for at the rate of 16.5% (2017 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

6 Tax (continued)

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

	2018 HK\$ million	2017 HK\$ million
Tax calculated at the domestic rates applicable in the country concerned	6,305	7,101
Tax effect of:		
Tax losses not recognised	1,724	1,474
Income not subject to tax	(2,172)	(1,847)
Expenses not deductible for tax purposes	1,349	1,535
Recognition of previously unrecognised tax losses	(141)	(2,010)
Utilisation of previously unrecognised tax losses	(1,256)	(926)
Under (over) provision in prior years	(98)	33
Other temporary differences	(2,818)	(2,456)
Effect of change in tax rate	(275)	(88)
Total tax for the year	2,618	2,816

7 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$39,000 million (2017 - HK\$35,100 million) and on weighted average number of shares, 3,857,216,697 shares outstanding during 2018 (2017 - 3,857,678,500 shares in issue).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2018 and 2017. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2018 and 2017 did not have a dilutive effect on earnings per share.

8 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2018 HK\$ million	2017 HK\$ million
Distribution paid on perpetual capital securities	1,006	1,192

(b) Dividends

	2018 HK\$ million	2017 HK\$ million
Interim dividend, paid of HK\$0.87 per share (2017 - HK\$0.78 per share)	3,356	3,009
Final dividend, proposed of HK\$2.30 per share (2017 - HK\$2.07 per share)	8,870	7,985
	12,226	10,994

In 2018, the calculation of the interim dividend and final dividend is based on 3,857,678,500 shares (2017 - 3,857,678,500 shares) and 3,856,240,500 shares (2017 - 3,857,678,500 shares) in issue respectively.

Notes to the Financial Statements

9 Fixed assets

	Land and buildings HK\$ million	Telecom- munications network assets HK\$ million	Other assets ^(a) HK\$ million	Total HK\$ million
Cost				
At 1 January 2017	24,367	32,061	106,907	163,335
Additions	1,632	3,336	18,553	23,521
Relating to subsidiaries acquired (see note 31(c))	4	334	107	445
Disposals	(71)	(2,797)	(959)	(3,827)
Relating to subsidiaries disposed (see note 31(d))	(35)	(7,618)	(625)	(8,278)
Transfer between categories	(44)	5,244	(4,935)	265
Exchange translation differences	1,396	2,393	9,102	12,891
At 31 December 2017 and 1 January 2018	27,249	32,953	128,150	188,352
Additions	1,983	3,691	21,866	27,540
Relating to subsidiaries acquired (see note 31(c))	16	14,905	3,248	18,169
Disposals	(10)	(551)	(1,462)	(2,023)
Relating to subsidiaries disposed (see note 31(d))	(281)	–	(125)	(406)
Transfer between categories	120	3,201	(3,086)	235
Exchange translation differences	(1,009)	(2,830)	(4,963)	(8,802)
Transfer to assets classified as held for sale (see note 22)	(1,787)	(148)	(79,906)	(81,841)
At 31 December 2018	26,281	51,221	63,722	141,224
Accumulated depreciation and impairment				
At 1 January 2017	1,447	5,312	10,978	17,737
Charge for the year	1,015	5,848	7,816	14,679
Disposals	(23)	(2,753)	(696)	(3,472)
Relating to subsidiaries disposed (see note 31(d))	(5)	(1,406)	(134)	(1,545)
Transfer between categories	(177)	165	277	265
Exchange translation differences	146	727	1,026	1,899
At 31 December 2017 and 1 January 2018	2,403	7,893	19,267	29,563
Charge for the year	1,069	3,796	9,649	14,514
Disposals	(7)	(384)	(1,511)	(1,902)
Relating to subsidiaries disposed (see note 31(d))	(24)	–	(43)	(67)
Transfer between categories	18	181	36	235
Exchange translation differences	8	(517)	(831)	(1,340)
Transfer to assets classified as held for sale (see note 22)	(128)	–	(10,256)	(10,384)
At 31 December 2018	3,339	10,969	16,311	30,619
Net book value				
At 31 December 2018	22,942	40,252	47,411	110,605
At 31 December 2017	24,846	25,060	108,883	158,789
At 1 January 2017	22,920	26,749	95,929	145,598

- (a) Cost and net book value of other assets include HK\$24,249 million (2017 - HK\$22,937 million) and HK\$18,765 million (2017 - HK\$19,287 million) respectively relate to the business of Ports and Related Services, HK\$20,852 million (2017 - HK\$10,439 million) and HK\$17,671 million (2017 - HK\$8,268 million) respectively relate to the business of Telecommunications and HK\$2,025 million (2017 - HK\$80,475 million) and HK\$1,433 million (2017 - HK\$72,599 million) respectively relate to the business of Infrastructure. The decrease in cost and net book value of other assets relating to the business of Infrastructure is mainly attributable to assets transferred to disposal group held for sale during the year.

9 Fixed assets (continued)

- (b) As at 31 December 2018, the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is not material. The comparative balances as at 31 December 2017 analysed by the bands of "within 1 year", "after 1 year, but within 5 years", and "after 5 years" are HK\$3,317 million, HK\$5,199 million and HK\$1,468 million, respectively and are mainly related to businesses of the six co-owned infrastructure investments classified as disposal group held for sale as at the reporting date.

10 Leasehold land

	2018 HK\$ million	2017 HK\$ million
Net book value		
At 1 January	8,305	8,155
Additions	–	149
Relating to subsidiaries acquired (see note 31(c))	–	105
Amortisation for the year	(424)	(428)
Relating to subsidiaries disposed (see note 31(d))	(68)	–
Exchange translation differences	(111)	324
At 31 December	7,702	8,305

11 Telecommunications licences

	2018 HK\$ million	2017 HK\$ million
Net book value		
At 1 January	27,271	23,936
Additions	8,527	216
Relating to subsidiaries acquired (see note 31(c))	32,802	1,962
Amortisation for the year	(1,222)	(998)
Exchange translation differences	(1,813)	2,155
Transfer to assets classified as held for sale (see note 22)	(1,344)	–
At 31 December	64,221	27,271
Cost	67,571	29,507
Accumulated amortisation and impairment	(3,350)	(2,236)
	64,221	27,271

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

The Group's telecommunications licences in the UK and Italy are considered to have an indefinite useful life and their carrying amount at 31 December 2018 are £1,723 million and €3,947 million (2017 - £1,555 million and nil) respectively.

Notes to the Financial Statements

12 Brand names and other rights

	Brand names HK\$ million	Other rights HK\$ million	Total HK\$ million
Net book value			
At 1 January 2017	60,120	13,505	73,625
Additions	–	29	29
Relating to subsidiaries acquired (see note 31(c))	–	134	134
Amortisation for the year	(12)	(988)	(1,000)
Relating to subsidiaries disposed (see note 31(d))	–	(503)	(503)
Exchange translation differences	2,677	1,023	3,700
At 31 December 2017 and 1 January 2018	62,785	13,200	75,985
Additions	–	1,479	1,479
Relating to subsidiaries acquired (see note 31(c))	7,652	15,327	22,979
Amortisation for the year	(12)	(2,379)	(2,391)
Exchange translation differences	(1,118)	(730)	(1,848)
Transfer to assets classified as held for sale (see note 22)	(270)	(7,173)	(7,443)
At 31 December 2018	69,037	19,724	88,761
Cost	69,080	24,096	93,176
Accumulated amortisation	(43)	(4,372)	(4,415)
	69,037	19,724	88,761

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

- brand names relate to Retail of approximately HK\$50 billion (2017 - HK\$51 billion) and Telecommunications of approximately HK\$19 billion (2017 - HK\$12 billion) are considered to have an indefinite useful life; and
- other rights, which include rights of use of telecommunications network infrastructure sites of HK\$547 million (2017 - HK\$711 million), operating and service content rights of HK\$7,954 million (2017 - HK\$9,903 million), resource consents and customer lists of HK\$11,223 million (2017 - HK\$2,586 million) are amortised over their finite useful lives.

13 Goodwill

	2018 HK\$ million	2017 HK\$ million
Cost		
At 1 January	255,334	254,748
Relating to subsidiaries acquired (see note 31(c))	97,602	1,271
Relating to subsidiaries disposed (see note 31(d))	–	(5,929)
Exchange translation differences	(4,090)	5,244
Transfer to assets classified as held for sale (see note 22)	(25,686)	–
At 31 December	323,160	255,334

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015 and the telecommunications business in Italy operated by Wind Tre during the year. As at 31 December 2018, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (2017 - HK\$114 billion), telecommunications of approximately HK\$127 billion (2017 - HK\$32 billion) and CKI of approximately HK\$39 billion (2017 - HK\$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 11, 12 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 3.3% to 9.3% (2017 - 3.1% to 8.0%) 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 3.1% (2017 - 1.0% to 3.5%) 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 2018 and 2017 indicated no impairment charge was necessary.

Notes to the Financial Statements

14 Associated companies

	2018 HK\$ million	2017 HK\$ million
Unlisted shares	8,812	8,917
Listed shares, Hong Kong	64,408	64,408
Listed shares, outside Hong Kong	78,444	78,202
Share of undistributed post acquisition reserves	(19,151)	(10,341)
	132,513	141,186
Amounts due from (net with amounts due to) associated companies ^(a)	3,774	4,157
	136,287	145,343

The market value of the above listed investments at 31 December 2018 was HK\$91,849 million (2017 - HK\$116,870 million), inclusive of HK\$33,001 million (2017 - HK\$43,574 million) and HK\$44,054 million (2017 - HK\$53,505 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 34.

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

	2018 HK\$ million	2017 HK\$ million
Amounts due from associated companies ⁽ⁱ⁾		
Interest free	639	340
Interest bearing at fixed rates ⁽ⁱⁱ⁾	2,946	3,444
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	906	907
	4,491	4,691
Amount due to an associated company ^(iv)		
Interest free	717	534
Amounts due from (net with amounts due to) associated companies	3,774	4,157

(i) At 31 December 2018 and 2017, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK\$884 million which are repayable within one to three years (2017 - HK\$592 million which are repayable within one to four years).

(ii) At 31 December 2018, HK\$2,946 million (2017 - HK\$3,444 million) bear interests at fixed rates ranging from approximately 10.9% to 11.2% (2017 - 10.9% to 11.2%) per annum.

(iii) At 31 December 2018, HK\$906 million (2017 - HK\$907 million) bear interests at floating rates ranging from approximately 1.8% to 3.3% (2017 - 2.0% to 2.3%) per annum with reference to Euro Interbank Offered Rate and Hong Kong Interbank Offered Rate, as applicable.

(iv) At 31 December 2018 and 2017, the amount due to an associated company is unsecured and has no fixed terms of repayment.

14 Associated companies (continued)

(b) Material associated companies

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

	2018		2017	
	Husky Energy HK\$ million	Power Assets HK\$ million	Husky Energy HK\$ million	Power Assets HK\$ million
Dividends received from associated companies	667	7,139	–	12,685
Gross amount of the following items of the associated companies ^(b) :				
Total revenue	135,440	1,555	111,858	1,420
EBITDA	30,118	19,418	22,378	19,243
EBIT	14,285	14,108	6,726	14,121
Other comprehensive income (losses)	(3,617)	(1,113)	4,780	1,482
Total comprehensive income	4,963	6,523	10,547	9,801
Current assets	34,517	5,475	34,145	25,574
Non-current assets	229,816	123,664	228,164	118,935
Current liabilities	29,015	4,072	21,323	6,832
Non-current liabilities	71,294	3,808	79,853	4,589
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	159,254	121,259	156,695	133,088
Reconciliation to the carrying amount of the Group's interests in associated companies:				
Group's interest	40.2%	38.0%	40.2%	38.0%
Group's share of net assets	64,004	46,091	62,976	50,591
Amount due from associated company	293	–	–	–
Carrying amount	64,297	46,091	62,976	50,591

Notes to the Financial Statements

14 Associated companies (continued)

(b) Material associated companies (continued)

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

	2018				2017			
	Husky Energy	Power Assets	Other associated companies	Total	Husky Energy	Power Assets	Other associated companies	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Group's share of the following items of the associated companies ⁽ⁱ⁾ :								
Profits less losses after tax	3,448	2,902	(3,462)	2,888	2,345	3,214	1,238	6,797
Other comprehensive income (losses)	(1,454)	(424)	(733)	(2,611)	1,922	586	659	3,167
Total comprehensive income (loss)	1,994	2,478	(4,195)	277	4,267	3,800	1,897	9,964

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

Particulars regarding the principal associated companies are set forth on pages 283 to 286.

15 Interests in joint ventures

	2018 HK\$ million	2017 HK\$ million
Unlisted shares	83,066	113,091
Share of undistributed post acquisition reserves	36	9,491
	83,102	122,582
Amounts due from (net with amounts due to) joint ventures ^(a)	34,951	39,552
	118,053	162,134

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 34.

15 Interests in joint ventures (continued)

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

	2018 HK\$ million	2017 HK\$ million
Amounts due from joint ventures ⁽ⁱ⁾		
Interest free	2,070	2,137
Interest bearing at fixed rates ⁽ⁱⁱ⁾	17,222	20,101
Interest bearing at floating rates ⁽ⁱⁱⁱ⁾	16,036	17,699
	35,328	39,937
Amounts due to joint ventures ^(iv)		
Interest free	347	385
Interest bearing at floating rates ^(v)	30	–
Amounts due from (net with amounts due to) joint ventures	34,951	39,552

- (i) At 31 December 2018 and 2017, the amounts due from joint ventures are unsecured except for HK\$133 million for 2017 and have no fixed terms of repayment except for HK\$979 million which are repayable within one to two years (2017 - HK\$1,807 million which are repayable within one to two years and HK\$164 million which is repayable in 2027).
- (ii) At 31 December 2018, HK\$17,222 million (2017 - HK\$20,101 million) bear interests at fixed rates ranging from approximately 4.9% to 11.0% (2017 - 4.9% to 16.0%) per annum.
- (iii) At 31 December 2018, HK\$16,036 million (2017 - HK\$17,699 million) bear interests at floating rates ranging from approximately 3.7% to 7.4% (2017 - 1.7% to 6.5%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime rate and London Interbank Offered Rate, as applicable.
- (iv) At 31 December 2018 and 2017, the amounts due to joint ventures are unsecured and have no fixed terms of repayment except for HK\$30 million which are repayable within one year (2017 - nil).
- (v) At 31 December 2018, HK\$30 million (2017 - nil) bear interests at floating rates ranging from approximately 1.5% to 2.5% (2017 - nil) per annum with reference to Australian Bank Bill Swap Reference Rate and London Interbank Offered Rate, as applicable.

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

	2018 HK\$ million	2017 HK\$ million
Profits less losses after tax ⁽ⁱ⁾	10,220	12,500
Other comprehensive income (losses)	(4,761)	10,315
Total comprehensive income	5,459	22,815
Capital commitments	2,692	2,247

- (i) During the second half of 2012, VHA underwent a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK\$61 million (2017 - HK\$11 million). This item is presented within the consolidated income statement line item titled other operating expenses.

Particulars regarding the principal joint ventures are set forth on pages 283 to 286.

Notes to the Financial Statements

16 Deferred tax

	2018 HK\$ million	2017 HK\$ million
Deferred tax assets	20,260	20,195
Deferred tax liabilities	19,261	25,583
Net deferred tax assets (liabilities)	999	(5,388)

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

	2018 HK\$ million	2017 HK\$ million
At 1 January	(5,388)	(7,836)
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	(304)	–
Relating to subsidiaries acquired (see note 31(c))	2	249
Relating to subsidiaries disposed (see note 31(d))	7	657
Transfer to current tax	29	(235)
Net charge to other comprehensive income	(162)	(263)
Net credit (charge) to the income statement		
Unused tax losses	669	1,218
Accelerated depreciation allowances	(240)	(181)
Fair value adjustments arising from acquisitions	(39)	732
Withholding tax on undistributed profits	(61)	89
Other temporary differences	965	741
Exchange translation differences	(318)	(559)
Transfer to assets classified as held for sale (see note 22)	(416)	–
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	6,255	–
At 31 December	999	(5,388)

Analysis of net deferred tax assets (liabilities):

	2018 HK\$ million	2017 HK\$ million
Unused tax losses	18,459	16,687
Accelerated depreciation allowances	(4,127)	(9,588)
Fair value adjustments arising from acquisitions	(10,501)	(8,905)
Revaluation of investment properties and other investments	126	119
Withholding tax on undistributed profits	(497)	(461)
Other temporary differences	(2,461)	(3,240)
	999	(5,388)

16 Deferred tax (continued)

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

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

At 31 December 2018, the Group has recognised accumulated deferred tax assets amounting to HK\$20,260 million (2017 - HK\$20,195 million) of which HK\$18,659 million (2017 - HK\$18,015 million) relates to 3 Group Europe.

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

The Group has not recognised deferred tax assets of HK\$28,880 million at 31 December 2018 (2017 - HK\$13,354 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK\$99,135 million (2017 - HK\$55,385 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK\$76,257 million (2017 - HK\$31,053 million) can be carried forward indefinitely and the balances expire in the following years:

	2018 HK\$ million	2017 HK\$ million
In the first year	3,896	6,677
In the second year	5,606	4,414
In the third year	2,096	6,015
In the fourth year	2,667	2,097
After the fourth year	8,613	5,129
	22,878	24,332

Notes to the Financial Statements

17 Liquid funds and other listed investments

	2018 HK\$ million	2017 HK\$ million
Financial assets at amortised cost		
Managed funds - cash and cash equivalents, outside Hong Kong	66	–
Financial assets at FVOCI ^{*(i)}		
Listed equity securities, Hong Kong ⁽ⁱⁱ⁾	2,909	–
Listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	208	–
Managed funds - listed equity securities, outside Hong Kong ⁽ⁱⁱ⁾	154	–
Managed funds - listed debt securities, outside Hong Kong	4,770	–
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	1,089	–
	9,130	–
Available-for-sale investments ⁽ⁱ⁾		
Managed funds - cash and cash equivalents, outside Hong Kong	–	50
Listed equity securities, Hong Kong	–	1,546
Listed equity securities, outside Hong Kong	–	25
Managed funds - listed equity securities, outside Hong Kong	–	169
Managed funds - listed debt securities, outside Hong Kong	–	4,697
Listed / traded debt securities, outside Hong Kong ⁽ⁱⁱⁱ⁾	–	1,168
	–	7,655
Financial assets at fair value through profit or loss - listed equity securities	96	158
	9,292	7,813

* See note 41.

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

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

(iii) Included in listed / traded debt securities outside Hong Kong as at 31 December 2018 and 2017 are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million which will mature in 2019.

17 Liquid funds and other listed investments (continued)

- (a) At 31 December, liquid funds and other listed investments totalling HK\$9,292 million (2017 - HK\$7,813 million) are denominated in the following currencies:

	2018			2017	
	Financial assets at amortised cost Percentage	Financial assets at FVOCI Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	–	32%	–	20%	–
US dollars	26%	55%	100%	65%	71%
Other currencies	74%	13%	–	15%	29%
	100%	100%	100%	100%	100%

- (b) At 31 December, Listed / traded debt securities totalling HK\$5,859 million (2017 - HK\$5,865 million) presented above are analysed as follows:

	2018	2017
	Financial assets at FVOCI Percentage	Available-for-sale investments Percentage
Credit ratings		
Aaa / AAA	20%	19%
Aa1 / AA+	60%	60%
Other investment grades	4%	4%
Unrated	16%	17%
	100%	100%
Sectorial		
US Treasury notes	56%	56%
Government and government guaranteed notes	17%	17%
Husky Energy notes	4%	4%
Financial institutions notes	–	1%
Others	23%	22%
	100%	100%
Weighted average maturity	2.2 years	2.4 years
Weighted average effective yield	1.58%	1.42%

Notes to the Financial Statements

18 Other non-current assets

	2018 HK\$ million	2017 HK\$ million
Investment properties (see note 19)	382	360
Customer acquisition and retention costs ^(a)	1,576	–
Contract assets (see note 21(b))	2,726	–
Unlisted investments		
Financial assets at amortised costs – debt securities ^(b)	170	–
Financial assets at FVOCI * – equity securities ^(c)	1,953	–
Financial assets at fair value through profit or loss – equity securities	641	–
Financial assets at fair value through profit or loss – debt securities	318	–
Loans and receivables – debt securities	–	179
Available-for-sale investments – equity securities	–	2,649
Derivative financial instruments		
Fair value hedges – Interest rate swaps	19	45
Cash flow hedges		
Interest rate swaps	–	31
Cross currency Interest rate swaps	317	–
Forward foreign exchange contracts	–	293
Net investment hedges		
Forward foreign exchange contracts	2,021	1,791
Cross currency swaps	427	–
Other derivative financial instruments	167	192
	10,717	5,540

* See note 41.

(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\$1,188 million and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

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

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

19 Investment properties

Investment properties are included in "Other non-current assets" (see note 18) in the statement of financial position.

	2018 HK\$ million	2017 HK\$ million
Valuation		
At 1 January	360	344
Increase in fair value of investment properties	22	16
At 31 December	382	360

Investment properties have been fair valued as at 31 December 2018 and 31 December 2017 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2018 and 2017, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

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

As at 31 December 2018 and 2017, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

20 Cash and cash equivalents

	2018 HK\$ million	2017 HK\$ million
Cash at bank and in hand	32,253	27,356
Short term bank deposits	103,158	133,114
	135,411	160,470

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

Notes to the Financial Statements

21 Trade receivables and other current assets

	2018 HK\$ million	2017 HK\$ million
Trade receivables ^(a)	20,391	14,132
Less: loss allowance provision	(1,136)	(2,586)
	19,255	11,546
Other current assets		
Derivative financial instruments		
Fair value hedges - Interest rate swaps	-	9
Cash flow hedges - Forward foreign exchange contracts	-	1
Net investment hedges - Forward foreign exchange contracts	567	-
Contract assets ^(b)	4,217	-
Prepayments	21,105	10,351
Other receivables	18,682	29,461
	63,826	51,368

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

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

The Group's five largest customers contributed less than 4% of the Group's revenue for the year ended 31 December 2018 (2017 - less than 4%).

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

	2018 HK\$ million	2017 HK\$ million
Less than 31 days	11,830	8,271
Within 31 to 60 days	2,308	1,779
Within 61 to 90 days	994	797
Over 90 days	5,259	3,285
	20,391	14,132

21 Trade receivables and other current assets (continued)

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

	2018 HK\$ million	2017 HK\$ million
At 1 January	2,586	2,615
Additions	1,569	1,283
Utilisations	(2,003)	(1,133)
Write back	(9)	(303)
Relating to subsidiaries disposed	–	(62)
Exchange translation differences	(178)	186
Transfer to assets classified as held for sale	(829)	–
At 31 December	1,136	2,586

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use 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 determined under the new accounting policies from 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate Percentage
Not past due	10,206	115	1%
Past due less than 31 days	2,993	72	2%
Past due within 31 to 60 days	1,158	87	8%
Past due within 61 to 90 days	604	100	17%
Past due over 90 days	5,430	762	14%
	20,391	1,136	

The Group has initially applied HKFRS 9 using the cumulative effect method and adjusted the opening balance at 1 January 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018. The gross carrying amount of the impaired and not impaired trade receivables and the loss allowance provision determined under the accounting policies prevailing prior to 1 January 2018 analysed by aging band are set out below.

	Gross carrying amount of trade receivables			Loss allowance provision HK\$ million	Expected loss rate Percentage
	Not impaired HK\$ million	Impaired HK\$ million	Total HK\$ million		
Not past due	3,002	3,825	6,827	113	2%
Past due less than 31 days	1,704	742	2,446	62	3%
Past due within 31 to 60 days	343	575	918	191	21%
Past due within 61 to 90 days	137	420	557	202	36%
Past due over 90 days	318	3,066	3,384	2,018	60%
	5,504	8,628	14,132	2,586	

- (b) As at 31 December 2018, contract assets of HK\$4,217 million and HK\$2,726 million are included in "Trade receivables and other current assets" (see above) and "Other non-current assets" (see note 18) respectively. These amounts are net of provision for estimated impairment losses of HK\$493 million.

22 Assets and liabilities classified as held for sale

	2018 HK\$ million
Assets classified as held for sale	
Disposal group held for sale ^(a)	118,187
Non-current assets held for sale ^(b)	2,352
	120,539
Liabilities directly associated with assets classified as held for sale ^(a)	77,600

- (a) The Group has interests in six infrastructure investments co-owned with CKI comprising of interests in subsidiary Northumbrian Water, subsidiary Park'N Fly, subsidiary UK Rails, joint venture Australian Gas Networks, joint venture Dutch Enviro Energy and joint venture Wales & West Utilities. On 20 December 2018, the board of directors of the Company approved a plan to streamline the Group's holdings in these infrastructure investments, which will lead to the Group ceasing control on some of these infrastructure investments. The plan, subject to obtaining relevant regulatory approvals, is expected to be completed within a year from the reporting date.

These interests in the six co-owned infrastructure investments are reclassified for accounting purposes as disposal group held for sale as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. The major classes and the carrying amounts of assets and liabilities of this disposal group classified as held for sale at the reporting date are as follows:

	2018 HK\$ million
Assets	
Fixed assets	71,309
Brand names and other rights	7,443
Goodwill	25,686
Interests in joint ventures	7,223
Deferred tax assets	416
Other non-current assets	304
Cash and cash equivalents	3,585
Inventories	56
Trade receivables and other current assets	2,165
Assets classified as held for sale	118,187
Liabilities	
Bank and other debts	57,707
Current tax liabilities	134
Trade payables and other current liabilities	4,453
Interest bearing loans from non-controlling shareholders	2,071
Deferred tax liabilities	6,255
Pension obligations	1,113
Other non-current liabilities	5,867
Liabilities directly associated with assets classified as held for sale	77,600
Net assets directly associated with disposal group	40,587
Non-controlling interests	3,021
Net assets and non-controlling interests directly associated with disposal group	37,566
Amounts included in accumulated other comprehensive income:	
Exchange reserve deficit	(4,146)
Pension reserve deficit	(691)
Hedging reserve deficit	(1,112)
Reserves of disposal group classified as held for sale	(5,949)

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

- (b) During the year, the Group has acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites, spectrums and frequencies to an external third party. The transfer is expected to be completed within a year from the reporting date. These assets are classified for accounting purposes as assets held for sale as at the reporting date and the major classes of assets and their carrying amounts at that date are as follows:

	2018 HK\$ million
Fixed assets	477
Telecommunications licences	1,875
	2,352

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

23 Bank and other debts

	2018			2017		
	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	5,943	111,235	117,178	19,080	92,091	111,171
Other loans	38	410	448	249	1,279	1,528
Notes and bonds	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816
Unamortised fair value adjustments arising from acquisitions	553	5,197	5,750	2	10,337	10,339
Subtotal before the following items	26,244	326,424	352,668	21,708	311,447	333,155
Unamortised loan facilities fees and premiums or discounts related to debts	(1)	(656)	(657)	(5)	(822)	(827)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	(257)	(198)	(455)	9	(349)	(340)
	25,986	325,570	351,556	21,712	310,276	331,988

Notes to the Financial Statements

23 Bank and other debts (continued)

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

	2018			2017		
	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	5,943	111,235	117,178	19,080	92,091	111,171
Other loans	38	410	448	249	1,279	1,528
Notes and bonds						
HK\$500 million notes, 4.88% due 2018	–	–	–	500	–	500
HK\$500 million notes, 4.3% due 2020	–	500	500	–	500	500
HK\$500 million notes, 4.35% due 2020	–	500	500	–	500	500
HK\$300 million notes, 3.9% due 2020	–	300	300	–	300	300
HK\$400 million notes, 3.45% due 2021	–	400	400	–	400	400
HK\$300 million notes, 3.35% due 2021	–	300	300	–	300	300
HK\$260 million notes, 4% due 2027	–	260	260	–	260	260
US\$1,000 million notes, 5.75% due 2019	7,800	–	7,800	–	7,800	7,800
US\$1,500 million notes, 7.625% due 2019	11,700	–	11,700	–	11,700	11,700
US\$1,000 million notes, 2.25% due 2020	–	7,800	7,800	–	7,800	7,800
US\$750 million notes, 1.875% due 2021	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 4.625% due 2022	–	11,700	11,700	–	11,700	11,700
US\$1,000 million notes, 2.875% due 2022	–	7,800	7,800	–	7,800	7,800
US\$500 million notes, 3.25% due 2022	–	3,900	3,900	–	3,900	3,900
US\$750 million notes, 2.75% due 2023	–	5,850	5,850	–	5,850	5,850
US\$1,500 million notes, 3.625% due 2024	–	11,700	11,700	–	11,700	11,700
US\$500 million notes, 2.75% due 2026	–	3,900	3,900	–	3,900	3,900
US\$1,843 million notes, 5% due 2026	–	14,375	14,375	–	–	–
US\$309 million notes - Series C, 7.5% due 2027	–	2,410	2,410	–	2,410	2,410
US\$500 million notes, 3.25% due 2027	–	3,900	3,900	–	3,900	3,900
US\$800 million notes, 3.5% due 2027	–	6,240	6,240	–	6,240	6,240
US\$1,039 million notes, 7.45% due 2033	–	8,107	8,107	–	8,107	8,107
US\$25 million notes - Series D, 6.988% due 2037	–	196	196	–	196	196
SGD320 million notes, 3.408% due 2018	–	–	–	1,859	–	1,859
EUR1,500 million notes, 1.375% due 2021	–	13,425	13,425	–	13,890	13,890
EUR750 million notes, 3.625% due 2022	–	6,712	6,712	–	6,945	6,945
EUR1,350 million notes, 1.25% due 2023	–	12,083	12,083	–	12,501	12,501
EUR1,537 million notes, 2.625% due 2023	–	13,756	13,756	–	–	–
EUR600 million bonds, 1% due 2024	–	5,370	5,370	–	5,556	5,556
EUR1,000 million notes, 0.875% due 2024	–	8,950	8,950	–	9,260	9,260
EUR2,026 million notes, EURIBOR [^] + 2.75% due 2024	–	18,133	18,133	–	–	–

23 Bank and other debts (continued)

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

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
EUR700 million notes, 1.25% due 2025	–	6,712	6,712	–	–	–
EUR1,576 million notes, 3.125% due 2025	–	14,105	14,105	–	–	–
EUR650 million notes, 2% due 2028	–	5,818	5,818	–	6,019	6,019
EUR500 million notes, 2% due 2030	–	4,475	4,475	–	–	–
GBP300 million bonds, 5.831% due 2020	–	–	–	–	3,144	3,144
GBP100 million notes, 5.82% due 2021	–	–	–	–	1,048	1,048
GBP350 million bonds, 6.875% due 2023	–	–	–	–	3,668	3,668
GBP400 million bonds, 6.359% due 2025	–	–	–	–	4,192	4,192
GBP33 million notes, 2.56% due 2026	–	–	–	–	346	346
GBP300 million bonds, 1.625% due 2026	–	–	–	–	3,144	3,144
GBP303 million notes, 5.625% due 2026	–	3,005	3,005	–	3,175	3,175
GBP300 million bonds, 2.375% due 2027	–	–	–	–	3,144	3,144
GBP45 million notes, 2.56% due 2028	–	–	–	–	471	471
GBP90 million notes, 3.54% due 2030	–	–	–	–	943	943
GBP22 million notes, 2.83% due 2031	–	–	–	–	230	230
GBP350 million bonds, 5.625% due 2033	–	–	–	–	3,668	3,668
GBP246 million bonds, 5.87526% due 2034	–	–	–	17	2,558	2,575
GBP400 million bonds, 6.697% due 2035	–	–	–	–	4,192	4,192
GBP50 million notes, 5.01% due 2036	–	–	–	–	524	524
GBP100 million notes, LIBOR* + 2.33% due 2036	–	–	–	–	1,048	1,048
GBP215 million bonds, RPI# + 2.033% due 2036	–	–	–	–	2,252	2,252
GBP58 million bonds, 6.627% due 2037	–	–	–	1	612	613
GBP100 million notes, 3.19% due 2037	–	–	–	–	1,048	1,048
GBP84 million bonds, RPI# + 1.6274% due 2041	–	–	–	–	886	886
GBP360 million bonds, 5.125% due 2042	–	–	–	–	3,773	3,773
GBP400 million bonds, 3.529% due 2042	–	–	–	–	4,192	4,192
GBP140 million bonds, RPI# + 1.7118% due 2049	–	–	–	–	1,467	1,467
GBP140 million bonds, RPI# + 1.7484% due 2053	–	–	–	–	1,467	1,467
JPY3,000 million notes, 1.75% due 2019	210	–	210	–	211	211
JPY15,000 million notes, 2.6% due 2027	–	1,050	1,050	–	1,053	1,053
	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816

^ EURIBOR represents the Euro Interbank Offered Rate

* LIBOR represents the London Interbank Offered Rate

RPI represents UK Retail Price Index

Notes to the Financial Statements

23 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

	2018			2017		
	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	5,943	–	5,943	19,080	–	19,080
After 1 year, but within 2 years	–	35,020	35,020	–	7,937	7,937
After 2 years, but within 5 years	–	76,215	76,215	–	79,418	79,418
After 5 years	–	–	–	–	4,736	4,736
	5,943	111,235	117,178	19,080	92,091	111,171
Other loans						
Within a year	38	–	38	249	–	249
After 1 year, but within 2 years	–	37	37	–	256	256
After 2 years, but within 5 years	–	273	273	–	412	412
After 5 years	–	100	100	–	611	611
	38	410	448	249	1,279	1,528
Notes and bonds						
Within a year	19,710	–	19,710	2,377	–	2,377
After 1 year, but within 2 years	–	9,100	9,100	–	19,736	19,736
After 2 years, but within 5 years	–	81,777	81,777	–	64,655	64,655
After 5 years	–	118,705	118,705	–	123,349	123,349
	19,710	209,582	229,292	2,377	207,740	210,117
	25,691	321,227	346,918	21,706	301,110	322,816

(b) By secured and unsecured borrowings

	2018			2017		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Secured borrowings	1,258	87,343	88,601	258	25,728	25,986
Unsecured borrowings	24,433	233,884	258,317	21,448	275,382	296,830
	25,691	321,227	346,918	21,706	301,110	322,816

Out of the principal amount of secured bank and other debts of the Group, HK\$87,219 million is arising from the acquisition of a subsidiary during the year.

(c) By borrowings at fixed and floating interest rate

	2018			2017		
	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	19,748	191,859	211,607	2,818	203,665	206,483
Borrowings at floating rate	5,943	129,368	135,311	18,888	97,445	116,333
	25,691	321,227	346,918	21,706	301,110	322,816

23 Bank and other debts (continued)

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

(d) By currency

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	6%	38%	44%	2%	40%	42%
Euro	–	42%	42%	–	21%	21%
HK dollars	–	3%	3%	2%	3%	5%
British Pounds	–	3%	3%	–	22%	22%
Other currencies	1%	7%	8%	2%	8%	10%
	7%	93%	100%	6%	94%	100%

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

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Borrowings at fixed rate	20,540	232,580	253,120	3,348	221,485	224,833
Borrowings at floating rate	5,151	88,647	93,798	18,358	79,625	97,983
	25,691	321,227	346,918	21,706	301,110	322,816

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

The Group has entered into interest rate swap agreements with banks and other financial institutions to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements amounted to HK\$9,100 million (2017 - HK\$9,600 million) (See note 43(i)(i)).

The Group has also entered into interest rate swap agreements to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings. At 31 December 2018, the notional amount of the outstanding interest rate swap agreements and cross currency interest rate swap agreements amounted to HK\$33,453 million and HK\$17,160 million respectively (2017 - HK\$10,790 million and HK\$17,160 million respectively) (See note 43(i)(ii)).

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

	2018			2017		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	Percentage	Percentage	Percentage	Percentage	Percentage	Percentage
US dollars	6%	27%	33%	2%	33%	35%
Euro	–	53%	53%	–	28%	28%
HK dollars	–	3%	3%	2%	3%	5%
British Pounds	–	3%	3%	–	22%	22%
Other currencies	1%	7%	8%	2%	8%	10%
	7%	93%	100%	6%	94%	100%

As at 31 December 2018, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$38,610 million (2017 - HK\$23,010 million) (see note 43(i)(ii)) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

Notes to the Financial Statements

24 Trade payables and other current liabilities

	2018 HK\$ million	2017 HK\$ million
Trade payables ^(a)	29,233	19,252
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	8	11
Forward foreign exchange contracts	2	2
Other contracts	–	10
Net investment hedges - Forward foreign exchange contracts	6	396
Other derivative financial instruments	–	10
Interest free loans from non-controlling shareholders	385	389
Contract liabilities	5,880	–
Provisions (see note 25)	4,514	1,014
Other payables and accruals	76,244	69,144
	116,272	90,228

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

	2018 HK\$ million	2017 HK\$ million
Less than 31 days	19,764	12,994
Within 31 to 60 days	4,095	3,623
Within 61 to 90 days	2,392	1,500
Over 90 days	2,982	1,135
	29,233	19,252

(b) The Group's five largest suppliers accounted for less than 16% of the Group's cost of purchases for the year ended 31 December 2018 (2017 - less than 18%).

25 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 2017	32,492	311	611	433	33,847
Additions	–	12	20	636	668
Interest accretion	–	–	29	–	29
Utilisations	(5,486)	(98)	–	(1)	(5,585)
Write back	–	(75)	–	(256)	(331)
Relating to subsidiaries acquired	–	–	34	–	34
Relating to subsidiaries disposed	–	–	(34)	–	(34)
Exchange translation differences	314	33	32	19	398
At 31 December 2017 and 1 January 2018	27,320	183	692	831	29,026
Additions	–	15	237	161	413
Interest accretion	–	6	17	–	23
Utilisations	(8,371)	(86)	(58)	(31)	(8,546)
Write back	–	(29)	–	(86)	(115)
Relating to subsidiaries acquired	12,774	–	926	601	14,301
Exchange translation differences	(535)	(10)	(40)	(14)	(599)
At 31 December 2018	31,188	79	1,774	1,462	34,503

Provisions are analysed as:

	2018 HK\$ million	2017 HK\$ million
Current portion (see note 24)	4,514	1,014
Non-current portion (see note 28)	29,989	28,012
	34,503	29,026

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. 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.

Notes to the Financial Statements

26 Interest bearing loans from non-controlling shareholders

	2018 HK\$ million	2017 HK\$ million
Interest bearing loans from non-controlling shareholders	752	3,143

At 31 December 2018, these loans bear interest at rates at 2.3% (2017 - 2.3% to 11%) per annum. The carrying amounts of the borrowings approximate their fair values.

27 Pension plans

	2018 HK\$ million	2017 HK\$ million
Defined benefit assets	–	–
Defined benefit liabilities	2,443	3,770
Net defined benefit liabilities	2,443	3,770

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

(a) Defined benefit plans

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

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

	2018	2017
Discount rates	0.4% - 3.0%	0.15% - 2.55%
Future salary increases	1.0% - 4.0%	1.0% - 4.0%
Interest credited on two principal plans in Hong Kong	5.0% - 6.0%	5.0% - 6.0%

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

	2018 HK\$ million	2017 HK\$ million
Present value of defined benefit obligations	18,337	31,528
Fair value of plan assets	15,897	27,761
	2,440	3,767
Restrictions on assets recognised	3	3
Net defined benefit liabilities	2,443	3,770

27 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	Present value of defined benefit obligations	Fair value of plan assets	Asset ceiling	Net defined benefit liabilities
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2018	31,528	(27,761)	3	3,770
Net charge (credit) to the income statement				
Current service cost	710	51	–	761
Past service cost and gains and losses on settlements	67	–	–	67
Interest cost (income)	704	(616)	–	88
	1,481	(565)	–	916
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(113)	–	–	(113)
Actuarial gain arising from change in financial assumptions	(1,514)	–	–	(1,514)
Actuarial loss arising from experience adjustment	24	–	–	24
Return on plan assets excluding interest income	–	1,002	–	1,002
Exchange translation differences	(1,350)	1,208	–	(142)
	(2,953)	2,210	–	(743)
Contributions paid by the employer	–	(993)	–	(993)
Contributions paid by the employee	111	(111)	–	–
Benefits paid	(1,371)	1,371	–	–
Relating to subsidiaries acquired (see note 31(c))	594	–	–	594
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	(11,070)	9,957	–	(1,113)
Transfer from (to) other liabilities	17	(5)	–	12
At 31 December 2018	18,337	(15,897)	3	2,443

Notes to the Financial Statements

27 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK\$ million	Fair value of plan assets HK\$ million	Asset ceiling HK\$ million	Net defined benefit liabilities HK\$ million
At 1 January 2017	29,392	(24,026)	3	5,369
Net charge (credit) to the income statement				
Current service cost	724	40	—	764
Past service cost and gains and losses on settlements	(115)	—	—	(115)
Interest cost (income)	745	(614)	—	131
	1,354	(574)	—	780
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(434)	—	—	(434)
Actuarial loss arising from change in financial assumptions	233	—	—	233
Actuarial gain arising from experience adjustment	(139)	—	—	(139)
Return on plan assets excluding interest income	—	(1,548)	—	(1,548)
Exchange translation differences	2,622	(2,171)	—	451
	2,282	(3,719)	—	(1,437)
Contributions paid by the employer	—	(886)	—	(886)
Contributions paid by the employee	112	(112)	—	—
Benefits paid	(1,552)	1,552	—	—
Relating to subsidiaries acquired (see note 31(c))	11	—	—	11
Transfer from (to) other liabilities	(71)	4	—	(67)
At 31 December 2017	31,528	(27,761)	3	3,770

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

27 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% 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 2018, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK\$19 million (2017 - HK\$20 million) were used to reduce the current year's level of contributions and HK\$2 million forfeited contribution was available at 31 December 2018 (2017 - HK\$ 2 million) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

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

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2018 reported a funding level of 79% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP16 million (included GBP5.5 million additional voluntary contribution) in 2018 (2017 - GBP11 million (included GBP5.5 million additional voluntary contribution)). A schedule of contributions was agreed with GBP18.5 million to pay in 2019 and 2020, and GBP2.7 million in 2021 to eliminate the shortfall by February 2021. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 1.08% to 4.44% per annum and pension increases of 1.28% to 3.68% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

Notes to the Financial Statements

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2018 Percentage	2017 Percentage
Equity instruments		
Consumer markets and manufacturing	7%	8%
Energy and utilities	3%	3%
Financial institutions and insurance	5%	7%
Telecommunications and information technology	5%	4%
Units trust and equity instrument funds	6%	4%
Others	7%	10%
	33%	36%
Debt instruments		
Government and government guaranteed notes	17%	14%
Financial institutions notes	1%	1%
Others	7%	7%
	25%	22%
Qualifying insurance policies	22%	20%
Properties	6%	8%
Other assets	14%	14%
	100%	100%

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

	2018 Percentage	2017 Percentage
Aaa / AAA	4%	5%
Aa1 / AA+	3%	4%
Aa2 / AA	73%	61%
Aa3 / AA-	1%	—
A1 / A+	1%	1%
A2 / A	6%	8%
Other investment grades	11%	13%
No investment grades	1%	8%
	100%	100%

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

Fair value of plan assets of HK\$15,897 million (2017 - HK\$27,761 million) includes investments in the Company's shares with a fair value of HK\$28 million (2017 - HK\$36 million).

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

27 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2018 is 18 years (2017 - 18 years).

The Group expects to make contributions of HK\$1,071 million (2017 - HK\$980 million) to the defined benefit plans next year.

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

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

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

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.6% or increase by 3.8% respectively (2017- decrease by 3.7% or increase by 3.9% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.3% respectively (2017 - increase by 0.3% or decrease by 0.3% respectively).

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

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK\$1,363 million (2017 - HK\$1,197 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK\$16 million (2017 - HK\$15 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2018 (2017 - nil) to reduce future years' contributions.

Notes to the Financial Statements

28 Other non-current liabilities

	2018 HK\$ million	2017 HK\$ million
Contract liabilities	3	–
Derivative financial instruments		
Fair value hedges - Interest rate swaps	116	37
Cash flow hedges		
Interest rate swaps	373	532
Cross currency interest rate swaps	928	1,888
Forward foreign exchange contracts	–	1
Other contracts	–	374
Net investment hedges		
Forward foreign exchange contracts	–	895
Cross currency swaps	45	–
Other derivative financial instruments	481	4,059
Obligations for telecommunications licences and other rights	9,613	5,670
Other non-current liabilities ^(a)	15,610	9,580
Liabilities relating to the economic benefits agreements ^(b)	14,308	–
Provisions (see note 25)	29,989	28,012
	71,466	51,048

(a) includes equipment purchase payables of HK\$10,906 million (2017 - HK\$4,845 million).

(b) During the year, the Group has divested a substantial portion of the economic benefits arising from six infrastructure investments co-owned with CKI comprising of interests in Northumbrian Water, ParkN Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities under economic benefit agreements. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group.

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

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
At 1 January and 31 December 2017 and 1 January 2018	3,857,678,500	3,858	244,505	248,363
Buy-back and cancellation of issued shares ⁽ⁱ⁾	(1,438,000)	(2)	(128)	(130)
At 31 December 2018	3,856,240,500	3,856	244,377	248,233

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

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

(b) Perpetual capital securities

	2018 HK\$ million	2017 HK\$ million
US\$425.3 million issued in 2013*	–	3,373
EUR1,750 million issued in 2013	–	18,266
US\$1,000 million issued in 2017	7,842	7,842
EUR500 million issued in 2018	4,484	–
	12,326	29,481

In January 2013, May 2013, May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$500 million (approximately HK\$3,875 million), EUR1,750 million (approximately HK\$17,879 million), US\$1,000 million (approximately HK\$7,800 million) and EUR500 million (approximately HK\$4,475 million) respectively for cash.

During the year, the Group had redeemed the remaining outstanding US\$500 million (approximately HK\$3,875 million) nominal amount of the perpetual capital securities that were originally issued in January 2013 and EUR1,750 million (approximately HK\$17,879 million) nominal amount of the perpetual capital securities that were originally issued in May 2013. During the year ended 31 December 2017, the Group had redeemed US\$1,000 million (approximately HK\$7,800 million) and HK\$1,000 million nominal amount of perpetual capital securities that were originally issued in May 2012 and July 2012 respectively.

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

* US\$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.

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

(c) Capital management

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

At 31 December 2018, total equity amounted to HK\$590,823 million (2017 - HK\$591,547 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK\$207,965 million (2017 - HK\$164,872 million). The Group's net debt to net total capital ratio increased to 26.0% from 21.7% 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 including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

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

	2018	2017
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	26.0%	21.7%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	27.8%	22.1%
B1 – including interest-bearing loans from non-controlling shareholders as debt	26.1%	22.1%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	27.9%	22.5%

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

30 Reserves

	2018				
	Retained profit HK\$ million	Attributable to ordinary shareholders			Total HK\$ million
	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million		
At 31 December 2017, as previously reported, and 1 January 2018	546,498	(20,642)	(2,094)	(342,069)	181,693
Effect on adoption of HKFRS 9 and HKFRS 15 (see note 41)	1,379	–	–	(949)	430
At 1 January 2018, as adjusted	547,877	(20,642)	(2,094)	(343,018)	182,123
Profit for the year	39,000	–	–	–	39,000
Other comprehensive income (losses) ^(b)					
Equity securities at FVOCI *					
Valuation losses recognised directly in reserves	–	–	–	(1,490)	(1,490)
Debt securities at FVOCI *					
Valuation losses recognised directly in reserves	–	–	–	(20)	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	455	–	–	–	455
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Gains recognised directly in reserves	–	–	322	–	322
Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	–	2,892	–	–	2,892
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(7,733)	–	–	(7,733)
Losses (gains) previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	–	(1,885)	75	–	(1,810)
Share of other comprehensive income (losses) of associated companies	285	(2,417)	(175)	(112)	(2,419)
Share of other comprehensive income (losses) of joint ventures	381	(4,145)	(186)	32	(3,918)
Tax relating to components of other comprehensive income (losses)	(70)	–	(66)	–	(136)
Other comprehensive income (losses), net of tax	1,051	(13,288)	(30)	(1,590)	(13,857)
Hedging reserve gains transferred to the carrying value of non-financial item during the year	–	–	(14)	–	(14)
Impact of hyperinflation	(173)	208	–	(14)	21
Dividends paid relating to 2017	(7,985)	–	–	–	(7,985)
Dividends paid relating to 2018	(3,356)	–	–	–	(3,356)
Redemption of perpetual capital securities	–	1,740	–	–	1,740
Transaction costs in relation to issuance of perpetual capital securities	(33)	–	–	–	(33)
Buy-back and cancellation of issued shares (see note 29(a)(i))	(1)	–	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	4	–	–	23	27
Transfer of loss on disposal of equity securities at FVOCI * to retained profits	(16)	–	–	16	–
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(28)	(28)
Relating to partial disposal of subsidiary companies	4	3	–	268	275
Gains previously in other reserves related to deemed disposed of associated companies during the year transferred directly to retained profit	3	–	–	(3)	–
At 31 December 2018	576,381	(31,979)	(2,138)	(344,346)	197,918

* See note 41.

Notes to the Financial Statements

30 Reserves (continued)

	2017				Total HK\$ million
	Retained profit HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2017	520,616	(30,832)	(1,982)	(341,996)	145,806
Profit for the year	35,100	–	–	–	35,100
Other comprehensive income (losses) ^(b)					
Available-for-sale investments					
Valuation gains recognised directly in reserves	–	–	–	145	145
Valuation gains previously in reserves recognised in income statement	–	–	–	(36)	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,268	–	–	–	1,268
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)					
Losses recognised directly in reserves	–	–	(134)	–	(134)
Losses previously in reserves recognised in initial cost of non-financial items	–	–	1	–	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	–	(3,847)	–	–	(3,847)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	–	2,551	–	–	2,551
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	–	20	2	–	22
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	9	–	–	(9)	–
Share of other comprehensive income (losses) of associated companies	101	2,897	(126)	78	2,950
Share of other comprehensive income of joint ventures	178	8,569	188	54	8,989
Tax relating to components of other comprehensive income (losses)	(151)	–	(43)	–	(194)
Other comprehensive income (losses), net of tax	1,405	10,190	(112)	232	11,715
Dividends paid relating to 2016	(7,503)	–	–	–	(7,503)
Dividends paid relating to 2017	(3,009)	–	–	–	(3,009)
Transaction costs in relation to issuance of perpetual capital securities	(62)	–	–	–	(62)
Transaction costs in relation to issuance of shares of a subsidiary	(41)	–	–	–	(41)
Transaction costs in relation to equity contribution from non-controlling interests	(14)	–	–	–	(14)
Share option schemes and long term incentive plans of subsidiary companies	–	–	–	9	9
Unclaimed dividends write back of a subsidiary	6	–	–	–	6
Relating to purchase of non-controlling interests	–	–	–	(342)	(342)
Relating to partial disposal of subsidiary companies	–	–	–	28	28
At 31 December 2017	546,498	(20,642)	(2,094)	(342,069)	181,693

30 Reserves (continued)

- (a) Other reserves comprise revaluation reserve and other capital reserves. As at 31 December 2018, revaluation reserve deficit amounted to HK\$2,985 million (1 January 2018 - HK\$503 million and 1 January 2017 - HK\$792 million), and other capital reserves deficit amounted to HK\$341,361 million (1 January 2018 - HK\$341,566 million and 1 January 2017 - HK\$341,204 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.
- (b) Set out below are the before and after related tax effects of other comprehensive income (losses) for the year:

	2018		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Equity securities at FVOCI *			
Valuation losses recognised directly in reserves	(1,652)	–	(1,652)
Debt securities at FVOCI *			
Valuation losses recognised directly in reserves	(20)	–	(20)
Remeasurement of defined benefit obligations recognised directly in reserves	615	(93)	522
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Gains recognised directly in reserves	363	(69)	294
Gains on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	3,735
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(9,305)	–	(9,305)
Gains previously in exchange and other reserves related to subsidiaries and joint ventures disposed during the year recognised in income statement	(2,093)	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,611)	–	(2,611)
Share of other comprehensive income (losses) of joint ventures	(4,761)	–	(4,761)
	(15,729)	(162)	(15,891)
	2017		
	Before-tax amount HK\$ million	Tax effect HK\$ million	Net-of-tax amount HK\$ million
Available-for-sale investments			
Valuation gains recognised directly in reserves	149	–	149
Valuation gains previously in reserves recognised in income statement	(36)	–	(36)
Remeasurement of defined benefit obligations recognised directly in reserves	1,730	(213)	1,517
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	(114)	(50)	(164)
Losses previously in reserves recognised in initial cost of non-financial items	1	–	1
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	(4,683)	–	(4,683)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	4,625	–	4,625
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	40	–	40
Share of other comprehensive income of associated companies	3,167	–	3,167
Share of other comprehensive income of joint ventures	10,315	–	10,315
	15,194	(263)	14,931

* See note 41.

Notes to the Financial Statements

31 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

	2018 HK\$ million	2017 HK\$ million
Profit after tax	46,580	43,602
Less: share of profits less losses of		
Associated companies	(2,888)	(6,797)
Joint ventures	(10,220)	(12,500)
	33,472	24,305
Adjustments for:		
Current tax charge	3,912	5,415
Deferred tax credit	(1,294)	(2,599)
Interest expenses and other finance costs	9,797	8,274
Depreciation and amortisation	19,739	17,105
Others	61	11
EBITDA of Company and subsidiaries^(a)	65,687	52,511
Loss (profit) on disposal of fixed assets	22	(1,943)
Dividends received from associated companies and joint ventures	14,519	19,029
Profit on disposal of subsidiaries, associated companies and joint ventures	(2,641)	(2,829)
Other non-cash items	(4,997)	1,369
	72,590	68,137

31 Notes to consolidated statement of cash flows (continued)

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

(i) Reconciliation of EBITDA:

	2018 HK\$ million	2017 HK\$ million
EBITDA of Company and subsidiaries	65,687	52,511
Divestiture of infrastructure investments	(645)	–
	65,042	52,511
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	2,888	6,797
Joint ventures	10,220	12,500
Adjustments for:		
Depreciation and amortisation	21,615	19,921
Interest expenses and other finance costs	8,463	9,750
Current tax charge	3,813	2,483
Deferred tax charge	1,652	756
Non-controlling interests	700	388
Others	(61)	(11)
	49,290	52,584
EBITDA (see notes 3(b)(ii) and 3(b)(xiii))	114,332	105,095

(b) Changes in working capital

	2018 HK\$ million	2017 HK\$ million
Increase in inventories	(2,433)	(1,825)
Increase in debtors and prepayments	(2,166)	(5,320)
Increase in creditors	5,224	2,771
Other non-cash items	(2,236)	4,078
	(1,611)	(296)

Notes to the Financial Statements

31 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

During the year, 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 years.

	Wind Tre HK\$ million	Others HK\$ million	2018 HK\$ million	2017 HK\$ million
Purchase consideration transferred:				
Cash and cash equivalents paid	21,744	38	21,782	3,925
Deferred consideration	–	11	11	–
Non-cash consideration	–	498	498	–
Fair value of investments held by the Company prior to acquisition	39,342	278	39,620	–
	61,086	825	61,911	3,925
Fair value				
Fixed assets	17,804	365	18,169	445
Leasehold land	–	–	–	105
Telecommunications licences	32,484	318	32,802	1,962
Brand names and other rights	22,979	–	22,979	134
Deferred tax assets	–	2	2	249
Other non-current assets	20	–	20	–
Cash and cash equivalents	7,396	63	7,459	201
Trade and other receivables	14,831	310	15,141	195
Contract assets	1,863	–	1,863	–
Inventories	661	50	711	4
Assets held for sale	2,007	–	2,007	–
Creditors and current tax liabilities	(30,109)	(556)	(30,665)	(504)
Contract liabilities	(1,738)	(38)	(1,776)	–
Bank and other debts	(93,829)	(27)	(93,856)	(20)
Pension obligations	(589)	(5)	(594)	(11)
Other non-current liabilities	(9,854)	(55)	(9,909)	–
Net identifiable assets (liabilities) acquired	(36,074)	427	(35,647)	2,760
Non-controlling interests	–	(44)	(44)	(106)
	(36,074)	383	(35,691)	2,654
Goodwill	97,160	442	97,602	1,271
Total consideration	61,086	825	61,911	3,925
Net cash outflow (inflow) arising from acquisition:				
Cash and cash equivalents paid	21,744	38	21,782	3,925
Cash and cash equivalents acquired	(7,396)	(63)	(7,459)	(201)
Total net cash outflow (inflow)	14,348	(25)	14,323	3,724

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

Acquisition related costs of approximately HK\$145 million (2017 – HK\$58 million) had been charged to income statement during the year and included in the line item titled other operating expenses.

The subsidiaries acquired during the current 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.

For the year ended 31 December 2017, the contribution to the Group's revenue and profit before tax from the subsidiaries acquired during the comparative year since the respective date of acquisition were not material.

31 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2018 HK\$ million	2017 HK\$ million
Consideration received or receivable		
Cash and cash equivalents	1,628	14,556
Non-cash consideration	–	1,920
Total disposal consideration	1,628	16,476
Carrying amount of net assets disposed	(644)	(13,764)
Cumulative exchange gains (losses) in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	(70)	4
Gain on disposal *	914	2,716
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	1,628	14,556
Less: Cash and cash equivalents disposed	(507)	(355)
Total net cash consideration	1,121	14,201
Analysis of assets and liabilities over which control was lost		
Fixed assets	339	6,733
Leasehold land	68	–
Goodwill	–	5,929
Brand names and other rights	–	503
Associated companies	–	673
Interests in joint ventures	–	(1)
Liquid funds and other listed investments	–	4
Trade and other receivables	28	1,850
Inventories	11	5
Creditors and current tax liabilities	(19)	(1,630)
Bank and other debts	–	(9)
Deferred tax liabilities	(7)	(657)
Non-controlling interests	(283)	9
Net assets (excluding cash and cash equivalents) disposed	137	13,409
Cash and cash equivalents disposed	507	355
Net assets disposed	644	13,764

* The gains on disposal for the years ended 31 December 2018 and 2017 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed during the year are not material for the years ended 31 December 2018 and 2017.

Notes to the Financial Statements

31 Notes to consolidated statement of cash flows (continued)

(e) Changes in liabilities arising from financing activities

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

	Bank and other debts HK\$ million	Interest bearing loans from non- controlling shareholders HK\$ million	Interest free loans from non- controlling shareholders HK\$ million	Liabilities relating to the economic benefits agreements HK\$ million	Total HK\$ million
At 1 January 2017	303,140	4,283	927	–	308,350
Financing cash flows					
New borrowings	100,488	–	–	–	100,488
Repayment of borrowings	(87,674)	–	–	–	(87,674)
Net loans to non-controlling shareholders	–	(1,523)	(616)	–	(2,139)
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	210	–	–	–	210
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(103)	–	–	–	(103)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,725)	–	–	–	(1,725)
Relating to subsidiaries acquired (see note 31(c))	20	–	–	–	20
Relating to subsidiaries disposed (see note 31(d))	(9)	–	–	–	(9)
Exchange translation differences	17,641	383	78	–	18,102
At 31 December 2017 and 1 January 2018	331,988	3,143	389	–	335,520
Financing cash flows					
New borrowings	55,313	–	–	–	55,313
Repayment of borrowings	(54,961)	–	–	–	(54,961)
Net loans to non-controlling shareholders	–	(181)	(4)	–	(185)
Consideration received from the economic benefits agreements (see note 28(b))	–	–	–	14,308	14,308
Non-cash changes					
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 5)	235	–	–	–	235
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 43(h))	(115)	–	–	–	(115)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 5(a))	(1,522)	–	–	–	(1,522)
Relating to subsidiaries acquired (see note 31(c))	93,856	–	–	–	93,856
Derecognition of notes and bonds *	(5,633)	–	–	–	(5,633)
Exchange translation differences	(9,898)	(139)	–	–	(10,037)
Transfer to liabilities directly associated with assets classified as held for sale (see note 22)	(57,707)	(2,071)	–	–	(59,778)
At 31 December 2018	351,556	752	385	14,308	367,001

* via transfer from liquid funds and other listed investments

32 Share-based payments

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

33 Pledge of assets

At 31 December 2018, assets of the Group totalling HK\$111,017 million (2017 - HK\$27,990 million) were pledged as security for bank and other debts. The increase is mainly attributable to an acquisition of a subsidiary during the year.

34 Contingent liabilities

At 31 December 2018, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$4,138 million (2017 - HK\$3,911 million).

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

	2018 HK\$ million	2017 HK\$ million
To associated companies	2,777	2,687
To joint ventures	728	623

At 31 December 2018, the Group had provided performance and other guarantees of HK\$2,885 million (2017 - HK\$3,307 million).

35 Commitments

The Group's outstanding commitments contracted for at 31 December 2018, where material, not provided for in the financial statements at 31 December 2018 are as follows:

Capital commitments

- (a) Ports and Related Services - HK\$214 million (2017 - HK\$73 million)
- (b) 3 Group Europe - HK\$6,441 million (2017 - HK\$3,271 million)
- (c) Telecommunications, Hong Kong and Asia - HK\$2,092 million (2017 - HK\$1,836 million)
- (d) Other fixed assets - HK\$276 million (2017 - HK\$187 million)

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

- (a) In the first year - HK\$13,517 million (2017 - HK\$11,494 million)
- (b) In the second to fifth years inclusive - HK\$23,516 million (2017 - HK\$21,947 million)
- (c) After the fifth year - HK\$45,133 million (2017 - HK\$41,343 million)

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

- (a) In the first year - HK\$1,850 million (2017 - HK\$1,041 million)
- (b) In the second to fifth years inclusive - HK\$3,870 million (2017 - HK\$2,528 million)
- (c) After the fifth year - HK\$698 million (2017 - HK\$400 million)

Notes to the Financial Statements

36 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 14 and 15. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US\$25 million which will mature in 2019.

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

37 Legal proceedings

As at 31 December 2018, 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.

38 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the year ended, 31 December 2018, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

39 Profit before tax

Profit before tax is shown after charging the following items:

	2018 HK\$ million	2017 HK\$ million
Operating leases		
Properties	18,896	17,081
Hire of plant and machinery	2,105	2,023
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	201	163
- other auditors	22	17
Non-audit work - PricewaterhouseCoopers	41	35
- other auditors	48	63

40 Significant accounting policies

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

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 40(b) and 40(c) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2018 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(a) Subsidiary companies

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

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

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

(b) Associated companies

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

(c) Joint arrangement

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

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

(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.

Notes to the Financial Statements

40 Significant accounting policies (continued)

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

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

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

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

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

(e) Fixed assets

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

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

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

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

(f) Investment properties

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

(g) Leasehold land

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

40 Significant accounting policies (continued)

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

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

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

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

(i) Customer acquisition and retention costs

(i) Policy applied from 1 January 2018

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.

(ii) Policy applied prior to 1 January 2018

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(j) 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.

(k) 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 seven years over the expected useful life of the customer relationship.

Notes to the Financial Statements

40 Significant accounting policies (continued)

(l) 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.

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

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

- (i) Policy applied from 1 January 2018 - see note 41(a)(i) and (ii)
- (ii) Policy applied prior to 1 January 2018

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" ("AFS") are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

40 Significant accounting policies (continued)

(n) 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.

The Group designates certain derivative financial instruments as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings (cash flow hedges). Certain derivative financial instruments are designated as hedges of the foreign exchange risk of a net investment in a foreign operation. The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Cash flow hedges

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

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

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

Hedge of net investments in foreign operations

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

(o) 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.

Notes to the Financial Statements

40 Significant accounting policies (continued)

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Customer loyalty credits

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

(u) Share capital

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

(v) 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.

(w) Leased assets

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.

40 Significant accounting policies (continued)

(x) Asset impairment

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

(y) Pension plans

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

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

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

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

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

(z) Share-based payments

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

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

(aa) Foreign exchange

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

Notes to the Financial Statements

40 Significant accounting policies (continued)

(aa) Foreign exchange (continued)

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

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

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

For accounting purposes, Argentina is considered a hyper-inflationary economy for accounting periods ending after 1 July 2018. HKAS 29 "Financial Reporting in Hyperinflationary Economies" requires financial statements of these subsidiary companies whose functional currency is Argentine peso to be restated into the current purchasing power at the end of the reporting period before being included in the Group's consolidated financial statements. Under this requirement, transactions in 2018 and non-monetary balances at the end of the current year of these subsidiary companies have been restated to reflect a price index that is current at the statement of financial position date, using consumer price index published by The National Institute of Statistics and Censuses of Argentina of 183 in December 2018 (2017 - 125) as basis for hyperinflation adjustment calculation. All amounts, including income, expenses, assets, liabilities and equity items are then translated at the closing exchange rate into Hong Kong dollars. The differences from retranslation of opening equity are directly recognised in equity. As required by HKAS 29, comparative amounts of these subsidiary companies included in the comparative consolidated financial statements of the Group are not restated and continue to be those previously presented.

All other exchange differences are recognised in the income statement.

(ab) Business combinations

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

40 Significant accounting policies (continued)

(ab) Business combinations (continued)

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

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

(ac) Revenue recognition

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

Ports and Related Services

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

Retail

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

Infrastructure

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

Revenue from the provision of water and wastewater services to customers is recognised pro-rata over the period to which they relate. Revenue received in respect of contributions to capital investment was previously recognised as deferred income in the statement of financial position and amortised to the income statement over the useful life of the associated assets. From 1 January 2018, contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, and other contributions to capital investment, most significantly mains and sewer diversions, the contributions are recognised in full in the income statement upon completion of the investment, which are typically the point at which the associated asset is brought into use.

Revenue from the provision of waste collection, commercial refuse and recycling services together with refuse transfer station operations and landfill operations were previously recognised in the period in which the services were rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. From 1 January 2018, revenue from provision of these services is recognised when a performance obligation is satisfied, which is recognised at a point of time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Notes to the Financial Statements

40 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Energy

Prior to 1 January 2018, revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products was recognised when the title passes to the customer, and revenue associated with the sale of transportation, processing and natural gas storage services was recognised when the service is provided. From 1 January 2018, revenue is recognised when the performance obligations are satisfied and revenue can be reliably measured. Performance obligations associated with the sale of crude oil, crude oil equivalents, and refined products are satisfied at the point in time when the products are delivered to and title passes to the customer. Performance obligations associated with processing services, transportation, blending and storage, and marketing services are satisfied at the point in time when the services are provided.

Telecommunications services

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

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

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

Finance and investments

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

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

40 Significant accounting policies (continued)

(ad) Rounding of amounts

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

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2018, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2015-2017 Cycle ⁽ⁱ⁾	Improvements to HKFRSS
HKAS 1 and HKAS 8 (Amendments) ⁽ⁱⁱ⁾	Definition of Material
HKAS 28 (Amendments) ⁽ⁱ⁾	Long-term Interests in Associates and Joint Ventures
HKAS 19 (Amendments) ⁽ⁱ⁾	Plan Amendment, Curtailment and Settlement
HKFRS 3 (Amendments) ⁽ⁱⁱ⁾	Definition of a Business
HKFRS 9 (Amendments) ⁽ⁱ⁾	Prepayment Features with Negative Compensation
HKFRS 16 ⁽ⁱ⁾	Leases
HKFRS 10 and HKAS 28 (Amendments) ⁽ⁱⁱⁱ⁾	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) Interpretation 23 ⁽ⁱ⁾	Uncertainty over Income Tax Treatments

(i) Effective for the Group for annual periods beginning on or after 1 January 2019.

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

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

The Group is continuing to assess the implications of the adoption of these standards.

41 Changes in significant accounting policies

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2018. The Group had to change its accounting policies with effect from 1 January 2018 as a result of adopting HKFRS 9 and HKFRS 15. The effect on adoption of these two standards is summarised below. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

(a) HKFRS 9

The adoption of HKFRS 9 has resulted in changes in accounting policies. While the new policies are generally required to be applied retrospectively, the Group has taken transitional provisions in HKFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. In addition, changes to hedge accounting policies have been applied prospectively. Therefore, comparative balances have not been restated and continue to be reported under the accounting policies prevailing prior to 1 January 2018. Differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated statement of financial position on 1 January 2018.

HKFRS 9 largely retains the requirements in HKAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. The adoption of HKFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. However, HKFRS 9 eliminates the HKAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. From 1 January 2018, the Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to classify and measure financial assets in accordance with HKFRS 9 categories: as measured at amortised cost, at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL").

The adoption of HKFRS 9 has resulted in a HK\$36 million increase in the opening balance of total equity on 1 January 2018. The impact is attributable to changes in classification and measurement by certain of the Group's joint ventures and associated companies of their financial assets to HKFRS 9 categories.

Set out below are further details on the changes in significant accounting policies under HKFRS 9 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

(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.

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.

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

41 Changes in significant accounting policies (continued)

(a) HKFRS 9 (continued)

(i) Measurement (continued)

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be 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, unlike the previous policies under HKAS 39 there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. During the year, certain joint ventures have disposed of equity investments. Under the new guidance, the Group's share of the fair value gains accumulated in the investment revaluation reserve account of the joint ventures relating to the investments disposed of amounting to HK\$100 million is not reflected in the Group's income statement for the year ended 31 December 2018.

(ii) Impairment of financial assets

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking expected credit loss model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new 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 new impairment model applies to debt instruments measured at amortised cost and at FVOCI, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items. The application of this new guidance represents a change in accounting policy. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of assets. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

(iii) Hedge accounting

The Group applies the new hedge accounting model prospectively from 1 January 2018, as no hedging relationships existed on or were designated after 1 January 2017 (the beginning of the comparative period) that would require retrospective application of the new hedge accounting treatment. Accordingly, no adjustment was made to the opening balance of retained profits and other reserves on 1 January 2018. All hedge accounting relationships designated under the previous HKAS 39 have continued to be valid hedge accounting relationships in accordance with HKFRS 9.

Previously under HKAS 39, entities can designate as hedging instrument only the change in the intrinsic value of an option or the spot element of a forward contract. Under these situations, the changes in the fair value of the time value of the option or the forward points, which can be considered as a cost of hedging, are accounted for in profit or loss in the period, therefore resulting in volatility. Under the HKFRS 9 hedging model when only the change in the intrinsic value of an option or the spot element of a forward contract is designated in the hedge relationship, all fluctuations in the fair value of the time value or forward points over time is recorded in other comprehensive income instead of affecting profit or loss immediately. The subsequent timing in the recognition in profit or loss of these amounts recognised in other comprehensive income depends on the nature of the hedged transaction, distinguishing between transaction related hedged items and time-period related hedged items. The amount accumulated in other comprehensive income will be included in the measurement of the hedged item or reclassified to profit or loss in the same periods during which the hedged item affects profit or loss (in the case of a transaction related hedged item), or be amortised to profit or loss on a rational basis, such as over the time periods during which the cost of hedging provides protection against risk, (in the case of a time-period related hedged item). This guidance also applies to foreign currency basis spreads.

Notes to the Financial Statements

41 Changes in significant accounting policies *(continued)*

(b) HKFRS 15

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group has elected to apply the modified retrospective approach for transition to the new revenue standard. Under this transition approach, comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of retained profits (or other component of equity, as appropriate) on 1 January 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2018.

The Group and, for the purpose of reporting for the Group's financial statements, the Group's joint ventures and associated companies are required to apply the new guidance from 1 January 2018. The application of the new guidance has resulted in a HK\$758 million increase in the opening balance of total equity on 1 January 2018, which is mainly attributable to the capitalisation of the incremental cost of obtaining a contract, as explained further below.

Set out below are details of the changes in significant accounting policies under HKFRS 15 that have been applied from 1 January 2018, where they are different to those applied in preparing the 2017 Annual Financial Statements.

Previously, under the Group's accounting policies the costs associated with obtaining a contract are expensed as incurred. The accounting for some of these costs has changed upon adoption of HKFRS 15. Under the new guidance, the incremental cost of obtaining a contract is now recognised as an asset when incurred, and expensed over the customer contract period. Incremental costs of obtaining a contract are those costs that would not have incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). This new policy applied to the Group from 1 January 2018 is similar to that applicable by a subsidiary acquired during the year prior to 1 January 2018 with respect to certain types of its contracts with customers, and for which this newly acquired subsidiary has recognised HK\$698 million as an asset and expensed HK\$146 million as depreciation and amortisation charge from the date of its acquisition to 31 December 2018. Accordingly, these amounts have been excluded from adoption impacts discussed below. The adoption of this guidance has resulted in an increase of HK\$830 million in the opening balance of the Group's total equity at 1 January 2018, and a HK\$982 million reduction in Expensed customer acquisition and retention costs and a HK\$1,042 million increase in Depreciation and amortisation for the year ended 31 December 2018.

Under HKFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The new revenue standard introduces specific criteria for determining when revenue is recognised. As a result of adopting this new guidance, the opening balance of the Group's total equity has been reduced by HK\$72 million and the Group's revenue for the year ended 31 December 2018 has been increased by HK\$19 million, reflecting the change in assessment in respect of the timing of satisfaction of the performance obligations related to certain revenue streams at the subsidiaries, joint ventures and associated companies levels.

In addition, HKFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. Prior to the adoption of HKFRS 15, based on the existence of credit risks and other factors, certain entities within the Retail and Finance & Investments and Others divisions of the Group concluded that they have an exposure to the significant risks and rewards associated with certain sale arrangements to their customers, and accounted for the contracts as if they were a principal. In applying the new guidance, they determined that they do not control the goods before they are transferring to customers, and hence, are an agent in these contracts. This change has no impact on the total equity on 1 January 2018 and 31 December 2018. However, the amounts for revenue and other operating expenses reported on the consolidated income statement for the year ended 31 December 2018 would have been both higher by HK\$1,442 million if these contracts were reported under the previous accounting policies where the same group entities would have accounted for the contracts as if they were a principal.

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15

(i) on the opening consolidated statement of financial position on 1 January 2018

As explained above, HKFRS 9 and HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

	31 December 2017	Effect on adoption of		1 January 2018
	As previously reported HK\$ million	HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	As adjusted HK\$ million
Non-current assets				
Fixed assets	158,789	–	–	158,789
Investment properties *	360	–	–	360
Leasehold land	8,305	–	–	8,305
Telecommunications licences	27,271	–	–	27,271
Brand names and other rights	75,985	–	–	75,985
Goodwill	255,334	–	–	255,334
Associated companies	145,343	128	–	145,471
Interests in joint ventures	162,134	(92)	143	162,185
Deferred tax assets	20,195	–	(186)	20,009
Liquid funds and other listed investments	7,813	–	–	7,813
Other non-current assets	5,180	–	1,336	6,516
	866,709	36	1,293	868,038
Current assets				
Cash and cash equivalents	160,470	–	–	160,470
Inventories	21,708	–	–	21,708
Trade receivables and other current assets	51,368	–	(256)	51,112
	233,546	–	(256)	233,290
Current liabilities				
Bank and other debts	21,712	–	–	21,712
Current tax liabilities	2,948	–	–	2,948
Trade payables and other current liabilities	90,228	–	920	91,148
	114,888	–	920	115,808
Net current assets	118,658	–	(1,176)	117,482
Total assets less current liabilities	985,367	36	117	985,520
Non-current liabilities				
Bank and other debts	310,276	–	–	310,276
Interest bearing loans from non-controlling shareholders	3,143	–	–	3,143
Deferred tax liabilities	25,583	–	118	25,701
Pension obligations	3,770	–	–	3,770
Other non-current liabilities	51,048	–	(759)	50,289
	393,820	–	(641)	393,179
Net assets	591,547	36	758	592,341
Capital and reserves				
Share capital	3,858	–	–	3,858
Share premium	244,505	–	–	244,505
Reserves	181,693	14	416	182,123
Total ordinary shareholders' funds *	430,056	14	416	430,486
Perpetual capital securities	29,481	–	–	29,481
Non-controlling interests	132,010	22	342	132,374
Total equity	591,547	36	758	592,341

* With effect from 1 January 2018, "Investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. The balances presented above have reflected this new presentation.

Notes to the Financial Statements

41 Changes in significant accounting policies *(continued)*

(c) Effect on adoption of HKFRS 9 and HKFRS 15 *(continued)*

(ii) on the consolidated income statement for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK\$ million	Effect on adoption of		As presented under accounting policies from 1 January 2018 HK\$ million
		HKFRS 9 HK\$ million	HKFRS 15 HK\$ million	
Revenue	278,552	–	(1,423)	277,129
Cost of inventories sold	(109,564)	–	–	(109,564)
Staff costs	(36,478)	–	–	(36,478)
Expensed customer acquisition and retention costs	(17,106)	–	982	(16,124)
Depreciation and amortisation	(18,697)	–	(1,042)	(19,739)
Other operating expenses	(50,985)	130	1,518	(49,337)
Share of profits less losses of:				
Associated companies	2,858	31	(1)	2,888
Joint ventures	10,384	(96)	(68)	10,220
	58,964	65	(34)	58,995
Interest expenses and other finance costs	(9,797)	–	–	(9,797)
Profit before tax	49,167	65	(34)	49,198
Current tax	(3,907)	–	(5)	(3,912)
Deferred tax	1,304	–	(10)	1,294
Profit after tax	46,564	65	(49)	46,580
Profit attributable to non-controlling interests and holders of perpetual capital securities	(7,573)	(12)	5	(7,580)
Profit attributable to ordinary shareholders	38,991	53	(44)	39,000
Earnings per share for profit attributable to ordinary shareholders	HK\$10.11	HK\$0.01	(HK\$0.01)	HK\$10.11

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iii) on the consolidated statement of comprehensive income for the year ended 31 December 2018

	For the year ended 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK\$ million	Effect on adoption of		As presented under accounting policies from 1 January 2018 HK\$ million
		HKFRS 9	HKFRS 15	
		HK\$ million	HK\$ million	
Profit after tax	46,564	65	(49)	46,580
Other comprehensive income (losses)				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations recognised directly in reserves	615	–	–	615
Equity securities at FVOCI				
Valuation losses recognised directly in reserves	(1,637)	(15)	–	(1,652)
Valuation losses previously in reserves recognised in income statement	2	(2)	–	–
Share of other comprehensive income of associated companies	262	(38)	–	224
Share of other comprehensive income of joint ventures	463	83	–	546
Tax relating to items that will not be reclassified to profit or loss	(93)	–	–	(93)
	(388)	28	–	(360)
Items that have been reclassified or may be subsequently reclassified to profit or loss:				
Debt securities at FVOCI				
Valuation losses recognised directly in reserves	(20)	–	–	(20)
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)				
Gains recognised directly in reserves	363	–	–	363
Gains (losses) on net investment hedges (forward foreign currency contracts and cross currency swap contracts) recognised directly in reserves	3,735	–	–	3,735
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	(9,294)	–	(11)	(9,305)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	(2,093)	–	–	(2,093)
Share of other comprehensive income (losses) of associated companies	(2,844)	9	–	(2,835)
Share of other comprehensive income (losses) of joint ventures	(5,299)	–	(8)	(5,307)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	(66)	(3)	–	(69)
	(15,518)	6	(19)	(15,531)
Other comprehensive income (losses), net of tax	(15,906)	34	(19)	(15,891)
Total comprehensive income	30,658	99	(68)	30,689
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(5,557)	(10)	21	(5,546)
Total comprehensive income attributable to ordinary shareholders	25,101	89	(47)	25,143

Notes to the Financial Statements

41 Changes in significant accounting policies (continued)

(c) Effect on adoption of HKFRS 9 and HKFRS 15 (continued)

(iv) on the consolidated statement of financial position on 31 December 2018

	As at 31 December 2018			
	As presented under accounting policies pre 1 January 2018 HK\$ million	Effect on adoption of		As presented under accounting policies from 1 January 2018 HK\$ million
		HKFRS 9	HKFRS 15	
		HK\$ million	HK\$ million	
Non-current assets				
Fixed assets	110,605	—	—	110,605
Leasehold land	7,702	—	—	7,702
Telecommunications licences	64,221	—	—	64,221
Brand names and other rights	88,761	—	—	88,761
Goodwill	323,160	—	—	323,160
Associated companies	136,161	127	(1)	136,287
Interests in joint ventures	118,007	4	42	118,053
Deferred tax assets	20,444	—	(184)	20,260
Liquid funds and other listed investments	9,292	—	—	9,292
Other non-current assets	9,148	—	1,569	10,717
	887,501	131	1,426	889,058
Current assets				
Cash and cash equivalents	135,411	—	—	135,411
Inventories	23,410	—	—	23,410
Trade receivables and other current assets	64,425	4	(603)	63,826
	223,246	4	(603)	222,647
Assets classified as held for sale	120,377	—	162	120,539
	343,623	4	(441)	343,186
Current liabilities				
Bank and other debts	25,986	—	—	25,986
Current tax liabilities	2,069	—	2	2,071
Trade payables and other current liabilities	115,559	—	713	116,272
	143,614	—	715	144,329
Liabilities directly associated with assets classified as held for sale	78,020	—	(420)	77,600
	221,634	—	295	221,929
Net current assets	121,989	4	(736)	121,257
Total assets less current liabilities	1,009,490	135	690	1,010,315
Non-current liabilities				
Bank and other debts	325,570	—	—	325,570
Interest bearing loans from non-controlling shareholders	752	—	—	752
Deferred tax liabilities	19,261	—	—	19,261
Pension obligations	2,443	—	—	2,443
Other non-current liabilities	71,466	—	—	71,466
	419,492	—	—	419,492
Net assets	589,998	135	690	590,823
Capital and reserves				
Share capital	3,856	—	—	3,856
Share premium	244,377	—	—	244,377
Reserves	197,446	103	369	197,918
Total ordinary shareholders' funds	445,679	103	369	446,151
Perpetual capital securities	12,326	—	—	12,326
Non-controlling interests	131,993	32	321	132,346
Total equity	589,998	135	690	590,823

41 Changes in significant accounting policies (continued)

(d) 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 2019 and earlier application is permitted. However, the Group has not early adopted these new or amended standards in preparing these financial statements. The Group is in the process of making an assessment of what the impact of these standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the Group's financial statements. Further details of the expected impacts are discussed below.

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

As disclosed in note 40(w), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases which are currently classified as operating leases.

The new lease standard requires lessees to account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases over the lease term.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. With all other variables remaining constant the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year. In addition, leasing expenses will no longer be presented as operating cash outflows in the statement of cash flows, but will be included as part of the financing cash outflow. Interest expenses from the newly recognised lease liability may be presented in the cash flow from operating or from financing activities.

The Group plans to elect the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

Other than the impacts discussed above, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the actual impact upon the initial adoption of this standard may differ as the assessment carried out to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its elections on transition options, practical expedients and recognition exemptions, until the standard is initially applied in that financial report.

42 Critical accounting estimates and judgements

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

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

(a) Basis of consolidation

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

(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.

42 Critical accounting estimates and judgements *(continued)*

(c) Depreciation and amortisation *(continued)*

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

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

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

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

(iii) Customer acquisition and retention costs

From 1 January 2018, in accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred after 31 December 2017; (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.

Prior to 1 January 2018, all customer acquisition and retention costs are expensed and recognised in the income statement in the period in which they are incurred.

(d) Goodwill

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

42 Critical accounting estimates and judgements (continued)

(e) Tax

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

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

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

(f) Business combinations and goodwill

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

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

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

42 Critical accounting estimates and judgements *(continued)*

(h) Pension costs

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

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

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

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 40(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 40(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

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

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

43 Financial risk management

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

(a) Cash management and funding

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

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK\$144,703 million at 31 December 2018 (2017 - HK\$168,283 million), mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, redemption of certain perpetual capital securities, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses, issuance of perpetual capital securities and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 46% in US dollars, 7% in Renminbi, 9% in Euro, 4% in British Pounds and 9% in other currencies (2017 - 23% were denominated in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies).

Cash and cash equivalents represented 94% (2017 - 95%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2017 - 4%) and listed equity securities 2% (2017 - 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56% (2017 - 56%), government and government guaranteed notes of 17% (2017 - 17%), notes issued by the Group's associated company, Husky Energy of 4% (2017 - 4%), notes issued by financial institutions of nil (2017 - 1%), and others of 23% (2017 - 22%). Of these US Treasury notes and listed / traded debt securities, 80% (2017 - 79%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.2 years (2017 - 2.4 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

43 Financial risk management (continued)

(b) Interest rate exposure

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

At 31 December 2018, approximately 39% (2017 - approximately 36%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 61% (2017 - approximately 64%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$9,100 million (2017 - approximately HK\$9,600 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$50,613 million (2017 - HK\$27,950 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 27% (2017 - approximately 30%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 73% (2017 - approximately 70%) were at fixed rates at 31 December 2018. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2018, the Group had foreign exchange forward contracts and cross currency swaps with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK\$50,537 million (2017 - HK\$59,430 million).

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

As at 31 December 2018, the Group's total principal amount of bank and other debts are denominated as follows: 44% in US dollars, 42% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 42% in US dollars, 21% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$38,610 million (2017 - HK\$23,010 million) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 33% in US dollars, 53% in Euro, 3% in HK dollars, 3% in British Pounds and 8% in other currencies (2017 - 35% in US dollars, 28% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies).

43 Financial risk management *(continued)*

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 6% (2017 - approximately 5%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

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

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

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

(i) Interest rate sensitivity analysis

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

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

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

43 Financial risk management *(continued)*

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

(i) Interest rate sensitivity analysis *(continued)*

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

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

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

- cash and cash equivalents (see note 20)
- some of the listed debt securities and managed funds (see note 17) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 17) that bear interest at floating rate
- some of the bank and other debts (see note 23) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 26)

Under these assumptions, the impact of a hypothetical 100 basis points (2017 - 100 basis points) increase in market interest rate at 31 December 2018, with all other variables held constant:

- profit for the year would increase by HK\$398 million due to increase in interest income (2017 - HK\$674 million);
- total equity would increase by HK\$398 million due to increase in interest income (2017 - HK\$674 million); and
- total equity would increase by HK\$1,828 million due to change in fair value of derivative financial instruments (2017 - HK\$728 million).

(ii) Foreign currency exchange rate sensitivity analysis

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

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

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

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

Notes to the Financial Statements

43 Financial risk management *(continued)*

(f) 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 20)
- some of the liquid funds and other listed investments (see note 17)
- some of the bank and other debts (see note 23)

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.

	2018		2017	
	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	11	(473)	20	(340)
British Pounds	47	(1,106)	76	(1,248)
Australian dollars	63	(386)	64	(359)
Renminbi	14	14	12	12
US dollars	1,523	1,523	2,281	2,281
Japanese Yen	(106)	(106)	(104)	(104)

(iii) Other price sensitivity analysis

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

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

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

- FVOCI (see note 17)
- available-for-sale investments (see note 17)
- financial assets at fair value through profit or loss (see note 17)

43 Financial risk management *(continued)*

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

(iii) Other price sensitivity analysis *(continued)*

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

- profit for the year would increase by HK\$5 million (2017 – HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK\$5 million (2017 – HK\$8 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK\$456 million (2017 – HK\$383 million) due to increase in gains on FVOCI (2017 – available-for-sale investments) which are recognised in other comprehensive income.

(g) Contractual maturities of financial liabilities

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

Non-derivative financial liabilities:

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

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

Notes to the Financial Statements

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million
At 31 December 2018				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(45)	17	–	(28)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(166)	(438)	(25)	(629)
Cross currency interest rate swaps				
Net inflow (outflow)	622	(1,386)	–	(764)
Forward foreign exchange contracts				
Inflow	275	–	–	275
Outflow	(277)	–	–	(277)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	1,283	–	–	1,283
Outflow	(1,290)	–	–	(1,290)
Cross currency swaps				
Inflow	–	–	8,289	8,289
Outflow	(71)	(286)	(8,120)	(8,477)
Other derivative financial instruments				
Net outflow	(82)	(350)	–	(432)

Non-derivative financial liabilities:

	Contractual maturities				Difference from carrying amounts HK\$ million	Carrying amounts HK\$ million
	Within 1 year HK\$ million	After 1 year, but within 5 years HK\$ million	After 5 years HK\$ million	Total undiscounted cash flows HK\$ million		
At 31 December 2017						
Trade payables	19,252	–	–	19,252	–	19,252
Other payables and accruals	69,144	–	–	69,144	–	69,144
Interest free loans from non-controlling shareholders	389	–	–	389	–	389
Bank loans	19,080	87,355	4,736	111,171	(291)	110,880
Other loans	249	668	611	1,528	(3)	1,525
Notes and bonds	2,377	84,391	123,349	210,117	9,466	219,583
Interest bearing loans from non-controlling shareholders	–	956	2,187	3,143	–	3,143
Obligations for telecommunications licences and other rights	836	3,402	1,877	6,115	(445)	5,670
	111,327	176,772	132,760	420,859	8,727	429,586

43 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities (continued):

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK\$9,738 million in "within 1 year" maturity band, HK\$28,580 million in "after 1 year, but within 5 years" maturity band, and HK\$32,138 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 2017				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	(74)	50	—	(24)
Cash flow hedges:				
Interest rate swaps				
Net outflow	(165)	(329)	(64)	(558)
Cross currency interest rate swaps				
Net inflow (outflow)	513	(2,347)	—	(1,834)
Forward foreign exchange contracts				
Inflow	380	9	—	389
Outflow	(380)	(9)	—	(389)
Other contracts				
Net outflow	(23)	(87)	(339)	(449)
Net investment hedges				
Forward foreign exchange contracts				
Inflow	16,952	9,791	13,684	40,427
Outflow	(17,187)	(9,752)	(13,872)	(40,811)
Other derivative financial instruments				
Net outflow	(263)	(3,182)	(659)	(4,104)

Notes to the Financial Statements

43 Financial risk management (continued)

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

	2018 HK\$ million	2017 HK\$ million
Dividends from equity securities at FVOCI		
Related to investments held at the end of the reporting period	103	—
Dividends from equity securities at AFS	—	88
Interest from debt securities at FVOCI	157	—
Interest from debt securities at AFS	—	120
Interest from assets held at amortised cost	2,475	1,562
Fair value gains (losses) on equity securities at FVPL	(2)	2
Fair value losses on debt securities at FVPL	(17)	—
Net impairment expense recognised on trade receivables	(1,560)	(980)
Losses arising on derivatives in a designated fair value hedge	(115)	(103)
Gains arising on adjustment for hedged items in a designated fair value hedge	115	103

(i) Hedge accounting

(i) Fair value hedges

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

Hedged items	2018		
	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position in which the hedged item is included
	HK\$ million	HK\$ million	
USD Fixed rate debts	7,977	(116)	Bank and other debts
HKD Fixed rate debts	1,319	19	Bank and other debts

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(ii) Cash flow hedges

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

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

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

Notes to the Financial Statements

43 Financial risk management (continued)

(i) Hedge accounting (continued)

(iii) Net investment hedges

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

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

43 Financial risk management (continued)

- (j) The following table shows the classification category and carrying amount as at 31 December 2018 and 1 January 2018 (the date of initial application of HKFRS 9) under HKFRS 9 and as at 31 December 2017 under HKAS 39 for the Group's financial assets and financial liabilities.

	Note	Classification under HKFRS 9 *	31 December 2018 Carrying amount HK\$ million	1 January 2018 Carrying amount HK\$ million	Classification under HKAS 39 *	31 December 2017 Carrying amount HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	66	50	Loans and receivables	50
Listed equity securities, Hong Kong	17	FVOCI	2,909	1,546	AFS	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	208	25	AFS	25
Listed equity securities (included in Managed funds)	17	FVOCI	154	169	AFS	169
Listed debt securities (included in Managed funds)	17	FVOCI	4,770	4,697	AFS	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	1,089	1,168	AFS	1,168
Financial assets at fair value through profit or loss	17	FVPL	96	158	FVPL	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	170	179	Loans and receivables	179
Unlisted equity securities	18	FVOCI	1,953	2,044	AFS	2,649
Unlisted equity securities	18	FVPL	641	605		
Unlisted debt securities	18	FVPL	318	–		
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	19	54	Fair value - hedges	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	–	31	Fair value - hedges	31
Cross currency interest rate swaps	18	Fair value - hedges	317	–		
Forward foreign exchange contracts	18 & 21	Fair value - hedges	–	294	Fair value - hedges	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	2,588	1,791	Fair value - hedges	1,791
Cross currency swaps	18	Fair value - hedges	427	–		
Other derivative financial instruments	18	FVPL	167	192	FVPL	192
Cash and cash equivalents	20	Amortised cost	135,411	160,470	Loans and receivables	160,470
Trade receivables	21	Amortised cost	19,255	11,546	Loans and receivables	11,546
Other receivables	21	Amortised cost	18,682	29,461	Loans and receivables	29,461
			189,240	214,480		214,480

* see note 41.

Notes to the Financial Statements

43 Financial risk management (continued)

- (j) The following table shows the classification category and carrying amount as at 31 December 2018 and 1 January 2018 (the date of initial application of HKFRS 9) under HKFRS 9 and as at 31 December 2017 under HKAS 39 for the Group's financial assets and financial liabilities. (continued)

	Note	Classification under HKFRS 9 *	31 December 2018 Carrying amount HK\$ million	1 January 2018 Carrying amount HK\$ million	Classification under HKAS 39 *	31 December 2017 Carrying amount HK\$ million
Financial liabilities						
Bank and other debts	23	Amortised cost	351,556	331,988	Amortised cost	331,988
Trade payables	24	Amortised cost	29,233	19,252	Amortised cost	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	116	37	Fair value - hedges	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	381	543	Fair value - hedges	543
Cross currency interest rate swaps	28	Fair value - hedges	928	1,888	Fair value - hedges	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	2	3	Fair value - hedges	3
Other contracts	24 & 28	Fair value - hedges	–	384	Fair value - hedges	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	6	1,291	Fair value - hedges	1,291
Cross currency swaps	28	Fair value - hedges	45	–		
Other derivative financial instruments	24 & 28	FVPL	481	4,069	FVPL	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	385	389	Amortised cost	389
Other payables and accruals	24	Amortised cost	76,244	69,144	Amortised cost	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	752	3,143	Amortised cost	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	9,613	5,670	Amortised cost	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	14,308	–		
			484,050	437,801		437,801
Representing:						
Financial assets measured at						
Amortised cost (2017 - Loans and receivables)			173,584	201,706		201,706
FVOCI (2017 - AFS)			11,083	9,649		10,254
FVPL			1,222	955		350
Fair value - hedges			3,351	2,170		2,170
			189,240	214,480		214,480
Financial liabilities measured at						
Amortised cost			482,091	429,586		429,586
FVPL			481	4,069		4,069
Fair value - hedges			1,478	4,146		4,146
			484,050	437,801		437,801

* see note 41.

43 Financial risk management *(continued)*

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

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

	Note	Classification under HKFRS 9 *	2018		2017	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	17	Amortised cost	66	66	50	50
Listed equity securities, Hong Kong	17	FVOCI	2,909	2,909	1,546	1,546
Listed equity securities, outside Hong Kong	17	FVOCI	208	208	25	25
Listed equity securities (included in Managed funds)	17	FVOCI	154	154	169	169
Listed debt securities (included in Managed funds)	17	FVOCI	4,770	4,770	4,697	4,697
Listed / traded debt securities, outside Hong Kong	17	FVOCI	1,089	1,089	1,168	1,168
Financial assets at fair value through profit or loss	17	FVPL	96	96	158	158
Unlisted investments						
Unlisted debt securities	18	Amortised cost	170	170	179	179
Unlisted equity securities	18	FVOCI	1,953	1,953	2,649	2,649
Unlisted equity securities	18	FVPL	641	641	–	–
Unlisted debt securities	18	FVPL	318	318	–	–
Derivative financial instruments						
Fair value hedges - Interest rate swaps	18 & 21	Fair value - hedges	19	19	54	54
Cash flow hedges						
Interest rate swaps	18	Fair value - hedges	–	–	31	31
Cross currency interest rate swaps	18	Fair value - hedges	317	317	–	–
Forward foreign exchange contracts	18 & 21	Fair value - hedges	–	–	294	294
Net investment hedges						
Forward foreign exchange contracts	18 & 21	Fair value - hedges	2,588	2,588	1,791	1,791
Cross currency swaps	18	Fair value - hedges	427	427	–	–
Other derivative financial instruments	18	FVPL	167	167	192	192
Cash and cash equivalents	20	Amortised cost	135,411	135,411	160,470	160,470
Trade receivables	21	Amortised cost	19,255	19,255	11,546	11,546
Other receivables	21	Amortised cost	18,682	18,682	29,461	29,461
			189,240	189,240	214,480	214,480

* see note 41.

Notes to the Financial Statements

43 Financial risk management (continued)

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

	Note	Classification under HKFRS 9 *	2018		2017	
			Carrying amount HK\$ million	Fair values HK\$ million	Carrying amount HK\$ million	Fair values HK\$ million
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	23	Amortised cost	351,556	343,527	331,988	341,334
Trade payables	24	Amortised cost	29,233	29,233	19,252	19,252
Derivative financial instruments						
Fair value hedges - Interest rate swaps	28	Fair value - hedges	116	116	37	37
Cash flow hedges						
Interest rate swaps	24 & 28	Fair value - hedges	381	381	543	543
Cross currency interest rate swaps	28	Fair value - hedges	928	928	1,888	1,888
Forward foreign exchange contracts	24 & 28	Fair value - hedges	2	2	3	3
Other contracts	24 & 28	Fair value - hedges	–	–	384	384
Net investment hedges						
Forward foreign exchange contracts	24 & 28	Fair value - hedges	6	6	1,291	1,291
Cross currency swaps	28	Fair value - hedges	45	45	–	–
Other derivative financial instruments	24 & 28	FVPL	481	481	4,069	4,069
Interest free loans from non-controlling shareholders	24	Amortised cost	385	385	389	389
Other payables and accruals	24	Amortised cost	76,244	76,244	69,144	69,144
Interest bearing loans from non-controlling shareholders	26	Amortised cost	752	752	3,143	3,143
Obligations for telecommunications licences and other rights	28	Amortised cost	9,613	9,613	5,670	5,670
Liabilities relating to the economic benefits agreements	28	Amortised cost	14,308	14,308	–	–
			484,050	476,021	437,801	447,147
Representing:						
Financial assets measured at						
Amortised cost (2017 - Loans and receivables)			173,584	173,584	201,706	201,706
FVOCI (2017 - AFS)			11,083	11,083	10,254	10,254
FVPL			1,222	1,222	350	350
Fair value - hedges			3,351	3,351	2,170	2,170
			189,240	189,240	214,480	214,480
Financial liabilities measured at						
Amortised cost			482,091	474,062	429,586	438,932
FVPL			481	481	4,069	4,069
Fair value - hedges			1,478	1,478	4,146	4,146
			484,050	476,021	437,801	447,147

* see note 41.

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

43 Financial risk management *(continued)*

(1) 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).

	Note	2018				2017			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	17	2,909	–	–	2,909	1,546	–	–	1,546
Listed equity securities, outside Hong Kong	17	208	–	–	208	25	–	–	25
Listed equity securities (included in Managed funds)	17	154	–	–	154	169	–	–	169
Listed debt securities (included in Managed funds)	17	4,770	–	–	4,770	4,697	–	–	4,697
Listed / traded debt securities, outside Hong Kong	17	201	888	–	1,089	212	956	–	1,168
Financial assets at fair value through profit or loss	17	96	–	–	96	112	46	–	158
Unlisted investments									
Unlisted equity securities	18	–	–	1,953	1,953	–	–	2,649	2,649
Unlisted equity securities	18	–	46	595	641	–	–	–	–
Unlisted debt securities	18	–	143	175	318	–	–	–	–
Derivative financial instruments									
Fair value hedges – Interest rate swaps	18 & 21	–	19	–	19	–	54	–	54
Cash flow hedges									
Interest rate swaps	18	–	–	–	–	–	31	–	31
Cross currency interest rate swaps	18	–	317	–	317	–	–	–	–
Forward foreign exchange contracts	18 & 21	–	–	–	–	–	294	–	294
Net investment hedges									
Forward foreign exchange contracts	18 & 21	–	2,588	–	2,588	–	1,791	–	1,791
Cross currency swaps	18	–	427	–	427	–	–	–	–
Other derivative financial instruments	18	–	167	–	167	–	192	–	192
		8,338	4,595	2,723	15,656	6,761	3,364	2,649	12,774

Notes to the Financial Statements

43 Financial risk management (continued)

(1) Fair value measurements (continued)

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

	2018				2017				
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial liabilities									
Derivative financial instruments									
Fair value hedges - Interest rate swaps	28	-	116	-	116	-	37	-	37
Cash flow hedges									
Interest rate swaps	24 & 28	-	381	-	381	-	543	-	543
Cross currency interest rate swaps	28	-	928	-	928	-	1,888	-	1,888
Forward foreign exchange contracts	24 & 28	-	2	-	2	-	3	-	3
Other contracts	24 & 28	-	-	-	-	-	384	-	384
Net investment hedges									
Forward foreign exchange contracts	24 & 28	-	6	-	6	-	1,291	-	1,291
Cross currency swaps	28	-	45	-	45	-	-	-	-
Other derivative financial instruments	24 & 28	-	481	-	481	-	4,069	-	4,069
		-	1,959	-	1,959	-	8,215	-	8,215

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

During the year ended 31 December 2018 and 2017, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

Level 3 fair values

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

	2018	2017
	HK\$ million	HK\$ million
At 1 January	2,649	1,059
Total gains (losses) recognised in		
Income statement	29	-
Other comprehensive income	(510)	46
Additions	598	130
Relating to subsidiaries acquired	20	-
Relating to subsidiaries disposed	-	1,413
Disposals	(22)	(18)
Exchange translation differences	(41)	19
At 31 December	2,723	2,649
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	29	-

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

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

43 Financial risk management *(continued)*

(1) Fair value measurements *(continued)*

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

Except for bank and other debts as detailed in the table 43(k) 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 2018				
Bank and other debts	217,197	126,330	–	343,527
At 31 December 2017				
Bank and other debts	214,297	127,037	–	341,334

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

Notes to the Financial Statements

43 Financial risk management (continued)

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

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

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

	Gross amounts of recognised financial assets (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets (liabilities)	Cash collateral pledged (received)	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 31 December 2018						
Financial assets						
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	965	–	965	(6)	–	959
Other derivative financial instruments	159	–	159	(4)	–	155
Trade receivables	172	(127)	45	(25)	–	20
Other receivables and prepayments	602	(406)	196	–	–	196
	1,898	(533)	1,365	(35)	–	1,330
Financial liabilities						
Trade payables	(1,165)	278	(887)	–	–	(887)
Derivative financial instruments						
Net investment hedges						
Forward foreign exchange contracts	(6)	–	(6)	6	–	–
Other derivative financial instruments	(4)	–	(4)	4	–	–
Other payables and accruals	(3,471)	255	(3,216)	25	–	(3,191)
	(4,646)	533	(4,113)	35	–	(4,078)
At 31 December 2017						
Financial assets						
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	2	–	2	(2)	–	–
Net investment hedges						
Forward foreign exchange contracts	487	–	487	(275)	–	212
Other derivative financial instruments	192	–	192	(82)	–	110
Trade receivables	57	(3)	54	(35)	–	19
Other receivables and prepayments	994	(568)	426	–	–	426
	1,732	(571)	1,161	(394)	–	767
Financial liabilities						
Trade payables	(4,355)	571	(3,784)	–	–	(3,784)
Derivative financial instruments						
Cash flow hedges						
Forward foreign exchange contracts	(2)	–	(2)	2	–	–
Net investment hedges						
Forward foreign exchange contracts	(275)	–	(275)	275	–	–
Other derivative financial instruments	(539)	–	(539)	82	–	(457)
Other payables and accruals	(43)	–	(43)	35	–	(8)
	(5,214)	571	(4,643)	394	–	(4,249)

44 Statement of financial position of the Company, as at 31 December 2018

	2018 HK\$ million	2017 HK\$ million
Non-current assets		
Subsidiary companies - Unlisted shares ^(a)	355,164	355,164
Current assets		
Amounts due from subsidiary companies ^(b)	9,382	9,292
Other receivables	20	176
Cash	7	6
Current liabilities		
Other payables and accruals	60	47
Net current assets	9,349	9,427
Net assets	364,513	364,591
Capital and reserves		
Share capital (see note 29(a))	3,856	3,858
Share premium (see note 29(a))	244,377	244,505
Reserves - Retained profit ^(c)	116,280	116,228
Shareholders' funds	364,513	364,591

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

Notes to the Financial Statements

44 Statement of financial position of the Company, as at 31 December 2018 (continued)

- (a) Particulars regarding the principal subsidiary companies are set forth on pages 283 to 286.
- (b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.
- (c) Reserves - Retained profit

	HK\$ million
At 1 January 2017	116,190
Profit for the year	10,550
Dividends paid relating to 2016	(7,503)
Dividends paid relating to 2017	(3,009)
At 31 December 2017	116,228
Profit for the year	11,394
Buy-back and cancellation of issued shares (see note 29(a)(i))	(1)
Dividends paid relating to 2017	(7,985)
Dividends paid relating to 2018	(3,356)
At 31 December 2018	116,280

- (d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.
- (e) The net profit of the Company is HK\$11,394 million (2017 - HK\$10,550 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.
- (f) At 31 December 2018, the Company's share premium and retained profit amounted to HK\$244,377 million (2017 - HK\$244,505 million) and HK\$116,280 million (2017 - HK\$116,228 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

45 Approval of financial statements

The financial statements set out on pages 170 to 286 were approved and authorised for issue by the Board of Directors on 21 March 2019.

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	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
Ports and related services				
Alexandria International Container Terminals Company S.A.E.	Egypt	USD 30,000,000	64	Container terminal operating
Amsterdam Port Holdings B.V.	Netherlands	EUR 170,704	80	Holding company
Brisbane Container Terminals Pty Limited	Australia	AUD 34,100,000	80	Container terminal operating
Buenos Aires Container Terminal Services S.A.	Argentina	ARS 321,528,668	80	Container terminal operating
ECT Delta Terminal B.V.	Netherlands	EUR 18,000	71	Container terminal operating
Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP 145,695,000	80	Cruise terminal operating
Ensenada International Terminal, S.A. de C.V.	Mexico	MXP 160,195,000	80	Container terminal operating
Europe Container Terminals B.V.	Netherlands	EUR 45,000,000	75	Holding company
Euromax Terminal Rotterdam B.V.	Netherlands	EUR 100,000	49	Container terminal operating
Freeport Container Port Limited	Bahamas	BSD 2,000	41	Container terminal operating
Gdynia Container Terminal S.A.	Poland	PLN 11,379,300	80	Container terminal operating and rental of port real estate
Harwich International Port Limited	United Kingdom	GBP 16,812,002	80	Container terminal operating
☆ Hongkong United Dockyards Limited	Hong Kong	HKD 76,000,000	50	Ship repairing, general engineering and tug operations
☆ 惠州港業股份有限公司	China	RMB 300,000,000	27	Container terminal operating
☆ 惠 惠州 Quanwan Port Development Co., Ltd.	China	RMB 359,300,000	40	Port related land development
Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED 60,000,000	80	Container terminal operating
Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD 26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Korea Terminals Limited	South Korea	WON 4,107,500,000	80	Container terminal operating
Hutchison Laemchabang Terminal Limited	Thailand	THB 1,000,000,000	64	Container terminal operating
◇ * # Hutchison Port Holdings Trust	Singapore / China	USD 8,797,780,935	30	Container port business trust
Hutchison Port Investments Limited	Cayman Islands / Hong Kong	USD 74,870,807	80	Holding company
Hutchison Ports Investments S.à r.l.	Luxembourg	EUR 12,750	80	Operation, management and development of ports and container terminals, and investment holding
Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emirates	USD 10,000	48	Container terminal operating
Hutchison Ports UAQ Limited	British Virgin Islands / United Arab Emirates	USD 34,650	48	Container terminal operating
Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP 138,623,200	80	Container terminal operating
International Ports Services Co. Ltd.	Saudi Arabia	SAR 2,000,000	41	Container terminal operating
☆ 惠 惠州 Jiangmen International Container Terminals Limited	China	USD 14,461,665	40	Container terminal operating
Karachi International Container Terminal Limited	Pakistan	PKR 1,109,384,220	80	Container terminal operating

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	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
Ports and related services (continued)				
Korea International Terminals Limited	South Korea	WON 45,005,000,000	71	Container terminal operating
L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP 78,560,628	80	Container terminal operating
Maritime Transport Services Limited	United Kingdom	GBP 13,921,323	64	Container terminal operating
✧ ☹ Nanhai International Container Terminals Limited	China	USD 42,800,000	40	Container terminal operating
NAWAH for Ports Management LLC	Iraq	IQD 10,000,000	41	Container terminal operating
✧ ☹ 寧波北侖國際集裝箱碼頭有限公司	China	RMB 700,000,000	39	Container terminal operating
Oman International Container Terminal L.L.C.	Oman	OMR 4,000,000	52	Container terminal operating
Panama Ports Company, S.A.	Panama	USD 10,000,000	72	Container terminal operating
Port of Felixstowe Limited	United Kingdom	GBP 100,002	80	Container terminal operating
✧ PT Jakarta International Container Terminal	Indonesia	IDR 221,450,406,000	39	Container terminal operating
✧ River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD 1	40	River trade terminal operation
Saigon International Terminals Vietnam Limited	Vietnam	USD 80,084,000	56	Container terminal operating
✧ ☹ + 上海明東集裝箱碼頭有限公司	China	RMB 4,000,000,000	40	Container terminal operating
South Asia Pakistan Terminals Limited	Pakistan	PKR 5,763,773,300	72	Container terminal operating
Star Classic Investments Limited	British Virgin Islands	USD 2	80	Operation, management and development of ports and container terminals, and investment holding
Sydney International Container Terminals Pty Ltd	Australia	AUD 49,000,001	80	Container terminal operating
Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP 143,700,000	80	Marine construction and ship repair yard
Tanzania International Container Terminal Services Limited	Tanzania	TZS 2,208,492,000	53	Container terminal operating
Terminal Catalunya, S.A.	Spain	EUR 2,342,800	80	Container terminal operating
Thai Laemchabang Terminal Co., Ltd.	Thailand	THB 800,000,000	70	Container terminal operating
Thamesport (London) Limited	United Kingdom	GBP 2	64	Container terminal operating
* # + Westports Holdings Berhad	Malaysia	MYR 341,000,000	19	Holding company
# ☹ Xiamen Haicang International Container Terminals Limited	China	RMB 555,515,000	39	Container terminal operating
# ☹ Xiamen International Container Terminals Limited	China	RMB 1,148,700,000	39	Container terminal operating
Retail				
A.S. Watson Holdings Limited	Cayman Islands	HKD 1,000,000	75	Holding company
A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR 18,001	75	Investment holding in retail businesses
A. S. Watson Retail (HK) Limited	Hong Kong	HKD 100,000,000	75	Retailing
✧ + Dirk Rossmann GmbH	Germany	EUR 12,000,000	30	Retailing
☹ 廣州屈臣氏個人用品商店有限公司	China	HKD 71,600,000	71	Retailing
PARKnSHOP (HK) Limited	Hong Kong	HKD 100,000,000	75	Supermarket operating
✧ Rossmann Supermarkety Drogerijne Polska sp. z o.o.	Poland	PLN 26,442,892	53	Retailing
Superdrug Stores plc	United Kingdom	GBP 22,000,000	75	Retailing
✧ 武漢屈臣氏個人用品商店有限公司	China	RMB 55,930,000	75	Retailing

Subsidiary and associated companies and joint ventures	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
Infrastructure and energy				
☆ Australian Gas Networks Limited	Australia	AUD 879,082,753	62	Natural gas distribution
☆ + AVR-Afvalverwerking B.V.	Netherlands	EUR 1	61	Producing energy from waste
* + CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD 2,650,676,042	76	Holding Company
☆ + CK William UK Holdings Limited	United Kingdom	GBP 2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmissions and distribution
☆ + CKP (Canada) Holdings Limited	Canada	CAD 1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
+ Enviro Waste Services Limited	New Zealand	NZD 84,768,736	76	Waste management services
* # + Husky Energy Inc.	Canada	CAD 7,293,334,286	40	Investment in oil and gas
☆ + Northern Gas Networks Holdings Limited	United Kingdom	GBP 71,670,980	36	Gas distribution
+ Northumbrian Water Group Limited	United Kingdom	GBP 161	70	Water & sewerage businesses
* # + Power Assets Holdings Limited	Hong Kong	HKD 6,610,008,417	29	Investment holding in energy and utility-related businesses
☆ + Trionista TopCo GmbH	Germany	EUR 25,000	26	Sub-metering and related services
☆ + UK Power Networks Holdings Limited	United Kingdom	GBP 10,000,000	30	Electricity distribution
+ Eversholt UK Rails Limited	United Kingdom	GBP 102	88	Holding company in leasing of rolling stock
☆ + Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP 29,027	53	Gas distribution
Telecommunications				
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 Ireland Holdings Limited	United Kingdom	EUR 2	100	Holding company of 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 1,204,724,052	66	Holding company of mobile telecommunications services
Hutchison Telephone Company Limited	Hong Kong	HKD 2,730,684,340	50	Mobile telecommunications services
PT. Hutchison 3 Indonesia	Indonesia	IDR 651,896,000,000	65	Mobile telecommunications services
Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND 9,348,000,000,000	49	Mobile telecommunications services
Wind Tre S.p.A.	Italy	EUR 474,303,795	100	Mobile telecommunications services
Finance & investments and others				
Cheung Kong (Holdings) Limited	Hong Kong	HKD 10,488,733,666	100	Holding company
CK Hutchison Global Investments Limited	British Virgin Islands	USD 2	100	Holding company
* Hutchison Telecommunications (Australia) Limited	Australia	AUD 4,204,487,847	88	Holding company
☆ + Vodafone Hutchison Australia Pty Limited	Australia	AUD 6,046,889,713	44	Telecommunications services
* # + CK Life Sciences Int'l. (Holdings) Inc.	Cayman Islands / Hong Kong	HKD 961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
☆ ☞ Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD 65,000,000	50	Aircraft maintenance
* Hutchison China MediTech Limited	Cayman Islands / China	USD 66,657,745	60	Holding company of healthcare business

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2018

Subsidiary and associated companies and joint ventures	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
Finance & investments and others (continued)				
Hutchison International Limited	Hong Kong	HKD 727,966,526	100	Holding company & corporate
Hutchison Whampoa (China) Limited	Hong Kong	HKD 15,100,000	100	Investment holding & China businesses
Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR 1,764,027,025	100	Holding company
Hutchison Whampoa Limited	Hong Kong	HKD 29,424,795,590	100	Holding company
Marionnaud Parfumeries S.A.S.	France	EUR 351,575,833	100	Investment holding in perfume retailing businesses
# Metro Broadcast Corporation Limited	Hong Kong	HKD 1,000,452	24	Radio broadcasting
* # TOM Group Limited	Cayman Islands / Hong Kong	HKD 395,851,056	36	Technology and media

The above table lists the principal subsidiary and associated companies and joint ventures 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 and associated companies and joint ventures 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.

Except Cheung Kong (Holdings) Limited and CK Hutchison Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on the Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

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

Associated companies

✧ Joint ventures

⌘ Equity joint venture registered under PRC law

♠ Wholly owned foreign enterprise (WOFE) registered under PRC law

↔ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and revenue (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 24% and 9% of the Group's respective items.

Ten Year Summary

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CONSOLIDATED INCOME STATEMENT										
HK\$ million										
Revenue ⁽¹⁾	20,316	25,291	34,538	21,379	21,480	26,384	176,094	259,842	248,515	277,129
Profit attributable to ordinary shareholders of the Company ⁽¹⁾	20,304	26,750	45,957	32,036	35,260	53,869	118,570	33,008	35,100	39,000
Dividends	6,254	6,833	7,319	7,319	8,060	24,676	9,842	10,340	10,994	12,226
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
HK\$ million										
Non-current assets										
Fixed assets	10,696	10,399	11,233	10,145	9,977	17,454	179,855	145,598	158,789	110,605
Leasehold land	–	–	–	–	–	–	7,215	8,155	8,305	7,702
Telecommunications licences	–	–	–	–	–	–	32,608	23,936	27,271	64,221
Brand names and other rights	–	–	–	–	–	–	82,233	73,625	75,985	88,761
Goodwill	–	–	–	–	–	–	261,449	254,748	255,334	323,160
Associated companies	148,185	154,568	178,606	187,348	196,812	216,841	148,372	150,406	145,343	136,287
Interests in joint ventures	33,650	40,671	56,929	63,303	65,659	68,754	92,425	106,253	162,134	118,053
Deferred tax assets	–	–	–	–	–	–	20,986	15,856	20,195	20,260
Liquid funds and other listed investments	6,278	8,577	7,301	10,828	8,843	10,210	10,255	5,954	7,813	9,292
Other non-current assets ⁽²⁾	20,625	22,232	26,386	30,756	30,341	34,557	4,572	5,440	5,540	10,717
	219,434	236,447	280,455	302,380	311,632	347,816	839,970	789,971	866,709	889,058
Current assets	79,231	93,877	92,006	104,345	117,205	110,125	192,974	223,494	233,546	343,186
Total assets	298,665	330,324	372,461	406,725	428,837	457,941	1,032,944	1,013,465	1,100,255	1,232,244
Current liabilities	22,776	34,705	35,031	20,189	15,466	31,350	130,303	157,312	114,888	221,929
Non-current liabilities										
Bank and other debts	25,279	22,027	23,020	43,001	39,452	19,522	270,536	231,260	310,276	325,570
Interest bearing loans from non-controlling shareholders	–	–	–	–	–	–	4,827	4,283	3,143	752
Deferred tax liabilities	664	761	850	820	986	1,022	26,062	23,692	25,583	19,261
Pension obligations	–	–	–	–	–	–	4,066	5,369	3,770	2,443
Other non-current liabilities	–	–	–	63	112	–	48,039	47,359	51,048	71,466
	25,943	22,788	23,870	43,884	40,550	20,544	353,530	311,963	393,820	419,492
Net assets	249,946	272,831	313,560	342,652	372,821	406,047	549,111	544,190	591,547	590,823
Capital and reserves										
Share capital	1,158	1,158	1,158	1,158	1,158	10,489 ⁽³⁾	3,860	3,858	3,858	3,856
Share premium	9,331	9,331	9,331	9,331	9,331	–	244,691	244,505	244,505	244,377
Reserves	235,646	258,521	295,211	323,354	350,192	383,656	144,884	145,806	181,693	197,918
Total ordinary shareholders' funds	246,135	269,010	305,700	333,843	360,681	394,145	393,435	394,169	430,056	446,151
Perpetual capital securities	–	–	4,648	5,652	9,048	9,045	35,153	30,510	29,481	12,326
Non-controlling interests	3,811	3,821	3,212	3,157	3,092	2,857	120,523	119,511	132,010	132,346
Total equity	249,946	272,831	313,560	342,652	372,821	406,047	549,111	544,190	591,547	590,823

Ten Year Summary

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PERFORMANCE DATA										
Earnings per share for profit attributable to ordinary shareholders of the Company - (HK\$)	8.77	11.55	19.84	13.83	15.22	23.26	36.91	8.55	9.10	10.11
Dividends per share - (HK\$) ⁽⁴⁾	2.70	2.95	3.16	3.16	3.48	3.65	2.55	2.68	2.85	3.17
Special dividends per share - (HK\$)	–	–	–	–	–	7.00	–	–	–	–
Dividend cover ⁽⁴⁾	3.2	3.9	6.3	4.4	4.4	6.4	14.5	3.2	3.2	3.2
Return on average ordinary shareholders' funds (%)	8.6%	10.4%	16.0%	10.0%	10.2%	14.3%	30.1%	8.4%	8.5%	8.9%
Current ratio	3.5	2.7	2.6	5.2	7.6	3.5	1.5	1.4	2.0	1.5
Net debt - (HK\$ million) ⁽⁵⁾	12,861	1,172	18,502	15,868	Note 6	Note 6	172,580	141,806	164,872	207,965
Net debt / Net total capital (%) ⁽⁵⁾	4.9%	0.4%	5.6%	4.4%	N/A	N/A	23.7%	20.5%	21.7%	26.0%
Net assets attributable to ordinary shareholders of the Company per share - book value (HK\$)	106.3	116.1	132.0	144.1	155.7	170.2	101.9	102.2	111.5	115.7
Number of shares (million)	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	2,316.2	3,859.7	3,857.7	3,857.7	3,856.2

Certain line item descriptions have been updated and certain comparative amounts have been reclassified to conform to the current year presentation.

(1) Amounts shown above are the aggregate total arising from continuing and discontinuing operations in 2015.

As additional information, the other operating expenses included in the calculation of the profit for the current and comparative 2017 years are as follows:

	2017 HK\$ million	2018 HK\$ million
Auditors' remuneration	278	312
Operating lease rental expenses	19,104	21,001
Cost of providing services	18,657	20,247
Office and general administrative expenses	6,744	7,375
Legal and professional fees	1,209	1,843
Other losses (gains)		
Divestiture loss	–	3,626
Re-measurement and other gains	–	(8,600)
Gain on disposal of subsidiary companies	(2,716)	(914)
Gain on disposal of a manufacturing plant	(1,922)	–
Hedging loss on settlement of forward contracts	1,173	–
Others	2,043	4,447
	44,570	49,337

(2) With effect from 1 January 2018, "investment properties" are included in "Other non-current assets" and "Total ordinary shareholders' funds" are shown as a separate item within the "Capital and reserves" section of the consolidated statement of financial position. This change in presentation has no impact on the total equity. The comparative information has been reclassified accordingly.

(3) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Cheung Kong's share capital.

(4) Exclude special dividend of HK\$7 per share in 2014.

(5) See note 29(c)(i) to the financial statements.

(6) Net cash in 2014 and 2013 amounted to HK\$6,433 million and HK\$1,510 million respectively.

Information for Shareholders

LISTING	The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited
STOCK CODES	The Stock Exchange of Hong Kong Limited: 1 Bloomberg: 1 HK Reuters: 1.HK
PUBLIC FLOAT CAPITALISATION	Approximately HK\$200,936 million (approximately 69% of the issued share capital of the Company) as at 31 December 2018
FINANCIAL CALENDAR	Payment of 2018 Interim Dividend: 13 September 2018 2018 Final Results Announcement: 21 March 2019 Record Date for 2018 Final Dividend: 22 May 2019 Payment of 2018 Final Dividend: 31 May 2019
REGISTERED OFFICE	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
PRINCIPAL PLACE OF BUSINESS	48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102, Cayman Islands
HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong Telephone: +852 2862 8628 Facsimile: +852 2865 0990
INVESTOR INFORMATION	Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company
INVESTOR RELATIONS CONTACT	Please direct enquiries to: Group Investor Relations 47th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705 Email: ir@ckh.com.hk
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