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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)

**UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**HIGHLIGHTS**

|  | <b>Post-IFRS 16<sup>(1)</sup> Basis</b>                       |   |                                |                                 |
|--|---|---|--------------------------------|---------------------------------|
|  | <b>For the six months ended 30 June 2019<br/>HK\$ million</b> | <b>For the six months ended 30 June 2018<br/>HK\$ million</b> | <b>Local currencies change</b> | <b>Reported currency change</b> |
| Total Revenue <sup>(2)</sup>                 | <b>217,062</b>  | 224,507   | +2%                            | -3%                             |
| Total EBITDA <sup>(2)</sup>                  | <b>65,689</b>   | 55,350  | +24%                           | +19%                            |
| Total EBIT <sup>(2)</sup>                    | <b>36,268</b>   | 35,388  | +8%                            | +2%                             |
| Profit attributable to ordinary shareholders | <b>18,324</b>   | 18,020  | +7%                            | +2%                             |
| Earnings per share <sup>(3)</sup>            | <b>HK\$4.75</b>   | HK\$4.67  |                                | +2%                             |
| Interim dividend per share                   | <b>HK\$0.87</b>   | HK\$0.87  |                                | —                               |

  

|  | <b>Pre-IFRS 16<sup>(1)</sup> Basis</b>                        |   |                                |                                 |
|--|---|---|--------------------------------|---------------------------------|
|  | <b>For the six months ended 30 June 2019<br/>HK\$ million</b> | <b>For the six months ended 30 June 2018<br/>HK\$ million</b> | <b>Local currencies change</b> | <b>Reported currency change</b> |
| Total Revenue <sup>(2)</sup>                 | <b>217,062</b>  | 224,507   | +2%                            | -3%                             |
| Total EBITDA <sup>(2)</sup>                  | <b>53,988</b>   | 55,350  | +3%                            | -2%                             |
| Total EBIT <sup>(2)</sup>                    | <b>34,238</b>   | 35,388  | +2%                            | -3%                             |
| Profit attributable to ordinary shareholders | <b>18,200</b>   | 18,020  | +6%                            | +1%                             |

- (1) As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 “Leases” (“IFRS 16”) and the precedent lease accounting standard International Accounting Standard 17 “Leases” (“IAS 17”) are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”) and Hong Kong Accounting Standard 17 “Leases” (“HKAS 17”), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group’s statutory results for six months ended 30 June 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding six months ended 30 June 2018 are on a IAS 17 basis (“Pre-IFRS 16 basis”) as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis (“Post-IFRS 16 basis”), allows a like-with-like comparison with the prior period results, and to better reflect management’s view of the Group’s underlying operational performance. As a result, the Group has provided an alternative presentation of the Group’s EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the first six months of 2019. Unless otherwise specified, the discussion of the Group’s operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.
- (2) 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”) for the first six months of 2019 after the divestment of 90% of the direct economic benefits in October 2018.
- (3) Earnings per share for the six months ended 30 June 2019 and 2018 is calculated based on profit attributable to ordinary shareholders and CKHH’s weighted average number of shares outstanding during the periods of 3,856,240,500 and 3,857,678,500 respectively.

## CHAIRMAN'S STATEMENT

Global geopolitical and economic risks remain elevated in the first half of 2019. Currency and commodity price volatility since the second half of 2018 have dampened the Group's profitability during the first half of the year. Major currencies such as GBP, EURO and RMB have all depreciated against the first half of last year by around 6%. Excluding foreign currency translation impacts, the Group was able to maintain both healthy earnings growth and a solid financial profile.

On a Pre-IFRS 16 basis, EBITDA and EBIT decreased 2% and 3% respectively compared to the same period last year in reported currency. If exchange currency movements on translation are removed, EBITDA and EBIT grew 3% and 2% respectively against same period last year in local currencies, primarily reflecting the full six months accretive contribution from 50% interest in Wind Tre acquired in September 2018, partly offset by lower contribution from Infrastructure division subsequent to the divestiture of an aggregate economic benefits in the Group's direct interest in the six co-owned infrastructure investments in October 2018, as well as lower contribution from Husky primarily as a result of lower production.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the first half of 2019 of HK\$18,200 million was an increase of 1% in reported currency and an increase of 6% in local currencies compared to the first half of 2018, mainly from lower interest expenses and distributions to perpetual capital securities holders.

On a Post-IFRS 16 basis and in reported currency, EBITDA increased by 19%, while EBIT and profit attributable to ordinary shareholders both increased 2% compared to the first half of 2018. Earnings per share were HK\$4.75 for the first half of 2019, an increase of 2%.

### Dividend

The Board of Directors declares an interim dividend of HK\$0.87 per share (30 June 2018 – HK\$0.87 per share), payable on Thursday, 12 September 2019, to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 3 September 2019, being the record date for determining shareholders' entitlement to the interim dividend.

## Ports and Related Services

The ports and related services division handled throughput of 42.1 million twenty-foot equivalent units (“TEU”) through 288 operating berths in the first half of 2019, a 4% increase compared to the same period in 2018. Volume growth in Barcelona, Rotterdam, Yantian, Klang in Malaysia, and Freeport in Bahamas was partly offset by the loss of throughput from Shantou, as the port operation was disposed of at the end of 2018, as well as volume shortfalls in Hong Kong and Panama. In reported currency, total revenue of HK\$17,550 million was flat against the same period last year. EBITDA<sup>(1)</sup> and EBIT<sup>(1)</sup> of HK\$6,450 million and HK\$4,250 million increased 4% and 10% in reported currency against the same period last year respectively, driven primarily by higher throughput and disciplined cost controls, partly offset by adverse foreign currency translation impact. EBIT growth also reflected lower depreciation and amortisation charges due to a concession extension. In local currencies, total revenue, EBITDA and EBIT increased 5%, 8% and 14% respectively.

In May 2019, this division entered into a preliminary long-term commercial agreement with the Québec Port Authority and Canadian National Railway to build and operate a new container terminal in Québec City, Canada. The new facility is expected to be the most environmentally and technologically advanced cargo-handling facility in North America and will become one of the terminals with the smallest environmental impact in the world.

Going forward, the ports and related services division will maintain its focus on improving productivity and cost efficiency, and will continue to look for expansion opportunities that will enhance its global footprint.

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<sup>(1)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$7,766 million; EBIT was HK\$4,826 million.

## Retail

The retail division had 15,213 stores across 25 markets at the end of first half 2019, a 5% increase compared to the same period last year. During the first half of 2019, ASW's China supermarket business completed a joint venture with Yonghui Superstores Co. Limited ("Yonghui") and Tencent Holdings Limited ("Tencent") to create the largest grocery retail business in Guangdong, China, in which ASW holds a 40% interest. In reported currency, total reported revenue of HK\$83,161 million decreased 1% compared to same period last year. EBITDA<sup>(2)</sup> and EBIT<sup>(2)</sup> of HK\$8,182 million and HK\$6,590 million increased by 9% and 10% respectively reflecting the continuous steady growth in the Health and Beauty businesses and the inclusion of a one-off gain of approximately HK\$633 million associated with the formation of the joint venture with Yonghui and Tencent for the China supermarket business, partly offset by adverse foreign currency translation impact. In local currencies, total revenue, EBITDA and EBIT increased by 4%, 14% and 15% respectively, and excluding the one-off gain, underlying EBITDA and EBIT increased by 6% and 5% respectively.

Overall, the Health and Beauty segment reported total sales growth of 1% from a 5% increase in store numbers and a 2.9% growth in comparable stores sales, partly offset by the adverse foreign currency translation impact. In local currencies, revenue, EBITDA and EBIT increased by 7%, 6% and 5% respectively against same period in 2018. Health and Beauty operations in Asia delivered a strong EBITDA growth of 15% in local currencies arising from a 9% increase in store numbers and a comparable stores sales uplift of 6.9%. Health and Beauty China maintained a healthy EBITDA margin of 19% and recorded a 4% growth in EBITDA in local currency from continued expansion in store portfolio. Health and Beauty operations in Europe also sustained a strong EBITDA growth of 5% in local currencies from a 3% increase in store numbers and a 1.9% growth in comparable stores sales.

The Health and Beauty division now has an addressable loyalty member base of 135 million from its online and offline platforms which allows exclusive products and enhanced customer experiences to be offered to its customers effectively and efficiently through innovative digital technologies and data analytics capabilities.

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<sup>(2)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$13,065 million; EBIT was HK\$6,994 million.

## Infrastructure

The Infrastructure division comprise a 75.67%<sup>(3)</sup> interest in CK Infrastructure Holdings Limited (“CKI”), a subsidiary listed in Hong Kong and the Group’s direct interest in six co-owned infrastructure investments with CKI, of which an aggregated 90% economic benefits was divested in October 2018 under the Economic Benefits Agreements entered with CK Asset Holdings Limited (“CKAH”), CKI and Power Assets (“PAH”).

Total EBITDA<sup>(4)</sup> and EBIT<sup>(4)</sup> of this division of HK\$14,356 million and HK\$9,901 million respectively were 24% and 25% lower than the same period last year respectively in reported currency, mainly due to adverse foreign currency translation impacts, the lower contribution resulting from the disposal of the six co-owned investments mentioned above, the loss on partial disposal of 2.05% interests in PAH of HK\$302 million and lower earnings contributions from the UK primarily due to UK Power Networks no longer recognising certain non-cash revenue from January 2019 onwards with no impact to the cash earnings and distribution. As the Group rebased PAH’s assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI resulted in a loss on disposal in the Group’s reported results. In local currencies, EBITDA and EBIT decreased by 19% and 20% respectively against the same period last year.

Following the Economic Benefits Agreements completed in 2018, the Group has subsequently entered into supplemental agreements with CKAH, CKI and PAH this year to effectively transfer to the respective parties their proportionate voting rights of the co-owned investments in Europe and Canada. Upon completion of the supplemental arrangements, which is subject to certain regulatory approvals, the Group will cease to consolidate the co-owned subsidiaries in the second half of the year with no gain or loss expected on deconsolidation.

### CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK\$5,943 million, flat against the same period last year. If exchange currency movements on translation are removed, net profit attributable to shareholders increased 6%.

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<sup>(3)</sup> Based on the Group’s profit sharing ratio in CKI.

<sup>(4)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$14,481 million; EBIT was HK\$9,919 million.

## Husky Energy

Husky Energy (“Husky”), our associated company listed in Canada, announced Post-IFRS 16 net earnings of C\$698 million in the first half of 2019, flat when compared to net earnings of C\$696 million in the same period last year. After translation into Hong Kong dollars and including consolidation adjustments based on Pre-IFRS 16, the Group’s share of EBITDA<sup>(5)</sup> and EBIT<sup>(5)</sup> were HK\$4,713 million and HK\$1,787 million respectively, a decrease of 20% and 35% respectively in reported currency or 17% and 32% respectively in local currency against the first half of 2018. The lower EBITDA and EBIT were primarily due to lower overall production from the suspension of operations at the White Rose field in Atlantic in November 2018, which are presently resuming production and will fully ramp up in the second half of 2019, the mandatory oil production curtailments imposed by Government of Alberta in December last year and the lower Downstream contributions from the tighter Canadian heavy-light differentials, as well as the recognition of certain one-time pre-tax write-offs and provisions in the first half of 2019. In Asia, Husky continued to grow with higher production from the liquids-rich BD Project in Indonesia. Further, the above EBITDA and EBIT declines were fully offset by a one-time deferred tax credit of C\$233 million associated with the Alberta tax rate reduction.

Average production in the first six months of 2019 was 276,800 barrels of oil equivalent per day, a 7% decrease when compared to the same period last year, primarily due to lower production in White Rose as mentioned above, as well as reduction of heavy crude oil production due to natural declines and government-mandated production curtailments in Alberta, partly offset by increased thermal-bitumen production, as well as higher natural gas and natural gas liquids (“NGL”) production from Western Canada and Asia Pacific.

Husky’s 2019 first half dividend amounted to C\$0.25 per common share, 25% above C\$0.20 per common share in the same period last year.

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<sup>(5)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$4,839 million; EBIT was HK\$1,803 million.

### 3 Group Europe and Hutchison Telecommunications Hong Kong

As at 30 June 2019, 3 Group Europe's active customer base stands at 41.7 million, a 7% drop against the same period last year mainly from a lower Wind Tre base, partly offset by net additions in other operations in Europe.

3 Group Europe's revenue, EBITDA<sup>(6)</sup> and EBIT<sup>(6)</sup> of HK\$43,464 million, HK\$16,297 million and HK\$9,970 million were 20%, 27% and 33% higher against the same period last year respectively in reported currency. In local currencies, revenue, EBITDA and EBIT in the first half of 2019 increased by 27%, 34% and 40% respectively primarily reflecting the full six months' accretive contribution from the additional 50% share in Wind Tre. Underlying operational environment has improved in Italy with the network consolidation and modernisation substantially completed as at the end of July, higher than planned synergy realisations and reduced churn. Overall 3 Group Europe continued to report a healthy EBITDA margin of 44%, a 2%-point growth compared to the same period last year.

All 3 Group Europe operations continue to focus on cost disciplines and a measured level of network and IT investments, as well as exploring new revenue initiatives. A number of 3 Group Europe operations will be completing network and IT transformations in the second half of 2019, which is expected to further enhance customer experience and 3 Group Europe's competitiveness.

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced Post-IFRS 16 profit attributable to shareholders of HK\$188 million and earnings per share of 3.90 HK cents. As of 30 June 2019, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

In July 2019, the Group formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings ("CK Hutchison Telecom"), which consolidates the Group's European operations and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. The CK Hutchison Telecom Group will refinance all the existing external debt of Wind Tre of approximately €10 billion and be separately rated with an expected investment grade rating from all three credit rating agencies. Correspondingly, the CK Hutchison Telecom Group will also set up a new telecommunication infrastructure company, CK Hutchison Networks Holdings ("CK Hutchison Networks") which will group the 28,500 tower asset interests<sup>(7)</sup> into a separately managed wholly-owned subsidiary of CK Hutchison Telecom. The new organisation structure and the refinancing transaction will allow the Group to generate significant financing cost savings from 2020 onwards, as well as rationalise its investments in light of the expected need for harmonisation of network, IT platform, and infrastructure configurations to meet new transnational business opportunities going forward.

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<sup>(6)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$19,625 million; EBIT was HK\$10,435 million.

<sup>(7)</sup> CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.

## Hutchison Asia Telecommunications

As of 30 June 2019, Hutchison Asia Telecommunications (“HAT”) had approximately 45.7 million active customer accounts, which represented 29% decrease compared to the same period last year, primarily due to the subscriber registration process imposed by the Government of Indonesia since May 2018.

HAT reported revenue, EBITDA<sup>(8)</sup> and EBIT<sup>(8)</sup> of HK\$4,325 million, HK\$724 million and HK\$216 million respectively, representing 6%, 109% and 213% increase in reported currency compared to the same period last year. Despite the drop in active customer accounts since second half of last year, the Indonesian operation has improved its revenue and margin through continuing network expansion to new areas and improving distribution structures and strategies. This growth was partly offset by higher depreciation and amortisation with the continued network rollout and enhancements in Indonesia and Vietnam, as well as network expansion in Sri Lanka after the acquisition of Etisalat Lanka in November 2018. In local currencies, revenue, EBITDA and EBIT increased 10%, 118% and 233% respectively compared to same period last year.

With the continuing network enhancement in the regions and cost synergies in Sri Lanka expected to materialise in second half of the year, positive growth momentum from HAT is expected to continue.

## Finance & Investments and Others

As at 30 June 2019, the Group’s consolidated cash and liquid investments totalled HK\$131,166 million and consolidated total bank and other debts<sup>(9)</sup> amounted to HK\$343,621 million, resulting in consolidated net debt<sup>(9)</sup> of HK\$212,455 million and net debt to net total capital ratio<sup>(9)</sup> of 26.2% (31 December 2018 – 26.0%).

In July 2019, the Group completed the disposal of approximately 9% interest in Hutchison China MediTech Limited for a cash proceed of approximately US\$280 million with the shareholding reduced from 60.15% to 51.15%.

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<sup>(8)</sup> Under Post-IFRS 16 basis, EBITDA was HK\$1,761 million; EBIT was HK\$687 million.

<sup>(9)</sup> 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 debt is defined as total cash, liquid funds and other listed investments less total bank and other debts. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments. The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, is 26.7%.



## **Outlook**

Looking forward into the remaining part of the year, global geographical economic uncertainty remains high. More accommodative monetary and fiscal policies may provide cushion against shocks but serious risks remain.

Resilience, diversity, stable cash flow and strong financial fundamentals continue to be the key strengths of the Group. Accordingly, the Group is cautiously optimistic about its future.

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, 1 August 2019

## Financial Performance Summary

|  | Pre-IFRS 16 <sup>(1)</sup><br>Unaudited Results<br>for the six months<br>ended 30 June 2019 |             | Unaudited Results<br>for the six months<br>ended 30 June 2018 |             | Change %   |
|--|---|-------------|---|-------------|------------|
|  | HK\$ million  | %           | HK\$ million  | %           |            |
| <b>Revenue<sup>(2)</sup></b>   |   |             |   |             |            |
| Ports and Related Services <sup>(2)</sup>  | 17,550  | 8%          | 17,591  | 8%          | –          |
| Retail   | 83,161  | 38%         | 83,874  | 37%         | -1%        |
| Infrastructure <sup>(3)</sup>  | 25,625  | 12%         | 34,225  | 15%         | -25%       |
| Husky Energy   | 23,465  | 11%         | 27,315  | 12%         | -14%       |
| 3 Group Europe   | 43,464  | 20%         | 36,124  | 16%         | 20%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 2,515   | 1%          | 4,021   | 2%          | -37%       |
| Hutchison Asia Telecommunications  | 4,325   | 2%          | 4,081   | 2%          | 6%         |
| Finance & Investments and Others   | 16,957  | 8%          | 17,276  | 8%          | -2%        |
| <b>Total Revenue</b>   | <b>217,062</b>  | <b>100%</b> | <b>224,507</b>  | <b>100%</b> | <b>-3%</b> |
| <b>EBITDA<sup>(2)</sup></b>  |   |             |   |             |            |
| Ports and Related Services <sup>(2)</sup>  | 6,450   | 12%         | 6,205   | 11%         | 4%         |
| Retail   | 8,182   | 15%         | 7,532   | 14%         | 9%         |
| Infrastructure <sup>(3)</sup>  | 14,356  | 27%         | 18,945  | 34%         | -24%       |
| Husky Energy   | 4,713   | 9%          | 5,877   | 11%         | -20%       |
| 3 Group Europe   | 16,297  | 30%         | 12,797  | 23%         | 27%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 663   | 1%          | 690   | 1%          | -4%        |
| Hutchison Asia Telecommunications  | 724   | 1%          | 346   | 1%          | 109%       |
| Finance & Investments and Others   | 2,603   | 5%          | 2,958   | 5%          | -12%       |
| <b>Total EBITDA</b>  | <b>53,988</b>   | <b>100%</b> | <b>55,350</b>   | <b>100%</b> | <b>-2%</b> |
| <b>EBIT<sup>(2)</sup></b>  |   |             |   |             |            |
| Ports and Related Services <sup>(2)</sup>  | 4,250   | 12%         | 3,864   | 11%         | 10%        |
| Retail   | 6,590   | 19%         | 5,992   | 17%         | 10%        |
| Infrastructure <sup>(3)</sup>  | 9,901   | 29%         | 13,242  | 37%         | -25%       |
| Husky Energy   | 1,787   | 5%          | 2,761   | 8%          | -35%       |
| 3 Group Europe   | 9,970   | 29%         | 7,488   | 21%         | 33%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 260   | 1%          | 284   | 1%          | -8%        |
| Hutchison Asia Telecommunications  | 216   | 1%          | 69  | –           | 213%       |
| Finance & Investments and Others   | 1,264   | 4%          | 1,688   | 5%          | -25%       |
| <b>Total EBIT</b>  | <b>34,238</b>   | <b>100%</b> | <b>35,388</b>   | <b>100%</b> | <b>-3%</b> |
| Interest expenses and other finance costs <sup>(2)</sup>                         | (7,796)   |             | (8,914)   |             | 13%        |
| Profit Before Tax  | 26,442  |             | 26,474  |             | –          |
| Tax <sup>(2)</sup>   |   |             |   |             |            |
| Current tax  | (3,784)   |             | (3,659)   |             | -3%        |
| Deferred tax   | (531)   |             | (605)   |             | 12%        |
|  | (4,315)   |             | (4,264)   |             | -1%        |
| Profit after tax   | 22,127  |             | 22,210  |             | –          |
| Non-controlling interests and<br>perpetual capital securities holders' interests | (3,927)   |             | (4,190)   |             | 6%         |
| <b>Profit Attributable to Ordinary Shareholders</b>                              | <b>18,200</b>   |             | <b>18,020</b>   |             | <b>1%</b>  |

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for six months ended 30 June 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding six months ended 30 June 2018 are on a IAS 17 basis ("Pre-IFRS 16 basis") as previously reported. Hence, any comparison between the two bases of reporting would not be meaningful. The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), allows a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and perpetual capital securities holders' interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the first six months of 2019. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: 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.

Note 3: Co-owned assets with CKI P&L figures for the six months ended 30 June 2019 represent remaining 10% of the Group's direct economic interest in these assets. The P&L figures for the six months ended 30 June 2018 represent the Group's direct interest in these assets.

## Financial Performance Summary

|  | Post-IFRS 16 <sup>(1)</sup>                                   |             | Unaudited Results                        |             | Change %   |
|--|---|-------------|--|-------------|------------|
|  | Unaudited Results<br>for the six months<br>ended 30 June 2019 |             | for the six months<br>ended 30 June 2018 |             |            |
|  | HK\$ million  | %           | HK\$ million                             | %           |            |
| <b>Revenue<sup>(2)</sup></b>   |   |             |  |             |            |
| Ports and Related Services <sup>(2)</sup>  | 17,550  | 8%          | 17,591                                   | 8%          | –          |
| Retail   | 83,161  | 38%         | 83,874                                   | 37%         | -1%        |
| Infrastructure <sup>(3)</sup>  | 25,625  | 12%         | 34,225                                   | 15%         | -25%       |
| Husky Energy   | 23,465  | 11%         | 27,315                                   | 12%         | -14%       |
| 3 Group Europe   | 43,464  | 20%         | 36,124                                   | 16%         | 20%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 2,515   | 1%          | 4,021                                    | 2%          | -37%       |
| Hutchison Asia Telecommunications  | 4,325   | 2%          | 4,081                                    | 2%          | 6%         |
| Finance & Investments and Others   | 16,957  | 8%          | 17,276                                   | 8%          | -2%        |
| <b>Total Revenue</b>   | <b>217,062</b>  | <b>100%</b> | <b>224,507</b>                           | <b>100%</b> | <b>-3%</b> |
| <b>EBITDA<sup>(2)</sup></b>  |   |             |  |             |            |
| Ports and Related Services <sup>(2)</sup>  | 7,766   | 12%         | 6,205                                    | 11%         | 25%        |
| Retail   | 13,065  | 20%         | 7,532                                    | 14%         | 73%        |
| Infrastructure <sup>(3)</sup>  | 14,481  | 22%         | 18,945                                   | 34%         | -24%       |
| Husky Energy   | 4,839   | 7%          | 5,877                                    | 11%         | -18%       |
| 3 Group Europe   | 19,625  | 30%         | 12,797                                   | 23%         | 53%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 896   | 1%          | 690                                      | 1%          | 30%        |
| Hutchison Asia Telecommunications  | 1,761   | 3%          | 346                                      | 1%          | 409%       |
| Finance & Investments and Others   | 3,256   | 5%          | 2,958                                    | 5%          | 10%        |
| <b>Total EBITDA</b>  | <b>65,689</b>   | <b>100%</b> | <b>55,350</b>                            | <b>100%</b> | <b>19%</b> |
| <b>EBIT<sup>(2)</sup></b>  |   |             |  |             |            |
| Ports and Related Services <sup>(2)</sup>  | 4,826   | 13%         | 3,864                                    | 11%         | 25%        |
| Retail   | 6,994   | 19%         | 5,992                                    | 17%         | 17%        |
| Infrastructure <sup>(3)</sup>  | 9,919   | 27%         | 13,242                                   | 37%         | -25%       |
| Husky Energy   | 1,803   | 5%          | 2,761                                    | 8%          | -35%       |
| 3 Group Europe   | 10,435  | 29%         | 7,488                                    | 21%         | 39%        |
| Hutchison Telecommunications Hong Kong Holdings                                  | 269   | 1%          | 284                                      | 1%          | -5%        |
| Hutchison Asia Telecommunications  | 687   | 2%          | 69                                       | –           | 896%       |
| Finance & Investments and Others   | 1,335   | 4%          | 1,688                                    | 5%          | -21%       |
| <b>Total EBIT</b>  | <b>36,268</b>   | <b>100%</b> | <b>35,388</b>                            | <b>100%</b> | <b>2%</b>  |
| Interest expenses and other finance costs <sup>(2)</sup>                         | (9,765)   |             | (8,914)                                  |             | -10%       |
| Profit Before Tax  | 26,503  |             | 26,474                                   |             | –          |
| Tax <sup>(2)</sup>   |   |             |  |             |            |
| Current tax  | (3,785)   |             | (3,659)                                  |             | -3%        |
| Deferred tax   | (498)   |             | (605)                                    |             | 18%        |
|  | (4,283)   |             | (4,264)                                  |             | –          |
| Profit after tax   | 22,220  |             | 22,210                                   |             | –          |
| Non-controlling interests and<br>perpetual capital securities holders' interests | (3,896)   |             | (4,190)                                  |             | 7%         |
| <b>Profit Attributable to Ordinary Shareholders</b>                              | <b>18,324</b>   |             | <b>18,020</b>                            |             | <b>2%</b>  |

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. Following the adoption of IFRS 16 on 1 January 2019, the Group's statutory results for six months ended 30 June 2019 are on a IFRS 16 basis, whereas the statutory results for the corresponding six months ended 30 June 2018 are on a IAS 17 basis.

Note 2: 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.

Note 3: Co-owned assets with CKI P&L figures for the six months ended 30 June 2019 represent remaining 10% of the Group's direct economic interest in these assets. The P&L figures for the six months ended 30 June 2018 represent the Group's direct interest in these assets.

## Operations Highlights

### Ports and Related Services

|                              | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currencies<br>change |
|------------------------------|------------------------------|------------------------------|--------|----------------------------|
| Total Revenue <sup>(1)</sup> | 17,550                       | 17,591                       | –      | +5%                        |
| EBITDA <sup>(1) (4)</sup>    | 6,450                        | 6,205                        | +4%    | +8%                        |
| EBIT <sup>(1) (4)</sup>      | 4,250                        | 3,864                        | +10%   | +14%                       |
| Throughput (million TEU)     | 42.1                         | 40.6                         | +4%    |                            |

|   | Throughput (million TEU) |                 |        | Number of Berths <sup>(3)</sup> |                     |        |
|---|--------------------------|-----------------|--------|---------------------------------|---------------------|--------|
|   | 30 June<br>2019          | 30 June<br>2018 | Change | 30 June<br>2019                 | 31 December<br>2018 | Change |
| HPH Trust                                 | 11.3                     | 11.4            | -1%    | 52                              | 52                  | –      |
| Mainland China and other Hong Kong        | 6.5                      | 6.7             | -2%    | 42                              | 42                  | –      |
| Europe                                    | 8.2                      | 7.6             | +8%    | 61                              | 61                  | –      |
| Asia, Australia and others <sup>(2)</sup> | 16.1                     | 14.9            | +8%    | 133                             | 133                 | –      |
| Total                                     | 42.1                     | 40.6            | +4%    | 288                             | 288                 | –      |

| HK\$ million                              | Total Revenue <sup>(1)</sup> |                 |        |                               | Total EBITDA <sup>(1) (4)</sup> |                 |        |                               |
|---|------------------------------|-----------------|--------|-------------------------------|---------------------------------|-----------------|--------|-------------------------------|
|   | 30 June<br>2019              | 30 June<br>2018 | Change | Local<br>currencies<br>change | 30 June<br>2019                 | 30 June<br>2018 | Change | Local<br>currencies<br>change |
| HPH Trust                                 | 1,248                        | 1,290           | -3%    | -3%                           | 645                             | 648             | –      | –                             |
| Mainland China and other Hong Kong        | 1,183                        | 1,282           | -8%    | -2%                           | 506                             | 635             | -20%   | -16%                          |
| Europe                                    | 5,603                        | 5,648           | -1%    | +6%                           | 1,538                           | 1,627           | -5%    | +1%                           |
| Asia, Australia and others <sup>(2)</sup> | 8,939                        | 8,799           | +2%    | +7%                           | 3,149                           | 3,032           | +4%    | +7%                           |
| Corporate costs & other related services  | 577                          | 572             | +1%    | +1%                           | 612                             | 263             | +133%  | +133%                         |
| Total                                     | 17,550                       | 17,591          | –      | +5%                           | 6,450                           | 6,205           | +4%    | +8%                           |

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

Note 2: Asia, Australia and Others includes Panama, Mexico and Middle East.

Note 3: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Note 4: Under Post-IFRS 16 basis, EBITDA was HK\$7,766 million; EBIT was HK\$4,826 million.

Throughput increased by 4% to 42.1 million TEU in the first half of 2019, with 65% and 35% local and transshipment volume respectively (1H 2018: same).

Throughput improvements primarily coming from Klang in Malaysia due to strong transshipment volume contributed by export growth in Intra-Asia and Europe, Europe regions (Barcelona and Rotterdam due to new customers and organic growth), Yantian due to growth in empty and transshipment cargoes and Freeport in Bahamas due to recovery of handling capacity from hurricane damage. Although volume has improved, revenue for the first half of 2019 were adversely affected by exchange translation impact with total revenue being flat against the same period last year. In local currencies, revenue increased 5%, driven primarily by volume improvements mentioned above. EBITDA and EBIT increased 4% and 10% respectively in reported currency against the same period last year. In local currencies, EBITDA and EBIT increased 8% and 14% respectively, mainly due to higher revenue as mentioned above, continued cost management and efficiency enhancements, and lower depreciation at Dammam upon concession extension, partly offset by weaker performance in Shanghai and Panama from intense competition.

## Retail

|                       | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currencies<br>change |
|-----------------------|------------------------------|------------------------------|--------|----------------------------|
| Total Revenue         | 83,161                       | 83,874                       | -1%    | +4%                        |
| EBITDA <sup>(5)</sup> | 8,182                        | 7,532                        | +9%    | +14%                       |
| EBIT <sup>(5)</sup>   | 6,590                        | 5,992                        | +10%   | +15%                       |
| Store Numbers         | 15,213                       | 14,432                       | +5%    |                            |

|  | Store Numbers   |                 |            | Net Store<br>Additions | Comparable Stores<br>Sales Growth (%) <sup>(6)</sup> |                     |                 |                      |
|--|-----------------|-----------------|------------|------------------------|--|---------------------|-----------------|----------------------|
|  | 30 June<br>2019 | 30 June<br>2018 | Change     | 30 June<br>2019        | 30 June<br>2019                                      |                     | 30 June<br>2018 |                      |
| H&B China                                | 3,666           | 3,377           | +9%        | 289                    | +2.2%  | +5.4 <sup>(7)</sup> | -1.4%           | +2.0% <sup>(7)</sup> |
| H&B Asia                                 | 3,221           | 2,951           | +9%        | 270                    | +6.9%  |                     | +7.4%           |                      |
| <b>H&amp;B China &amp; Asia Subtotal</b> | <b>6,887</b>    | <b>6,328</b>    | <b>+9%</b> | <b>559</b>             | <b>+4.7%</b>   |                     | <b>+3.3%</b>    |                      |
| H&B Western Europe                       | 5,551           | 5,413           | +3%        | 138                    | +1.6%  |                     | +1.5%           |                      |
| H&B Eastern Europe                       | 2,303           | 2,236           | +3%        | 67                     | +3.1%  |                     | +2.5%           |                      |
| <b>H&amp;B Europe Subtotal</b>           | <b>7,854</b>    | <b>7,649</b>    | <b>+3%</b> | <b>205</b>             | <b>+1.9%</b>   |                     | <b>+1.6%</b>    |                      |
| <b>H&amp;B Subtotal</b>                  | <b>14,741</b>   | <b>13,977</b>   | <b>+5%</b> | <b>764</b>             | <b>+2.9%</b>   |                     | <b>+2.3%</b>    |                      |
| Other Retail <sup>(8)</sup>              | 472             | 455             | +4%        | 17                     | -7.3%  |                     | +4.5%           |                      |
| <b>Total Retail</b>                      | <b>15,213</b>   | <b>14,432</b>   | <b>+5%</b> | <b>781</b>             | <b>+1.5%</b>   |                     | <b>+2.6%</b>    |                      |

Note 5: Under Post-IFRS 16 basis, EBITDA was HK\$13,065 million; EBIT was HK\$6,994 million.

Note 6: 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.

Note 7: Adjusted to include loyalty members' sales recovered in proximate new stores.

Note 8: Other Retail includes PARKnSHOP, Fortress, Watson's wine and manufacturing operations for water and beverage businesses.

EBITDA and EBIT were 9% and 10% higher than first half of 2018 respectively in reported currency. Excluding the adverse exchange translation impact, EBITDA and EBIT growth were 14% and 15% respectively. Included in the first half of 2019 was a one-off dilution gain of approximately HK\$633 million from the formation of the joint venture of the supermarket business in Guangdong. Underlying performances remained strong, driven by a 5% increase in store portfolio and a 1.5% comparable stores sales growth.

| HK\$ million                             | Total Revenue |             |               |             |            |                         | Total EBITDA <sup>(5)</sup> |             |               |              |             |               |            |                         |
|--|---------------|-------------|---------------|-------------|------------|-------------------------|-----------------------------|-------------|---------------|--------------|-------------|---------------|------------|-------------------------|
|  | 30 June 2019  | %           | 30 June 2018  | %           | Change     | Local currencies change | 30 June 2019                | %           | EBITDA Margin | 30 June 2018 | %           | EBITDA Margin | Change     | Local currencies change |
| H&B China                                | 12,512        | 15%         | 12,353        | 15%         | +1%        | +8%                     | 2,412                       | 29%         | 19%           | 2,470        | 33%         | 20%           | -2%        | +4%                     |
| H&B Asia                                 | 15,700        | 19%         | 14,363        | 17%         | +9%        | +13%                    | 1,502                       | 18%         | 10%           | 1,332        | 18%         | 9%            | +13%       | +15%                    |
| <b>H&amp;B China &amp; Asia Subtotal</b> | <b>28,212</b> | <b>34%</b>  | <b>26,716</b> | <b>32%</b>  | <b>+6%</b> | <b>+10%</b>             | <b>3,914</b>                | <b>47%</b>  | <b>14%</b>    | <b>3,802</b> | <b>51%</b>  | <b>14%</b>    | <b>+3%</b> | <b>+8%</b>              |
| H&B Western Europe                       | 32,819        | 39%         | 33,685        | 40%         | -3%        | +4%                     | 2,255                       | 28%         | 7%            | 2,259        | 30%         | 7%            | —          | +6%                     |
| H&B Eastern Europe                       | 8,026         | 10%         | 8,073         | 10%         | -1%        | +7%                     | 984                         | 12%         | 12%           | 1,043        | 14%         | 13%           | -6%        | +2%                     |
| <b>H&amp;B Europe Subtotal</b>           | <b>40,845</b> | <b>49%</b>  | <b>41,758</b> | <b>50%</b>  | <b>-2%</b> | <b>+5%</b>              | <b>3,239</b>                | <b>40%</b>  | <b>8%</b>     | <b>3,302</b> | <b>44%</b>  | <b>8%</b>     | <b>-2%</b> | <b>+5%</b>              |
| <b>H&amp;B Subtotal</b>                  | <b>69,057</b> | <b>83%</b>  | <b>68,474</b> | <b>82%</b>  | <b>+1%</b> | <b>+7%</b>              | <b>7,153</b>                | <b>87%</b>  | <b>10%</b>    | <b>7,104</b> | <b>95%</b>  | <b>10%</b>    | <b>+1%</b> | <b>+6%</b>              |
| Other Retail <sup>(8)</sup> and others   | 14,104        | 17%         | 15,400        | 18%         | -8%        | -8%                     | 1,029                       | 13%         | 7%            | 428          | 5%          | 3%            | +140%      | +140%                   |
| <b>Total Retail</b>                      | <b>83,161</b> | <b>100%</b> | <b>83,874</b> | <b>100%</b> | <b>-1%</b> | <b>+4%</b>              | <b>8,182</b>                | <b>100%</b> | <b>9%</b>     | <b>7,532</b> | <b>100%</b> | <b>9%</b>     | <b>+9%</b> | <b>+14%</b>             |

#### Health & Beauty Loyalty members' participation & Exclusives sales contribution

|   | 30 June 2019 | 30 June 2018 |
|---|--------------|--------------|
| Total loyalty members in Health & Beauty division (million) | 135          | 130          |
| Loyalty members' sale participation (%)                     | 63%          | 62%          |
| Exclusives sales contribution to total H&B sales (%)        | 34%          | 34%          |

The overall Health and Beauty subdivision, which represents 87% of the division's EBITDA, reported a revenue and EBITDA growth of 7% and 6% respectively in local currencies, mainly driven by a 5% increase in number of stores to 14,741 stores as at 30 June 2019 and a 2.9% comparable store sales growth.

Comparable stores sales growth remained healthy overall at 2.9% with strong growth in Health and Beauty Asia and encouraging improvement in Health and Beauty China. With the on-going integration of the online and offline platforms and enhanced operational strategies, Health and Beauty China reported a positive 2.2% comparable stores sales growth for first half of 2019. Taking into account the CRM sales recovery, the comparable stores sales growth was 5.4%. Despite generally lower consumer sentiment, Health and Beauty Europe overall reported a robust comparable stores sales growth rate of 1.9% primarily from the UK, Poland and Germany.

The Health and Beauty subdivision opened 411 new stores during the first half of 2019, of which 62% were in the Mainland and certain Asian countries. The quality of new store opening remains high with an average new store cash payback period less than 13 months. The division opened its first flagship store in Ho Chi Minh City, Vietnam, which is the 25th operating market of the division in January 2019.

## Infrastructure

|   | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currencies<br>change |
|---|------------------------------|------------------------------|--------|----------------------------|
| <b>Total Revenue</b> <sup>(9)</sup>                           | <b>25,625</b>                | 34,225                       | -25%   | -21%                       |
| - CKI   | <b>24,945</b>                | 27,416                       | -9%    | -4%                        |
| - Co-owned infrastructure assets                              | <b>680</b>                   | 6,809                        | -90%   | -89%                       |
| <b>EBITDA</b> <sup>(9)(10)</sup>                              | <b>14,356</b>                | 18,945                       | -24%   | -19%                       |
| - CKI   | <b>14,046</b>                | 15,398                       | -9%    | -2%                        |
| - Co-owned infrastructure assets                              | <b>310</b>                   | 3,547                        | -91%   | -91%                       |
| <b>EBIT</b> <sup>(9)(10)</sup>                                | <b>9,901</b>                 | 13,242                       | -25%   | -20%                       |
| - CKI   | <b>9,703</b>                 | 10,904                       | -11%   | -5%                        |
| - Co-owned infrastructure assets                              | <b>198</b>                   | 2,338                        | -92%   | -91%                       |
| <b>CKI Reported Net Profit<br/>(under Post-IFRS 16 basis)</b> | <b>5,943</b>                 | 5,942                        | —      |                            |

The infrastructure division comprises the Group's 75.67% <sup>(11)</sup> interest in CK Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure assets.

### 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 announced profit attributable to shareholders under Post-IFRS 16 basis of HK\$5,943 million in the first half of 2019, flat against the same period last year. If exchange currency movements on translation are removed, net profit attributable to shareholders increased 6%. The Group's share of CKI's EBITDA and EBIT of HK\$14,046 million and HK\$9,703 million respectively were 9% and 11% lower than the same period last year in reported currency, mainly due to adverse foreign currency translation impacts, lower contribution from UK Power Networks and the loss on partial disposal of 2.05% interest in Power Assets ("PAH") of HK\$302 million.

CKI has always been committed to prudent financial management and the risk management approach is conservative with the underlying financial position closely monitored. CKI's financial strength continues to be robust, with more than HK\$8 billion cash on hand and a net debt to total capital ratio of 15.1% as at 30 June 2019. Following the credit rating upgrade by Standard & Poor's from "A-/Positive" to "A/ Stable" in September last year, the "A/ Stable" rating was reaffirmed in June 2019.

### Co-owned infrastructure assets

The lower contribution from the co-owned infrastructure assets in the first half of 2019 reflected the full six months effect on the divestiture of an aggregated 90% economic benefits in the Group's direct interest in the six co-owned infrastructure assets under the Economic Benefits agreements entered with CK Asset Holdings Limited, CKI and PAH in October 2018.

Note 9: 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.

Note 10: Under Post-IFRS 16 basis, EBITDA for CKI was HK\$14,171 million and co-owned infrastructure assets was HK\$310 million; EBIT for CKI was HK\$9,721 million and co-owned infrastructure assets was HK\$198 million.

Note 11: 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%.



## Husky Energy

|   | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currency<br>change |
|---|------------------------------|------------------------------|--------|--------------------------|
| Total Revenue   | <b>23,465</b>                | 27,315                       | -14%   | -11%                     |
| EBITDA <sup>(12)</sup>                                      | <b>4,713</b>                 | 5,877                        | -20%   | -17%                     |
| EBIT <sup>(12)</sup>  | <b>1,787</b>                 | 2,761                        | -35%   | -32%                     |
| Production (mboe/day)                                       | <b>276.8</b>                 | 297.9                        | -7%    |                          |
| Husky's reported net earnings <sup>(13)</sup> (C\$ million) | <b>698</b>                   | 696                          | —      |                          |

Note 12: Under Post-IFRS 16 basis, EBITDA was HK\$4,839 million; EBIT was HK\$1,803 million.

Note 13: Net earnings for the six months ended 30 June 2019 are under Post-IFRS 16 basis, whereas net earnings for the six months ended 30 June 2018 are under Pre-IFRS 16 basis.

Husky Energy ("Husky") Post-IFRS 16 net earnings of C\$698 million in the first half of 2019 was flat when compared to net earnings of C\$696 million in the same period last year, primarily due to:

- Higher realised Upstream crude oil pricing due to narrowing of the Canadian light/heavy oil differential,
- One-time tax recoveries related to the reduction in the Alberta provincial corporate tax rate in the first half of 2019;

fully offset by:

- Lower earnings from Upstream operations due to lower production and lower global crude oil commodity benchmark prices,
- Lower earnings from crude oil marketing activities due to the tightening of location pricing differentials between Canada and the US,
- Lower realised Upgrading margins,
- Lower earnings from the Canadian and US Refining operations due to the turnarounds in first half of 2019, and
- Certain one-time write-offs and provisions recognised in the first half of 2019.

After translation into Hong Kong dollars and including consolidation adjustments based on Pre-IFRS 16, the Group's share of EBITDA and EBIT were HK\$4,713 million and HK\$1,787 million respectively, a decrease of 20% and 35% respectively in reported currency or 17% and 32% respectively in local currency against the first half of 2018, driven by the reasons mentioned above affecting the pre-tax earnings.

Cash flow from operating activities was C\$1,305 million for the first half of 2019 compared to C\$1,538 million for the first half of 2018, with the decrease primarily attributed to lower net earnings from Upstream operations and Canadian and US Refining operations as mentioned above.

Husky reported a 7% decrease of average production in the first half of 2019, from 297,900 barrels of oil equivalent per day ("boe/day") in first half of 2018 to 276,800 boe/day in first half of 2019.

## Husky Energy (continued)

### 2019 Five-Year Plan Guidance

Husky's 2019 production guidance remains unchanged at 290,000 boe/day to 305,000 boe/day, and capital spending remains on target at C\$3.3 billion to C\$3.5 billion. Husky continues to explore the potential sale of its Canadian retail and commercial fuels business and Prince George Refinery, with both assets attracting strong interest.

### Update Five-Year Plan Guidance <sup>(14)</sup>

| <b>Key Metrics</b>                  | <b>2019 Forecast</b>            | <b>2023 Forecast</b>            |
|-------------------------------------|---------------------------------|---------------------------------|
| Cash flow from operating activities | C\$4.1 billion - C\$4.3 billion | C\$5.7 billion - C\$5.9 billion |
| Funds from operations (FFO)         | C\$4.1 billion - C\$4.3 billion | C\$5.7 billion - C\$5.9 billion |
| Capital spending                    | C\$3.3 billion - C\$3.5 billion | C\$2.7 billion - C\$2.9 billion |
| Free cash flow                      | C\$800 million                  | C\$3.0 billion                  |
| Upstream production (mboe/day)      | 290 - 305                       | 400 - 415                       |
| Downstream capacity (mbbls/day)     | 355                             | 400                             |

Note 14: Based on an oil price of US\$60 WTI, an AECO price of C\$1.60 and a Chicago 3:2:1 crack spread of US\$18 in 2019 and US\$16 in 2020-2023.

### 3 Group Europe

|   | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currencies<br>change |
|---|------------------------------|------------------------------|--------|----------------------------|
| <b>Total Revenue</b>                              | <b>43,464</b>                | 36,124                       | +20%   | +27%                       |
| - Net customer service revenue                    | <b>33,245</b>                | 28,551                       | +16%   | +23%                       |
| - Handset revenue                                 | <b>6,694</b>                 | 5,410                        | +24%   |                            |
| - Other revenue                                   | <b>3,525</b>                 | 2,163                        | +63%   |                            |
| Net customer service margin <sup>(15)</sup>       | <b>26,922</b>                | 23,672                       | +14%   |                            |
| <i>Net customer service margin %</i>              | <b>81%</b>                   | 83%                          |        |                            |
| Other margin                                      | <b>2,949</b>                 | 1,091                        | +170%  |                            |
| Total margin                                      | <b>29,871</b>                | 24,763                       | +21%   |                            |
| Total CACs  | <b>(8,198)</b>               | (7,268)                      | -13%   |                            |
| Less: Handset revenue                             | <b>6,694</b>                 | 5,410                        | +24%   |                            |
| Total CACs (net of handset revenue)               | <b>(1,504)</b>               | (1,858)                      | +19%   |                            |
| Operating expenses                                | <b>(12,070)</b>              | (10,108)                     | -19%   |                            |
| <i>Opex as a % of Net customer service margin</i> | <b>45%</b>                   | 43%                          |        |                            |
| <b>EBITDA<sup>(17)</sup></b>                      | <b>16,297</b>                | 12,797                       | +27%   | +34%                       |
| <i>EBITDA margin %<sup>(16)</sup></i>             | <b>44%</b>                   | 42%                          |        |                            |
| Depreciation & Amortisation                       | <b>(6,327)</b>               | (5,309)                      | -19%   |                            |
| <b>EBIT<sup>(17)</sup></b>                        | <b>9,970</b>                 | 7,488                        | +33%   | +40%                       |

Note 15: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 16: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 17: Under Post-IFRS 16 basis, EBITDA was HK\$19,625 million; EBIT was HK\$10,435 million.

### 3 Group Europe - Results by operations

| In million                                  | UK<br>GBP            |              | Italy <sup>(18)</sup><br>EURO |                               |                              | Sweden<br>SEK  |              | Denmark<br>DKK |              | Austria<br>EURO |            | Ireland<br>EURO |            | 3 Group Europe <sup>(18)</sup><br>HK\$ |               |
|---|----------------------|--------------|-------------------------------|-------------------------------|------------------------------|----------------|--------------|----------------|--------------|-----------------|------------|-----------------|------------|--|---------------|
|   | 1H 2019              | 1H 2018      | 1H 2019<br>Wind Tre<br>(100%) | 1H 2018<br>Wind Tre<br>(100%) | 1H 2018<br>Wind Tre<br>(50%) | 1H 2019        | 1H 2018      | 1H 2019        | 1H 2018      | 1H 2019         | 1H 2018    | 1H 2019         | 1H 2018    | 1H 2019                                | 1H 2018       |
|   | <b>TOTAL REVENUE</b> | <b>1,167</b> | 1,186                         | <b>2,398</b>                  | 2,492                        | 1,246          | <b>3,238</b> | 3,556          | <b>1,054</b> | 1,076           | <b>425</b> | 427             | <b>296</b> | 290                                    | <b>43,464</b> |
| % change                                    | -2%                  |              | -4%                           |                               |                              | -9%            |              | -2%            |              | -               |            | +2%             |            | +20%                                   |               |
| - Net Customer Service Revenue              | <b>782</b>           | 807          | <b>1,956</b>                  | 2,336                         | 1,168                        | <b>2,222</b>   | 2,362        | <b>947</b>     | 927          | <b>339</b>      | 344        | <b>222</b>      | 221        | <b>33,245</b>                          | 28,551        |
| % change                                    | -3%                  |              | -16%                          |                               |                              | -6%            |              | +2%            |              | -1%             |            | -               |            | +16%                                   |               |
| - Handset Revenue                           | <b>323</b>           | 286          | <b>201</b>                    | 88                            | 44                           | <b>913</b>     | 1,089        | <b>49</b>      | 62           | <b>53</b>       | 51         | <b>39</b>       | 35         | <b>6,694</b>                           | 5,410         |
| - Other Revenue                             | <b>62</b>            | 93           | <b>241</b>                    | 68                            | 34                           | <b>103</b>     | 105          | <b>58</b>      | 87           | <b>33</b>       | 32         | <b>35</b>       | 34         | <b>3,525</b>                           | 2,163         |
| Net Customer Service Margin <sup>(19)</sup> | <b>681</b>           | 699          | <b>1,480</b>                  | 1,816                         | 908                          | <b>1,874</b>   | 2,002        | <b>809</b>     | 777          | <b>294</b>      | 294        | <b>198</b>      | 195        | <b>26,922</b>                          | 23,672        |
| % change                                    |                      |              |                               |                               |                              |                |              |                |              |                 |            |                 |            | +14%                                   |               |
| Net Customer Service Margin %               | <b>87%</b>           | 87%          | <b>76%</b>                    | 78%                           | 78%                          | <b>84%</b>     | 85%          | <b>85%</b>     | 84%          | <b>87%</b>      | 85%        | <b>89%</b>      | 88%        | <b>81%</b>                             | 83%           |
| Other margin                                | <b>40</b>            | 30           | <b>238</b>                    | 62                            | 31                           | <b>61</b>      | 54           | <b>28</b>      | 61           | <b>14</b>       | 14         | <b>26</b>       | 23         | <b>2,949</b>                           | 1,091         |
| Total margin                                | <b>721</b>           | 729          | <b>1,718</b>                  | 1,878                         | 939                          | <b>1,935</b>   | 2,056        | <b>837</b>     | 838          | <b>308</b>      | 308        | <b>224</b>      | 218        | <b>29,871</b>                          | 24,763        |
| % change                                    | -1%                  |              | -9%                           |                               |                              | -6%            |              | -              |              | -               |            | +3%             |            | +21%                                   |               |
| TOTAL CACS                                  | <b>(408)</b>         | (370)        | <b>(230)</b>                  | (178)                         | (89)                         | <b>(1,166)</b> | (1,359)      | <b>(124)</b>   | (158)        | <b>(60)</b>     | (58)       | <b>(42)</b>     | (44)       | <b>(8,198)</b>                         | (7,268)       |
| Less: Handset Revenue                       | <b>323</b>           | 286          | <b>201</b>                    | 88                            | 44                           | <b>913</b>     | 1,089        | <b>49</b>      | 62           | <b>53</b>       | 51         | <b>39</b>       | 35         | <b>6,694</b>                           | 5,410         |
| Total CACs (net of handset revenue)         | <b>(85)</b>          | (84)         | <b>(29)</b>                   | (90)                          | (45)                         | <b>(253)</b>   | (270)        | <b>(75)</b>    | (96)         | <b>(7)</b>      | (7)        | <b>(3)</b>      | (9)        | <b>(1,504)</b>                         | (1,858)       |
| Operating Expenses                          | <b>(302)</b>         | (281)        | <b>(664)</b>                  | (822)                         | (411)                        | <b>(617)</b>   | (625)        | <b>(373)</b>   | (376)        | <b>(121)</b>    | (108)      | <b>(123)</b>    | (115)      | <b>(12,070)</b>                        | (10,108)      |
| Opex as a % of net customer service margin  | <b>44%</b>           | 40%          | <b>45%</b>                    | 45%                           | 45%                          | <b>33%</b>     | 31%          | <b>46%</b>     | 48%          | <b>41%</b>      | 37%        | <b>62%</b>      | 59%        | <b>45%</b>                             | 43%           |
| <b>EBITDA</b>                               | <b>334</b>           | 364          | <b>1,025</b>                  | 966                           | 483                          | <b>1,065</b>   | 1,161        | <b>389</b>     | 366          | <b>180</b>      | 193        | <b>98</b>       | 94         | <b>16,297</b>                          | 12,797        |
| % change                                    | -8%                  |              | +6%                           |                               |                              | -8%            |              | +6%            |              | -7%             |            | +4%             |            | +27%                                   |               |
| EBITDA margin % <sup>(20)</sup>             | <b>40%</b>           | 40%          | <b>47%</b>                    | 40%                           | 40%                          | <b>46%</b>     | 47%          | <b>39%</b>     | 36%          | <b>48%</b>      | 51%        | <b>38%</b>      | 37%        | <b>44%</b>                             | 42%           |
| Depreciation & Amortisation                 | <b>(163)</b>         | (167)        | <b>(333)</b>                  | (378)                         | (189)                        | <b>(469)</b>   | (406)        | <b>(180)</b>   | (158)        | <b>(67)</b>     | (71)       | <b>(59)</b>     | (48)       | <b>(6,327)</b>                         | (5,309)       |
| <b>EBIT</b>                                 | <b>171</b>           | 197          | <b>692</b>                    | 588                           | 294                          | <b>596</b>     | 755          | <b>209</b>     | 208          | <b>113</b>      | 122        | <b>39</b>       | 46         | <b>9,970</b>                           | 7,488         |
| % change                                    | -13%                 |              | +18%                          |                               |                              | -21%           |              | -              |              | -7%             |            | -15%            |            | +33%                                   |               |
|   |                      |              |                               |                               |                              |                |              |                |              |                 |            |                 |            | +40%                                   |               |
| Capex (excluding licence)                   | <b>(155)</b>         | (125)        | <b>(352)</b>                  | (308)                         | (154)                        | <b>(549)</b>   | (515)        | <b>(80)</b>    | (70)         | <b>(68)</b>     | (43)       | <b>(56)</b>     | (62)       | <b>(6,320)</b>                         |               |
| EBITDA less Capex                           | <b>179</b>           | 239          | <b>673</b>                    | 658                           | 329                          | <b>516</b>     | 646          | <b>309</b>     | 296          | <b>112</b>      | 150        | <b>42</b>       | 32         | <b>9,977</b>                           |               |
| Licence <sup>(21)</sup>                     | -                    | (165)        | -                             | -                             | -                            | -              | -            | <b>(488)</b>   | -            | <b>(52)</b>     | -          | -               | -          | <b>(1,045)</b>                         |               |

HK dollar equivalents of EBITDA and EBIT are summarised as follows:

|   |              |       |               |       |       |              |       |            |     |              |       |              |     |               |        |
|---|--------------|-------|---------------|-------|-------|--------------|-------|------------|-----|--------------|-------|--------------|-----|---------------|--------|
| EBITDA-pre IFRS 16 basis (HK\$)             | <b>3,381</b> | 3,938 | <b>9,093</b>  | 9,170 | 4,585 | <b>898</b>   | 1,088 | <b>462</b> | 466 | <b>1,596</b> | 1,827 | <b>867</b>   | 893 | <b>16,297</b> | 12,797 |
| EBITDA-post IFRS 16 basis in 1H 2019 (HK\$) | <b>3,772</b> | 3,938 | <b>11,435</b> | 9,170 | 4,585 | <b>1,034</b> | 1,088 | <b>549</b> | 466 | <b>1,813</b> | 1,827 | <b>1,022</b> | 893 | <b>19,625</b> | 12,797 |
| EBIT-pre IFRS 16 basis (HK\$)               | <b>1,729</b> | 2,128 | <b>6,142</b>  | 5,588 | 2,794 | <b>502</b>   | 708   | <b>248</b> | 265 | <b>1,002</b> | 1,155 | <b>347</b>   | 438 | <b>9,970</b>  | 7,488  |
| EBIT-post IFRS 16 basis in 1H 2019 (HK\$)   | <b>1,798</b> | 2,128 | <b>6,430</b>  | 5,588 | 2,794 | <b>516</b>   | 708   | <b>257</b> | 265 | <b>1,045</b> | 1,155 | <b>389</b>   | 438 | <b>10,435</b> | 7,488  |

Note 18: 3 Group Europe 1H 2019 includes 100% share of Wind Tre's results, of which fixed line business revenue was €552 million and EBITDA was €168 million, while 1H 2018 represented 50% share of Wind Tre's results, of which fixed line business revenue was €290 million and EBITDA was €83 million. For comparability purposes in the Italy section above, 100% Wind Tre results in 1H 2018 have also been presented and the % changes are calculated based on the 100% Wind Tre numbers.

Note 19: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 20: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 21: 1H 2019 licence cost for Austria represents investment for 10x10 MHz of 3500 Mhz spectrum acquired in March 2019 and the licence cost for Denmark represents investment for 2x10 MHz of 700 Mhz spectrum and 2x10 MHz of 900 MHz spectrum acquired in March 2019. 1H 2018 licence cost for UK represents investment for 4x5 MHz of 3.4 GHz spectrum acquired in April 2018.

|   | UK          |         | Italy <sup>(22)</sup> |         | Sweden  |             | Denmark |             | Austria |             | Ireland             |             | 3 Group Europe |             |      |
|---|-------------|---------|-----------------------|---------|---------|-------------|---------|-------------|---------|-------------|---------------------|-------------|----------------|-------------|------|
|   | 1H 2019     | 1H 2018 | 1H 2019               | 1H 2018 | 1H 2019 | 1H 2018     | 1H 2019 | 1H 2018     | 1H 2019 | 1H 2018     | 1H 2019             | 1H 2018     | 1H 2019        | 1H 2018     |      |
| Total registered customer base (million)  | <b>13.3</b> | 13.0    | <b>25.7</b>           | 28.6    |         | <b>2.0</b>  | 2.0     | <b>1.4</b>  | 1.3     | <b>3.7</b>  | 3.6                 | <b>3.7</b>  | 3.4            | <b>49.9</b> | 51.9 |
| Total active customer base (million)  | <b>10.2</b> | 10.1    | <b>22.9</b>           | 26.2    |         | <b>2.0</b>  | 1.9     | <b>1.4</b>  | 1.3     | <b>2.9</b>  | 2.9                 | <b>2.3</b>  | 2.1            | <b>41.7</b> | 44.6 |
| Contract customers as a % of the total registered customer base                         | <b>53%</b>  | 54%     | <b>42%</b>            | 26%     |         | <b>72%</b>  | 78%     | <b>59%</b>  | 60%     | <b>70%</b>  | 69%                 | <b>38%</b>  | 38%            | <b>49%</b>  | 40%  |
| Contract customers' contribution to the net customer service margin (%) <sup>(23)</sup> | <b>88%</b>  | 88%     | <b>50%</b>            | 33%     |         | <b>86%</b>  | 91%     | <b>71%</b>  | 72%     | <b>92%</b>  | 92%                 | <b>64%</b>  | 63%            | <b>69%</b>  | 68%  |
| Average monthly churn rate of the total contract registered customer base (%)           | <b>1.2%</b> | 1.2%    | <b>1.5%</b>           | 1.9%    |         | <b>1.6%</b> | 1.9%    | <b>1.8%</b> | 2.0%    | <b>0.2%</b> | 0.2%                | <b>1.0%</b> | 1.0%           | <b>1.3%</b> | 1.4% |
| Active contract customers as a % of the total contract registered customer base         | <b>99%</b>  | 98%     | <b>93%</b>            | 93%     |         | <b>100%</b> | 100%    | <b>100%</b> | 100%    | <b>100%</b> | 100%                | <b>99%</b>  | 98%            | <b>96%</b>  | 97%  |
| Active customers as a % of the total registered customer base                           | <b>77%</b>  | 78%     | <b>89%</b>            | 92%     |         | <b>97%</b>  | 96%     | <b>97%</b>  | 97%     | <b>80%</b>  | 80%                 | <b>61%</b>  | 63%            | <b>83%</b>  | 86%  |
| LTE coverage by population (%)  | <b>94%</b>  | 94%     | <b>99%</b>            | 97%     |         | <b>87%</b>  | 84%     | <b>99%</b>  | 96%     | <b>98%</b>  | 98% <sup>(24)</sup> | <b>98%</b>  | 97%            | -           | -    |
| Six month data usage per active customer (Gigabyte)                                     |             |         |                       |         |         |             |         |             |         |             |                     |             |                | <b>46.0</b> | 33.1 |

Note 22: Italy KBIs were calculated based on 100% of Wind Tre's figures. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of 3, the comparative KBIs have not been restated due to limitations of the data tracking system.

Note 23: 3 Group Europe 1H 2019 contract customers' contribution to net customer service margin was calculated based on 100% contribution from Wind Tre, whereas 1H 2018 was calculated based on 50% contribution from Wind Tre.

Note 24: 1H 2018 LTE coverage by population for Austria is restated to conform with current year presentation.

### 3 Group Europe (continued)

#### Key Business Indicators

|                             | Registered Customer Base                    |               |               |  |             |            |  |             |             |
|-----------------------------|---|---------------|---------------|--|-------------|------------|--|-------------|-------------|
|                             | Registered Customers at 30 June 2019 ('000) |               |               | Registered Customer Growth (%) from 31 December 2018 to 30 June 2019 |             |            | Registered Customer Growth (%) from 30 June 2018 to 30 June 2019 |             |             |
|                             | Non-contract                                | Contract      | Total         | Non-contract   | Contract    | Total      | Non-contract   | Contract    | Total       |
| United Kingdom              | 6,232                                       | 7,107         | <b>13,339</b> | –  | +1%         | <b>+1%</b> | +4%  | +2%         | <b>+3%</b>  |
| Italy <sup>(25)</sup>       | 14,870                                      | 10,803        | <b>25,673</b> | -25%   | +49%        | <b>-5%</b> | -30%   | +45%        | <b>-10%</b> |
| Sweden                      | 574   | 1,471         | <b>2,045</b>  | +11%   | -3%         | –          | +28%   | -6%         | <b>+2%</b>  |
| Denmark                     | 587   | 843           | <b>1,430</b>  | +7%  | +3%         | <b>+4%</b> | +10%   | +4%         | <b>+6%</b>  |
| Austria                     | 1,106                                       | 2,569         | <b>3,675</b>  | -2%  | +1%         | –          | +1%  | +3%         | <b>+2%</b>  |
| Ireland                     | 2,328                                       | 1,419         | <b>3,747</b>  | +5%  | +6%         | <b>+5%</b> | +11%   | +10%        | <b>+11%</b> |
| <b>3 Group Europe Total</b> | <b>25,697</b>                               | <b>24,212</b> | <b>49,909</b> | <b>-16%</b>  | <b>+18%</b> | <b>-2%</b> | <b>-18%</b>  | <b>+18%</b> | <b>-4%</b>  |

  

|                             | Active <sup>(26)</sup> Customer Base    |               |               |  |             |            |  |             |             |
|-----------------------------|---|---------------|---------------|--|-------------|------------|--|-------------|-------------|
|                             | Active Customers at 30 June 2019 ('000) |               |               | Active Customer Growth (%) from 31 December 2018 to 30 June 2019 |             |            | Active Customer Growth (%) from 30 June 2018 to 30 June 2019 |             |             |
|                             | Non-contract                            | Contract      | Total         | Non-contract   | Contract    | Total      | Non-contract   | Contract    | Total       |
| United Kingdom              | 3,230                                   | 7,004         | <b>10,234</b> | +3%  | +2%         | <b>+2%</b> | -2%  | +2%         | <b>+1%</b>  |
| Italy <sup>(25)</sup>       | 12,857                                  | 10,001        | <b>22,858</b> | -28%   | +49%        | <b>-7%</b> | -33%   | +45%        | <b>-13%</b> |
| Sweden                      | 505                                     | 1,471         | <b>1,976</b>  | +15%   | -3%         | <b>+1%</b> | +39%   | -6%         | <b>+2%</b>  |
| Denmark                     | 544                                     | 843           | <b>1,387</b>  | +6%  | +3%         | <b>+4%</b> | +10%   | +4%         | <b>+6%</b>  |
| Austria                     | 366                                     | 2,560         | <b>2,926</b>  | -5%  | +1%         | –          | -3%  | +3%         | <b>+2%</b>  |
| Ireland                     | 882                                     | 1,402         | <b>2,284</b>  | –  | +6%         | <b>+4%</b> | +1%  | +11%        | <b>+7%</b>  |
| <b>3 Group Europe Total</b> | <b>18,384</b>                           | <b>23,281</b> | <b>41,665</b> | <b>-20%</b>  | <b>+18%</b> | <b>-3%</b> | <b>-26%</b>  | <b>+17%</b> | <b>-7%</b>  |

Note 25: Italy KBIs were calculated based on 100% of Wind Tre's figures. In addition to the above, Wind Tre has 2.7 million fixed line customers. The contract customer base of Wind and corresponding KBIs have been adjusted in 2019 to conform with the definition of 3, the comparative KBIs have not been restated due to limitations of the data tracking system.

Note 26: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

#### 12-month Trailing Average Revenue per Active User ("ARPU") <sup>(27)</sup> to 30 June 2019

|   | Non-contract | Contract      | Blended Total    | % Variance compared to 30 June 2018 |
|---|--------------|---------------|------------------|-------------------------------------|
| United Kingdom                                | £4.93        | £24.45        | <b>£18.26</b>    | +2%                                 |
| Italy   | €9.65        | €13.16        | <b>€10.86</b>    | -11%                                |
| Sweden  | SEK116.39    | SEK342.46     | <b>SEK291.82</b> | -4%                                 |
| Denmark                                       | DKK88.86     | DKK148.11     | <b>DKK125.31</b> | -5%                                 |
| Austria                                       | €10.67       | €22.40        | <b>€20.88</b>    | -3%                                 |
| Ireland                                       | €15.19       | €22.44        | <b>€19.56</b>    | -6%                                 |
| <b>3 Group Europe Average <sup>(30)</sup></b> | <b>€9.25</b> | <b>€21.32</b> | <b>€15.46</b>    | <b>-12%</b>                         |

**12-month Trailing Net Average Revenue per Active User ("Net ARPU")<sup>(28)</sup>  
to 30 June 2019**

|  | Non-contract | Contract      | Blended<br>Total | % Variance<br>compared to<br>30 June 2018 |
|--|--------------|---------------|------------------|---|
| United Kingdom                               | £4.93        | £17.30        | <b>£13.38</b>    | -1%                                       |
| Italy  | €9.65        | €13.16        | <b>€10.86</b>    | -11%                                      |
| Sweden                                       | SEK116.39    | SEK217.27     | <b>SEK194.67</b> | -6%                                       |
| Denmark                                      | DKK88.86     | DKK136.76     | <b>DKK118.33</b> | -4%                                       |
| Austria                                      | €10.67       | €18.48        | <b>€17.46</b>    | -4%                                       |
| Ireland                                      | €15.19       | €17.87        | <b>€16.81</b>    | -8%                                       |
| <b>3 Group Europe Average<sup>(30)</sup></b> | <b>€9.25</b> | <b>€16.96</b> | <b>€13.22</b>    | <b>-11%</b>                               |

**12-month Trailing Net Average Margin per Active User ("Net AMPU")<sup>(29)</sup>  
to 30 June 2019**

|  | Non-contract | Contract      | Blended<br>Total | % Variance<br>compared to<br>30 June 2018 |
|--|--------------|---------------|------------------|---|
| United Kingdom                               | £4.30        | £15.04        | <b>£11.63</b>    | -1%                                       |
| Italy  | €7.58        | €11.24        | <b>€8.84</b>     | -12%                                      |
| Sweden                                       | SEK92.33     | SEK185.44     | <b>SEK164.58</b> | -6%                                       |
| Denmark                                      | DKK75.64     | DKK114.84     | <b>DKK99.76</b>  | -2%                                       |
| Austria                                      | €9.34        | €16.37        | <b>€15.46</b>    | -1%                                       |
| Ireland                                      | €13.68       | €15.60        | <b>€14.84</b>    | -7%                                       |
| <b>3 Group Europe Average<sup>(30)</sup></b> | <b>€7.46</b> | <b>€14.67</b> | <b>€11.17</b>    | <b>-11%</b>                               |

Note 27: 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 period.

Note 28: 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 period.

Note 29: 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 period.

Note 30: 3 Group Europe 12-month trailing ARPU, Net ARPU and Net AMPU in the first half of 2019 were calculated based on 50% contribution from Wind Tre from June to August 2018 and 100% contribution from September 2018 onwards, whereas first half of 2018 were calculated based on 50% contribution from Wind Tre.

## 3 Group Europe (continued)

### United Kingdom

EBITDA and EBIT decreased by 8% and 13% in local currency respectively compared to the same period last year, mainly driven by higher cost incurred for network and IT transformation projects and lower net customer service margin due to market competition and regulatory impact, partly offset by higher other margin through various initiatives. The network and IT transformation projects are expected to be completed over the coming year, which is expected to improve customer experience as well as create cost synergies for 3 UK.

### Italy

In local currency, the Group's share of Wind Tre's EBITDA and EBIT increased by 112% and 135% respectively, reflecting the accretive contribution from the acquisition of the additional 50% share in Wind Tre in September 2018. On a comparable basis, EBITDA and EBIT grew by 6% and 18%, mainly due to continued synergy realisation, lower depreciation and amortisation from network consolidation, as well as higher other margin under the remedy taker contract, partly offset by lower net customer service margin due to unfavourable market condition.

### Sweden

Sweden, where the Group has a 60% interest, reported 8% and 21% decrease in EBITDA and EBIT in local currency respectively compared to the same period last year, mainly due to lower net customer service margin as VAT reclaim was not recognised from December 2018 onwards. Underlying EBITDA, without the VAT reclaim benefits in the first half of 2018, would be 3% higher than same period last year primarily driven by lower operating costs and total CACs from stringent cost control. Underlying EBIT would be 5% below the same period last year primarily due to the higher depreciation and amortisation from an enlarged asset base, particularly the ongoing LTE network rollout since 2018.

### Denmark

The operation in Denmark, where the Group has a 60% interest, reported 6% growth in EBITDA in local currency compared to the same period last year, mainly due to 4% growth in net customer service margin driven by 6% growth in customer base. EBIT was flat compared to the same period last year in local currency as the EBITDA growth was fully offset by higher depreciation and amortisation from an enlarged asset base.

### Austria

EBITDA and EBIT both decreased by 7% in local currency mainly due to higher network and IT costs to cope with network capacity expansion. Depreciation and amortisation decreased to €67 million from €71 million from the same period last year primarily due to lower amortisation from capitalised customer value from Orange acquisition fully amortised at the end of 2018, partly offset by higher depreciation from an enlarged asset base.

### Ireland

EBITDA in local currency increased by 4% compared to the same period last year driven by improved net customer service margin from increased customer base, as well as stringent control on total CACs, partly offset by higher operating cost due to inclusion of certain provision releases in the first half of 2018. EBIT in local currency decreased by 15% from the same period last year due to higher depreciation and amortisation from an enlarged asset base.

## Hutchison Telecommunications Hong Kong Holdings

|  | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change |
|--|------------------------------|------------------------------|--------|
| <b>Total Revenue</b>                     | <b>2,515</b>                 | 4,021                        | -37%   |
| - Service                                | 1,782                        | 1,843                        | -3%    |
| - Hardware                               | 733                          | 2,178                        | -66%   |
| <b>EBITDA</b> <sup>(31)</sup>            | <b>663</b>                   | 690                          | -4%    |
| <b>EBIT</b> <sup>(31)</sup>              | <b>260</b>                   | 284                          | -8%    |
| <b>Total active customer base ('000)</b> | <b>3,328</b>                 | 3,414                        | -3%    |

Note 31: Under Post-IFRS 16 basis, EBITDA was HK\$896 million; EBIT was HK\$269 million.

Total revenue of HK\$2,515 million was 37% lower as compared to the same period last year, primarily driven by the decrease in low margin hardware sales in the first half of 2019. EBITDA and EBIT of HK\$663 million and HK\$260 million were 4% and 8% lower respectively as compared to the same period last year, mainly due to lower net customer service margin from keen competition and the continued reduction in hardware sales, partly offset by stringent control on operating costs.

## CK Hutchison Group Telecom Holdings and CK Hutchison Networks Holdings

In July 2019, the Group formed a new wholly-owned telecommunication holding company, CK Hutchison Group Telecom Holdings ("CK Hutchison Telecom"), which consolidates the Group's European operations and HTHKH under one holding entity, providing a diversified telecommunication asset platform across eight geographical locations. CK Hutchison Telecom has secured an 18-months bridge financing with the intention to repay all the existing external debt of Wind Tre of approximately €10 billion. The bridge loan will then be subsequently refinanced through bonds or bank loans. CK Hutchison Telecom will be separately rated with an expected investment grade rating from all three credit rating agencies. On a combined basis, CK Hutchison Telecom's net debt to EBITDA ratio is less than 2.5x as at 30 June 2019 and the reorganisation will allow the Group to generate significant financing cost savings from 2020 onwards, based on expectation, in excess of €100 million per annum.

Correspondingly, the CK Hutchison Telecom Group will also set up a new telecommunication infrastructure company, CK Hutchison Networks Holdings ("CK Hutchison Networks") which will group the 28,500 tower asset interests<sup>(32)</sup> into a separately managed wholly owned subsidiary of CK Hutchison Telecom and could potentially become the fourth largest European telecom infrastructure portfolio with the expected completion of the reorganisation by the end of 2019 or early 2020. CK Hutchison Networks will start with an expected tenancy ratio of 1.2x across the six European markets and through reorganising the tower and infrastructure asset interests under a specialised management team, the new structure will allow the Group to focus on optimising the asset portfolio, achieving cost synergies, as well as maximising returns on invested capital.

Note 32: CK Hutchison Networks site count includes European sites only (includes shared sites of joint venture interests in the UK and Sweden), with an option to include a further 9,300 sites in Asia.

## CK Hutchison Group Telecom Holdings preliminary Revenue, EBITDA and EBIT for 1H 2019

|                            | Preliminary Pre-IFRS 16<br>combined unaudited results #<br>for the six months ended 30 June 2019 |             |
|----------------------------|--|-------------|
|                            | HK\$ billion   | %           |
| <b>Revenue</b>             |  |             |
| UK                         | 11.8   | 26%         |
| Italy                      | 21.3   | 46%         |
| Sweden                     | 2.7  | 6%          |
| Denmark                    | 1.3  | 3%          |
| Austria                    | 3.8  | 8%          |
| Ireland                    | 2.6  | 6%          |
| HTHKH                      | 2.5  | 5%          |
| Corporate Costs and Others | 0.2  | —           |
| <b>Total Revenue</b>       | <b>46.2</b>  | <b>100%</b> |
| <b>EBITDA</b>              |  |             |
| UK                         | 3.4  | 20%         |
| Italy                      | 9.1  | 53%         |
| Sweden                     | 0.9  | 5%          |
| Denmark                    | 0.4  | 2%          |
| Austria                    | 1.6  | 10%         |
| Ireland                    | 0.9  | 5%          |
| HTHKH                      | 0.7  | 4%          |
| Corporate Costs and Others | 0.1  | 1%          |
| <b>Total EBITDA</b>        | <b>17.1</b>  | <b>100%</b> |
| <b>EBIT</b>                |  |             |
| UK                         | 1.7  | 16%         |
| Italy                      | 6.1  | 59%         |
| Sweden                     | 0.5  | 5%          |
| Denmark                    | 0.3  | 3%          |
| Austria                    | 1.0  | 9%          |
| Ireland                    | 0.4  | 4%          |
| HTHKH                      | 0.3  | 3%          |
| Corporate Costs and Others | 0.1  | 1%          |
| <b>Total EBIT</b>          | <b>10.4</b>  | <b>100%</b> |

# The preliminary unaudited combined results of CK Hutchison Group Telecom ("CK Hutchison Telecom") for the six months ended 30 June 2019 is solely for illustrative purposes only and assuming that the internal reorganisation to include the Group's interests in 3 Group Europe telecommunication operations and HTHKH to form CK Hutchison Telecom has happened immediately prior to 1 January 2019. The preliminary Revenue, EBITDA and EBIT were compiled by combining the Group's share of first half 2019 actual results of the seven telecommunication operations, as well as adjusted for an allocated corporate costs of the Group and other consolidation adjustments, where applicable. These preliminary unaudited combined results are still subject to further allocation or consolidation adjustments and may not give a full picture of the actual combined results of CK Hutchison Telecom for the six months ended 30 June 2019.



## Hutchison Asia Telecommunications

|   | 30 June 2019<br>HK\$ million | 30 June 2018<br>HK\$ million | Change | Local currencies<br>change |
|---|------------------------------|------------------------------|--------|----------------------------|
| <b>Total Revenue</b>                        | <b>4,325</b>                 | 4,081                        | +6%    | +10%                       |
| - Indonesia                                 | 3,734                        | 3,658                        | +2%    | +5%                        |
| - Vietnam                                   | 329                          | 258                          | +28%   | +28%                       |
| - Sri Lanka                                 | 262                          | 165                          | +59%   | +81%                       |
| <b>EBITDA<sup>(33)</sup></b>                | <b>724</b>                   | 346                          | +109%  | +118%                      |
| - Indonesia                                 | 1,008                        | 645                          | +56%   | +61%                       |
| - Vietnam                                   | (202)                        | (249)                        | +19%   | +19%                       |
| - Sri Lanka                                 | (3)                          | 17                           | -118%  | -118%                      |
| - Corporate costs                           | (79)                         | (67)                         | -18%   | -18%                       |
| <b>EBIT<sup>(33)</sup></b>                  | <b>216</b>                   | 69                           | +213%  | +233%                      |
| - Indonesia                                 | 643                          | 405                          | +59%   | +64%                       |
| - Vietnam                                   | (304)                        | (282)                        | -8%    | -8%                        |
| - Sri Lanka                                 | (44)                         | 13                           | -438%  | -485%                      |
| - Corporate costs                           | (79)                         | (67)                         | -18%   | -18%                       |
| <b>Total active customer account ('000)</b> | <b>45,695</b>                | 64,240                       | -29%   |                            |

Note 33: Under Post-IFRS 16 basis, EBITDA was HK\$1,761 million; EBIT was HK\$687 million.

As of 30 June 2019, Hutchison Asia Telecommunications ("HAT") had approximately 45.7 million active customer accounts, 29% decrease compared to the same period last year, primarily due to the subscriber registration process imposed by the Government of Indonesia since May 2018. Indonesia and Vietnam represent 66% and 23% of the total active customer account number respectively.

In Indonesia, the operation focused on growth of subscriber 4G data usage and offering data services in additional areas of the country. Accordingly, the operation continued to upgrade its network capacity and expand its 4G network coverage by more than 1,700 villages. As at 30 June 2019, the Indonesia operation had expanded its 4G network to over 21,000 base transceiver stations ("BTS"). Data traffic growth has resulted in improved network utilisation and through this scaling of the business the Indonesia operation reported EBITDA and EBIT growth of 56% and 59% respectively in the reported currency compared to the same period last year.

The Vietnam operation continued to report LBITDA and LBIT in the first half of 2019, primarily due to the delays in network rollout which was resumed in July 2018 after the embargoes on the major network provider was lifted. With LTE service officially launched in southern region in first quarter of 2019, the operation had approximately 15,000 BTS as at 30 June 2019, of which approximately 66% are 3G/LTE BTS.

In Sri Lanka, following the acquisition of Etisalat Lanka completed in November 2018, the operation focused in network integration and LTE network expansion in the first half of the year. With a stronger network and cost synergies expected to materialise in the second half of the year, Sri Lanka operation is expected to increase its contribution to the business.

# Report on Review of Interim Financial Statements

**TO THE BOARD OF DIRECTORS OF  
CK HUTCHISON HOLDINGS LIMITED**  
(incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial statements set out on pages 27 to 72, which comprises the condensed consolidated statement of financial position of CK Hutchison Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2019 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 1 August 2019

## Condensed Consolidated Income Statement

for the six months ended 30 June 2019

| Unaudited<br>2019 #<br>US\$ million |   | Note | Unaudited            |                        |
|-------------------------------------|---|------|----------------------|------------------------|
|                                     |   |      | 2019<br>HK\$ million | 2018 *<br>HK\$ million |
| 18,926                              | Revenue   | 2, 3 | 147,620              | 130,984                |
| (6,652)                             | Cost of inventories sold  |      | (51,888)             | (54,546)               |
| (2,475)                             | Staff costs   |      | (19,308)             | (18,004)               |
| (1,082)                             | Expensed customer acquisition and retention costs   |      | (8,438)              | (7,201)                |
| (2,484)                             | Depreciation and amortisation   | 3    | (19,374)             | (8,855)                |
| (3,074)                             | Other operating expenses  | 4    | (23,980)             | (24,561)               |
|                                     | Share of profits less losses of:  |      |                      |                        |
| 456                                 | Associated companies  |      | 3,562                | 4,089                  |
| 499                                 | Joint ventures  |      | 3,893                | 6,221                  |
| 4,114                               |   |      | 32,087               | 28,127                 |
| (887)                               | Interest expenses and other finance costs   | 5    | (6,920)              | (4,335)                |
| 3,227                               | <b>Profit before tax</b>  |      | 25,167               | 23,792                 |
| (307)                               | Current tax   | 6    | (2,390)              | (1,939)                |
| (61)                                | Deferred tax  | 6    | (476)                | 395                    |
| 2,859                               | <b>Profit after tax</b>   |      | 22,301               | 22,248                 |
| (510)                               | <b>Profit attributable to non-controlling interests and holders of perpetual capital securities</b> |      | (3,977)              | (4,228)                |
| 2,349                               | <b>Profit attributable to ordinary shareholders</b>   |      | 18,324               | 18,020                 |
| US 60.9 cents                       | <b>Earnings per share for profit attributable to ordinary shareholders</b>                          | 7    | HK\$ 4.75            | HK\$ 4.67              |

Details of distribution paid to the holders of perpetual capital securities and interim dividend payable to the ordinary shareholders are set out in note 8.

# See note 28.

\* See note 29.

## Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019

| Unaudited<br>2019 #<br>US\$ million |  | Unaudited            |                        |
|-------------------------------------|--|----------------------|------------------------|
|                                     |  | 2019<br>HK\$ million | 2018 *<br>HK\$ million |
| 2,859                               | <b>Profit after tax</b>  | 22,301               | 22,248                 |
|                                     | <b>Other comprehensive income (losses)</b>   |                      |                        |
|                                     | <b>Items that will not be reclassified to profit or loss:</b>  |                      |                        |
|                                     | Remeasurement of defined benefit obligations recognised directly   |                      |                        |
| (29)                                | in reserves  | (230)                | 559                    |
|                                     | Equity securities at fair value through other comprehensive income ("FVOCI")   |                      |                        |
| (30)                                | Valuation losses recognised directly in reserves   | (233)                | (306)                  |
| 14                                  | Share of other comprehensive income of associated companies  | 110                  | 103                    |
| 59                                  | Share of other comprehensive income of joint ventures  | 459                  | 245                    |
| 5                                   | Tax relating to items that will not be reclassified to profit or loss  | 41                   | (83)                   |
| 19                                  |  | 147                  | 518                    |
|                                     | <b>Items that have been reclassified or may be subsequently reclassified to profit or loss:</b>  |                      |                        |
|                                     | Debt securities at FVOCI   |                      |                        |
| 12                                  | Valuation gains (losses) recognised directly in reserves   | 96                   | (55)                   |
|                                     | Cash flow hedges (forward foreign exchange contracts, cross currency interest rate swap contracts and interest rate swap contracts)                      |                      |                        |
| (92)                                | Gains (losses) recognised directly in reserves   | (717)                | 332                    |
| -                                   | Cost of hedging previously accumulated in reserves recognised in income statement  | -                    | (17)                   |
|                                     | Gains (losses) on net investment hedges (forward foreign exchange contracts and cross currency swap contracts) recognised                                |                      |                        |
| (9)                                 | directly in reserves   | (66)                 | 1,454                  |
| (58)                                | Losses on translating overseas subsidiaries' net assets recognised directly in reserves  | (453)                | (2,271)                |
|                                     | Losses previously in reserves related to subsidiaries, associated companies and joint ventures disposed during the period recognised in income statement |                      |                        |
| 17                                  |  | 130                  | -                      |
| (54)                                | Share of other comprehensive income (losses) of associated companies   | (422)                | (1,162)                |
| (183)                               | Share of other comprehensive income (losses) of joint ventures   | (1,426)              | (1,389)                |
| 11                                  | Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss  | 83                   | (50)                   |
| (356)                               |  | (2,775)              | (3,158)                |
| (337)                               | Other comprehensive income (losses), net of tax  | (2,628)              | (2,640)                |
| 2,522                               | <b>Total comprehensive income</b>  | 19,673               | 19,608                 |
| (421)                               | <b>Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities</b>                                  | (3,285)              | (4,212)                |
| 2,101                               | <b>Total comprehensive income attributable to ordinary shareholders</b>  | 16,388               | 15,396                 |

# See note 28.

\* See note 29.

# Condensed Consolidated Statement of Financial Position

at 30 June 2019

| Unaudited<br>30 June<br>2019 #<br>US\$ million |   | Note | Unaudited<br>30 June<br>2019<br>HK\$ million | Audited<br>31 December<br>2018 *<br>HK\$ million |
|--|---|------|--|--|
| <b>Non-current assets</b>                      |   |      |  |  |
| 14,209   | Fixed assets  | 9    | 110,832                                      | 110,605  |
| 10,284   | Right-of-use assets   | 10   | 80,215                                       | -  |
| -  | Leasehold land  |      | -  | 7,702  |
| 8,258  | Telecommunications licences   |      | 64,412                                       | 64,221   |
| 11,272   | Brand names and other rights  |      | 87,924                                       | 88,761   |
| 41,282   | Goodwill  |      | 321,996                                      | 323,160  |
| 17,259   | Associated companies  |      | 134,623                                      | 136,287  |
| 15,093   | Interests in joint ventures   |      | 117,726                                      | 118,053  |
| 2,819  | Deferred tax assets   | 11   | 21,986                                       | 20,260   |
| 1,011  | Liquid funds and other listed investments                               | 12   | 7,886  | 9,292  |
| 1,518  | Other non-current assets  | 13   | 11,842                                       | 10,717   |
| <b>123,005</b>                                 |   |      | <b>959,442</b>                               | <b>889,058</b>                                   |
| <b>Current assets</b>                          |   |      |  |  |
| 15,661   | Cash and cash equivalents   | 14   | 122,159                                      | 135,411  |
| 3,027  | Inventories   |      | 23,616                                       | 23,410   |
| 7,969  | Trade receivables and other current assets                              | 15   | 62,153                                       | 63,826   |
| <b>26,657</b>                                  |   |      | <b>207,928</b>                               | <b>222,647</b>                                   |
| 15,600   | Assets classified as held for sale                                      | 16   | 121,680                                      | 120,539  |
| <b>42,257</b>                                  |   |      | <b>329,608</b>                               | <b>343,186</b>                                   |
| <b>Current liabilities</b>                     |   |      |  |  |
| 4,472  | Bank and other debts  | 17   | 34,882                                       | 25,986   |
| 1,870  | Lease liabilities   |      | 14,586                                       | -  |
| 209  | Current tax liabilities   |      | 1,626  | 2,071  |
| 13,192   | Trade payables and other current liabilities                            | 18   | 102,898                                      | 116,272  |
| <b>19,743</b>                                  |   |      | <b>153,992</b>                               | <b>144,329</b>                                   |
| 10,180   | Liabilities directly associated with assets classified as held for sale | 16   | 79,404                                       | 77,600   |
| <b>29,923</b>                                  |   |      | <b>233,396</b>                               | <b>221,929</b>                                   |
| <b>12,334</b>                                  | Net current assets  |      | <b>96,212</b>                                | <b>121,257</b>                                   |
| <b>135,339</b>                                 | Total assets less current liabilities                                   |      | <b>1,055,654</b>                             | <b>1,010,315</b>                                 |
| <b>Non-current liabilities</b>                 |   |      |  |  |
| 39,443   | Bank and other debts  | 17   | 307,652                                      | 325,570  |
| 9,525  | Lease liabilities   |      | 74,299                                       | -  |
| 96   | Interest bearing loans from non-controlling shareholders                |      | 746  | 752  |
| 2,394  | Deferred tax liabilities  | 11   | 18,673                                       | 19,261   |
| 322  | Pension obligations   |      | 2,515  | 2,443  |
| 9,139  | Other non-current liabilities   | 19   | 71,286                                       | 71,466   |
| <b>60,919</b>                                  |   |      | <b>475,171</b>                               | <b>419,492</b>                                   |
| <b>74,420</b>                                  | Net assets  |      | <b>580,483</b>                               | <b>590,823</b>                                   |

# See note 28.

\* See note 29.

## Condensed Consolidated Statement of Financial Position

at 30 June 2019

| Unaudited<br>30 June<br>2019 #<br>US\$ million |                                    | Note   | Unaudited<br>30 June<br>2019<br>HK\$ million | Audited<br>31 December<br>2018 *<br>HK\$ million |
|--|------------------------------------|--------|--|--|
|  | <b>Capital and reserves</b>        |        |  |  |
| 494  | Share capital                      | 20 (a) | 3,856  | 3,856  |
| 31,330   | Share premium                      | 20 (a) | 244,377                                      | 244,377  |
| 24,798   | Reserves                           | 21     | 193,424                                      | 197,918  |
| 56,622   | Total ordinary shareholders' funds |        | 441,657                                      | 446,151  |
| 1,580  | Perpetual capital securities       | 20 (b) | 12,326                                       | 12,326   |
| 16,218   | Non-controlling interests          |        | 126,500                                      | 132,346  |
| 74,420   | <b>Total equity</b>                |        | <b>580,483</b>                               | 590,823  |

# See note 28.

\* See note 29.

## Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

| Unaudited<br>Total<br>equity #<br>US\$ million |  | Attributable to  |   |  |  |  | Unaudited<br>Total<br>equity<br>HK\$ million |
|--|--|--|---|--|--|--|--|
|  |  | Ordinary shareholders  |   | Total ordinary<br>shareholders'<br>funds<br>HK\$ million | Perpetual<br>capital<br>securities<br>HK\$ million | Non-<br>controlling<br>interests<br>HK\$ million |  |
|  |  | Share capital<br>and share<br>premium <sup>(a)</sup><br>HK\$ million | Reserves <sup>(b)</sup><br>HK\$ million |  |  |  |  |
| 75,746   | At 31 December 2018, as previously reported,<br>and 1 January 2019   | 248,233  | 197,918                                 | 446,151  | 12,326   | 132,346  | 590,823                                      |
| (2,012)  | Effect on adoption of HKFRS 16<br>(see note 29)  | -  | (11,812)                                | (11,812)   | -  | (3,887)  | (15,699)                                     |
| 73,734   | At 1 January 2019, as adjusted   | 248,233  | 186,106                                 | 434,339  | 12,326   | 128,459  | 575,124                                      |
| 2,859  | Profit for the period  | -  | 18,324                                  | 18,324   | 241  | 3,736  | 22,301                                       |
|  | Other comprehensive income (losses)  |  |   |  |  |  |  |
|  | Equity securities at FVOCI   |  |   |  |  |  |  |
| (30)   | Valuation losses recognised directly in reserves   | -  | (174)                                   | (174)  | -  | (59)   | (233)  |
|  | Debt securities at FVOCI   |  |   |  |  |  |  |
| 12   | Valuation gains recognised directly in reserves  | -  | 96                                      | 96   | -  | -  | 96   |
| (29)   | Remeasurement of defined benefit obligations<br>recognised directly in reserves  | -  | (183)                                   | (183)  | -  | (47)   | (230)  |
|  | Cash flow hedges (forward foreign exchange<br>contracts, cross currency interest rate swap<br>contracts and interest rate swap contracts)                      |  |   |  |  |  |  |
| (92)   | Losses recognised directly in reserves   | -  | (581)                                   | (581)  | -  | (136)  | (717)  |
|  | Losses on net investment hedges (forward<br>foreign exchange contracts and cross<br>currency swap contracts) recognised<br>directly in reserves                |  |   |  |  |  |  |
| (9)  |  | -  | (50)                                    | (50)   | -  | (16)   | (66)   |
| (58)   | Losses on translating overseas subsidiaries' net<br>assets recognised directly in reserves   | -  | (252)                                   | (252)  | -  | (201)  | (453)  |
|  | Losses previously in reserves related to subsidiaries,<br>associated companies and joint ventures disposed<br>during the period recognised in income statement |  |   |  |  |  |  |
| 17   |  | -  | 103                                     | 103  | -  | 27   | 130  |
| (40)   | Share of other comprehensive income (losses) of<br>associated companies  | -  | (182)                                   | (182)  | -  | (130)  | (312)  |
| (124)  | Share of other comprehensive income (losses) of<br>joint ventures  | -  | (816)                                   | (816)  | -  | (151)  | (967)  |
|  | Tax relating to components of other<br>comprehensive income (losses)   |  |   |  |  |  |  |
| 16   |  | -  | 103                                     | 103  | -  | 21   | 124  |
| (337)  | Other comprehensive income (losses), net of tax  | -  | (1,936)                                 | (1,936)  | -  | (692)  | (2,628)                                      |
| 2,522  | Total comprehensive income   | -  | 16,388                                  | 16,388   | 241  | 3,044  | 19,673                                       |
|  | Hedging reserve gains transferred to the carrying value<br>of non-financial items during the period  |  |   |  |  |  |  |
| (5)  |  | -  | (35)                                    | (35)   | -  | (5)  | (40)   |
| 1  | Impact of hyperinflation   | -  | 7                                       | 7  | -  | 2  | 9  |
| (1,137)  | Dividends paid relating to 2018  | -  | (8,870)                                 | (8,870)  | -  | -  | (8,870)                                      |
| (608)  | Dividends paid to non-controlling interests  | -  | -                                       | -  | -  | (4,739)  | (4,739)                                      |
| (31)   | Distribution paid on perpetual capital securities  | -  | -                                       | -  | (241)  | -  | (241)  |
|  | Share option schemes and long term incentive<br>plans of subsidiary companies  |  |   |  |  |  |  |
| 6  |  | -  | 27                                      | 27   | -  | 18   | 45   |
| (62)   | Relating to purchase of non-controlling interests  | -  | (199)                                   | (199)  | -  | (279)  | (478)  |
| (1,836)  |  | -  | (9,070)                                 | (9,070)  | (241)  | (5,003)  | (14,314)                                     |
| 74,420   | At 30 June 2019  | 248,233  | 193,424                                 | 441,657  | 12,326   | 126,500  | 580,483                                      |

# See note 28.

(a) See note 20(a) for further details on share capital and share premium.

(b) See note 21 for further details on reserves.

## Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

| Unaudited<br>Total<br>equity #<br>US\$ million |   | Attributable to  |                               |                                    |                                    |         | Unaudited<br>Total<br>equity * |
|--|---|--|-------------------------------|------------------------------------|------------------------------------|---------|--------------------------------|
|  |   | Ordinary shareholders                                      |                               | Perpetual<br>capital<br>securities | Non-<br>controlling<br>interests * |         |                                |
|  |   | Share capital<br>and share<br>premium *(a)<br>HK\$ million | Reserves *(b)<br>HK\$ million |                                    |                                    |         |                                |
| 75,941   | At 1 January 2018                                       | 248,363  | 182,123                       | 430,486                            | 29,481                             | 132,374 | 592,341                        |
| 2,852  | Profit for the period                                   | -  | 18,020                        | 18,020                             | 386                                | 3,842   | 22,248                         |
|  | Other comprehensive income (losses)                     |  |                               |                                    |                                    |         |                                |
|  | Equity securities at FVOCI                              |  |                               |                                    |                                    |         |                                |
| (39)   | Valuation losses recognised directly in reserves        | -  | (306)                         | (306)                              | -                                  | -       | (306)                          |
|  | Debt securities at FVOCI                                |  |                               |                                    |                                    |         |                                |
| (7)  | Valuation losses recognised directly in reserves        | -  | (55)                          | (55)                               | -                                  | -       | (55)                           |
|  | Remeasurement of defined benefit obligations            |  |                               |                                    |                                    |         |                                |
| 72   | recognised directly in reserves                         | -  | 439                           | 439                                | -                                  | 120     | 559                            |
|  | Cash flow hedges (forward foreign exchange              |  |                               |                                    |                                    |         |                                |
|  | contracts, cross currency interest rate swap            |  |                               |                                    |                                    |         |                                |
|  | contracts and interest rate swap contracts)             |  |                               |                                    |                                    |         |                                |
| 42   | Gains recognised directly in reserves                   | -  | 267                           | 267                                | -                                  | 65      | 332                            |
|  | Cost of hedging previously accumulated in reserves      |  |                               |                                    |                                    |         |                                |
| (2)  | recognised in income statement                          | -  | (17)                          | (17)                               | -                                  | -       | (17)                           |
|  | Gains on net investment hedges (forward                 |  |                               |                                    |                                    |         |                                |
|  | foreign exchange contracts) recognised                  |  |                               |                                    |                                    |         |                                |
| 187  | directly in reserves                                    | -  | 1,151                         | 1,151                              | -                                  | 303     | 1,454                          |
|  | Losses on translating overseas subsidiaries' net        |  |                               |                                    |                                    |         |                                |
| (291)  | assets recognised directly in reserves                  | -  | (1,861)                       | (1,861)                            | -                                  | (410)   | (2,271)                        |
|  | Share of other comprehensive income (losses) of         |  |                               |                                    |                                    |         |                                |
| (136)  | associated companies                                    | -  | (1,107)                       | (1,107)                            | -                                  | 48      | (1,059)                        |
|  | Share of other comprehensive income (losses) of         |  |                               |                                    |                                    |         |                                |
| (147)  | joint ventures  | -  | (1,029)                       | (1,029)                            | -                                  | (115)   | (1,144)                        |
|  | Tax relating to components of other                     |  |                               |                                    |                                    |         |                                |
| (17)   | comprehensive income (losses)                           | -  | (106)                         | (106)                              | -                                  | (27)    | (133)                          |
| (338)  | Other comprehensive income (losses), net of tax         | -  | (2,624)                       | (2,624)                            | -                                  | (16)    | (2,640)                        |
| 2,514  | Total comprehensive income                              | -  | 15,396                        | 15,396                             | 386                                | 3,826   | 19,608                         |
|  | Hedging reserve gains transferred to the carrying value |  |                               |                                    |                                    |         |                                |
| (1)  | of non-financial item during the period                 | -  | (4)                           | (4)                                | -                                  | (1)     | (5)                            |
| (1,024)  | Dividends paid relating to 2017                         | -  | (7,985)                       | (7,985)                            | -                                  | -       | (7,985)                        |
| (403)  | Dividends paid to non-controlling interests             | -  | -                             | -                                  | -                                  | (3,146) | (3,146)                        |
| (109)  | Distribution paid on perpetual capital securities       | -  | -                             | -                                  | (850)                              | -       | (850)                          |
| 2  | Equity contribution from non-controlling interests      | -  | -                             | -                                  | -                                  | 16      | 16                             |
| (2,492)  | Redemption of perpetual capital securities              | -  | 1,740                         | 1,740                              | (21,175)                           | -       | (19,435)                       |
|  | Share option schemes and long term incentive            |  |                               |                                    |                                    |         |                                |
| (1)  | plans of subsidiary companies                           | -  | (5)                           | (5)                                | -                                  | (3)     | (8)                            |
| 6  | Relating to purchase of subsidiary companies            | -  | -                             | -                                  | -                                  | 44      | 44                             |
| (7)  | Relating to purchase of non-controlling interests       | -  | (28)                          | (28)                               | -                                  | (28)    | (56)                           |
| -  | Relating to partial disposal of subsidiary companies    | -  | (7)                           | (7)                                | -                                  | 7       | -                              |
| (4,029)  |   | -  | (6,289)                       | (6,289)                            | (22,025)                           | (3,111) | (31,425)                       |
| 74,426   | At 30 June 2018   | 248,363  | 191,230                       | 439,593                            | 7,842                              | 133,089 | 580,524                        |

# See note 28.

\* See note 29.

(a) See note 20(a) for further details on share capital and share premium.

(b) See note 21 for further details on reserves.



## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

| Unaudited<br>2019 #<br>US\$ million |  | Note   | Unaudited            |                        |
|-------------------------------------|--|--------|----------------------|------------------------|
|                                     |  |        | 2019<br>HK\$ million | 2018 *<br>HK\$ million |
|                                     | <b>Operating activities</b>  |        |                      |                        |
| 6,109                               | Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital | 22 (a) | 47,647               | 35,968                 |
| (922)                               | Interest expenses and other finance costs paid (net of capitalisation)   |        | (7,187)              | (4,797)                |
| (423)                               | Tax paid   |        | (3,302)              | (2,557)                |
| 4,764                               | <b>Funds from operations (before payment of lease liabilities)</b>   |        | 37,158               | 28,614                 |
| (1,348)                             | Changes in working capital   | 22 (b) | (10,511)             | (7,253)                |
| 3,416                               | <b>Net cash from operating activities</b>  |        | 26,647               | 21,361                 |
|                                     | <b>Investing activities</b>  |        |                      |                        |
| (1,607)                             | Purchase of fixed assets   |        | (12,537)             | (9,158)                |
| (137)                               | Additions to telecommunications licences   |        | (1,071)              | (3,890)                |
| (85)                                | Additions to brand names and other rights  |        | (660)                | (68)                   |
| -                                   | Purchase of subsidiary companies   | 22 (c) | -                    | 29                     |
| (1)                                 | Additions to other unlisted investments  |        | (5)                  | (398)                  |
| 31                                  | Repayments from associated companies and joint ventures  |        | 238                  | 953                    |
| (65)                                | Purchase of and advances to associated companies and joint ventures  |        | (504)                | (1,074)                |
| 7                                   | Proceeds on disposal of fixed assets   |        | 51                   | 31                     |
| (24)                                | Proceeds on disposal of subsidiary companies   | 22 (d) | (187)                | -                      |
| 306                                 | Proceeds on disposal of associated companies and joint ventures  |        | 2,388                | 149                    |
| -                                   | Proceeds on disposal of other unlisted investments   |        | -                    | 4                      |
| (1,575)                             | Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments                |        | (12,287)             | (13,422)               |
| 21                                  | Disposal of liquid funds and other listed investments  |        | 169                  | -                      |
| -                                   | Additions to liquid funds and other listed investments   |        | (2)                  | (57)                   |
| (1,554)                             | <b>Cash flows used in investing activities</b>   |        | (12,120)             | (13,479)               |
| 1,862                               | <b>Net cash inflow before financing activities</b>   |        | 14,527               | 7,882                  |
|                                     | <b>Financing activities</b>  |        |                      |                        |
| 2,783                               | New borrowings   | 22 (e) | 21,707               | 21,679                 |
| (3,539)                             | Repayment of borrowings  | 22 (e) | (27,605)             | (15,892)               |
| (1,108)                             | Payment of lease liabilities   | 22 (e) | (8,643)              | -                      |
| -                                   | Net loans to non-controlling shareholders  | 22 (e) | (2)                  | (6)                    |
| -                                   | Issue of equity securities by subsidiary companies to non-controlling shareholders   |        | -                    | 6                      |
| (62)                                | Payment to acquire additional interests in subsidiary companies  |        | (478)                | (56)                   |
| -                                   | Redemption of perpetual capital securities   |        | -                    | (19,435)               |
| (1,137)                             | Dividends paid to ordinary shareholders  |        | (8,870)              | (7,985)                |
| (612)                               | Dividends paid to non-controlling interests  |        | (4,774)              | (3,059)                |
| (31)                                | Distribution paid on perpetual capital securities  |        | (241)                | (850)                  |
| (3,706)                             | <b>Cash flows used in financing activities</b>   |        | (28,906)             | (25,598)               |
| (1,844)                             | Decrease in cash and cash equivalents  |        | (14,379)             | (17,716)               |
| 17,820                              | Cash and cash equivalents at 1 January   |        | 138,996              | 160,470                |
| 15,976                              | <b>Cash and cash equivalents at 30 June</b>  |        | 124,617              | 142,754                |

# See note 28.

\* See note 29.

**Condensed Consolidated Statement of Cash Flows**  
for the six months ended 30 June 2019

| Unaudited<br>2019 #<br>US\$ million |   | Note | Unaudited            |                        |
|-------------------------------------|---|------|----------------------|------------------------|
|                                     |   |      | 2019<br>HK\$ million | 2018 *<br>HK\$ million |
|                                     | <b>Analysis of cash, liquid funds and other listed investments at 30 June</b>                                   |      |                      |                        |
| 15,976                              | Cash and cash equivalents, as above   |      | 124,617              | 142,754                |
| (315)                               | Less: cash and cash equivalents included in assets classified as held for sale                                  | 16   | (2,458)              | -                      |
| 15,661                              | Cash and cash equivalents   | 14   | 122,159              | 142,754                |
| 1,011                               | Liquid funds and other listed investments   | 12   | 7,886                | 7,689                  |
| 144                                 | Liquid funds and other listed investments under other current assets  | 15   | 1,121                | -                      |
| 16,816                              | <b>Total cash, liquid funds and other listed investments</b>  |      | 131,166              | 150,443                |
| 44,035                              | Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions | 17   | 343,472              | 335,925                |
| 96                                  | Interest bearing loans from non-controlling shareholders  |      | 746                  | 3,122                  |
| 27,315                              | <b>Net debt</b>   |      | 213,052              | 188,604                |
| (96)                                | Interest bearing loans from non-controlling shareholders  |      | (746)                | (3,122)                |
| 27,219                              | <b>Net debt (excluding interest bearing loans from non-controlling shareholders)</b>                            |      | 212,306              | 185,482                |

# See note 28.

\* See note 29.

# Notes to the Interim Financial Statements

## 1 Basis of preparation and changes to the Group's accounting policies

### (a) Basis of preparation

These unaudited consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (the "Group") for the half-year reporting period ended 30 June 2019 (the "Interim Financial Statements") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements do not contain all the notes of the type normally included in the annual consolidated financial statements. Accordingly, the Interim Financial Statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "2018 Annual Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The Interim Financial Statements have been prepared on the historical cost basis except for the following:

- the 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 of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. The major classes of assets and liabilities classified as held for sale are separately disclosed in note 16.

### (b) Accounting policies

In the current period, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2019. The Group had to change its accounting policies for leases with effect from 1 January 2019 as a result of adopting the new lease accounting standard Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16"). Other than changes in accounting policies resulting from application of HKFRS 16, the accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2018 Annual Financial Statements. A summary of the accounting policies for leases adopted with effect from 1 January 2019 are set out in note 29(b) and a summary of the significant accounting policies used in the 2018 Annual Financial Statements is set out in note 40 to the 2018 Annual Financial Statements.

The Group has initially applied HKFRS 16 with effect from 1 January 2019 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 2019. The adoption of HKFRS 16 has resulted in a HK\$15,699 million decrease in the opening balance of total equity on 1 January 2019. The effect of adoption of this standard is summarised in note 29.

The Interim Financial Statements were authorised for issue by the Company's Board of Directors on 1 August 2019.

## 2 Revenue

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

|                       | Six months ended 30 June |                |
|-----------------------|--------------------------|----------------|
|                       | 2019                     | 2018           |
|                       | HK\$ million             | HK\$ million   |
| Sale of goods         | 80,438                   | 81,795         |
| Revenue from services | 64,041                   | 46,249         |
| Interest              | 3,050                    | 2,877          |
| Dividend income       | 91                       | 63             |
|                       | <b>147,620</b>           | <b>130,984</b> |

## 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

|   | Six months ended 30 June 2019         |               |                |              |                |
|---|---------------------------------------|---------------|----------------|--------------|----------------|
|   | Revenue from contracts with customers |               |                | Revenue      | Total          |
|   | recognised at                         | recognised    | Subtotal       | from other   |                |
|   | a point in time                       | over time     |                | sources      |                |
| HK\$ million                                    | HK\$ million                          | HK\$ million  | HK\$ million   | HK\$ million |                |
| Ports and Related Services                      | -                                     | 13,323        | 13,323         | 78           | 13,401         |
| Retail  | 65,613                                | 171           | 65,784         | -            | 65,784         |
| Infrastructure                                  | 1,710                                 | 5,158         | 6,868          | 3,106        | 9,974          |
| Husky Energy                                    | -                                     | -             | -              | -            | -              |
| 3 Group Europe                                  | 7,125                                 | 36,334        | 43,459         | -            | 43,459         |
| Hutchison Telecommunications Hong Kong Holdings | 733                                   | 1,782         | 2,515          | -            | 2,515          |
| Hutchison Asia Telecommunications               | -                                     | 4,325         | 4,325          | -            | 4,325          |
| Finance & Investments and Others                | 6,212                                 | 164           | 6,376          | 1,786        | 8,162          |
|   | <b>81,393</b>                         | <b>61,257</b> | <b>142,650</b> | <b>4,970</b> | <b>147,620</b> |
|   | Six months ended 30 June 2018         |               |                |              |                |
|   | Revenue from contracts with customers |               |                | Revenue      | Total          |
|   | recognised at                         | recognised    | Subtotal       | from other   |                |
|   | a point in time                       | over time     |                | sources      |                |
|   | HK\$ million                          | HK\$ million  | HK\$ million   | HK\$ million | HK\$ million   |
| Ports and Related Services                      | -                                     | 13,349        | 13,349         | 36           | 13,385         |
| Retail  | 66,560                                | -             | 66,560         | -            | 66,560         |
| Infrastructure                                  | 2,177                                 | 6,820         | 8,997          | 1,433        | 10,430         |
| Husky Energy                                    | -                                     | -             | -              | -            | -              |
| 3 Group Europe                                  | 5,338                                 | 18,962        | 24,300         | -            | 24,300         |
| Hutchison Telecommunications Hong Kong Holdings | 2,178                                 | 1,843         | 4,021          | -            | 4,021          |
| Hutchison Asia Telecommunications               | -                                     | 4,081         | 4,081          | -            | 4,081          |
| Finance & Investments and Others                | 6,570                                 | 166           | 6,736          | 1,471        | 8,207          |
|   | <b>82,823</b>                         | <b>45,221</b> | <b>128,044</b> | <b>2,940</b> | <b>130,984</b> |

(ii) By geographical locations

|                                  | Six months ended 30 June 2019         |               |                |              |                |
|----------------------------------|---------------------------------------|---------------|----------------|--------------|----------------|
|                                  | Revenue from contracts with customers |               |                | Revenue      | Total          |
|                                  | recognised at                         | recognised    | Subtotal       | from other   |                |
|                                  | a point in time                       | over time     |                | sources      |                |
| HK\$ million                     | HK\$ million                          | HK\$ million  | HK\$ million   | HK\$ million |                |
| Hong Kong                        | 15,666                                | 1,722         | 17,388         | 64           | 17,452         |
| Mainland China                   | 15,630                                | 210           | 15,840         | 5            | 15,845         |
| Europe                           | 30,748                                | 46,600        | 77,348         | 2,576        | 79,924         |
| Canada                           | -                                     | 213           | 213            | 112          | 325            |
| Asia, Australia and Others       | 13,137                                | 12,348        | 25,485         | 427          | 25,912         |
| Finance & Investments and Others | 6,212                                 | 164           | 6,376          | 1,786        | 8,162          |
|                                  | <b>81,393</b>                         | <b>61,257</b> | <b>142,650</b> | <b>4,970</b> | <b>147,620</b> |
|                                  | Six months ended 30 June 2018         |               |                |              |                |
|                                  | Revenue from contracts with customers |               |                | Revenue      | Total          |
|                                  | recognised at                         | recognised    | Subtotal       | from other   |                |
|                                  | a point in time                       | over time     |                | sources      |                |
|                                  | HK\$ million                          | HK\$ million  | HK\$ million   | HK\$ million | HK\$ million   |
| Hong Kong                        | 17,970                                | 1,772         | 19,742         | 13           | 19,755         |
| Mainland China                   | 16,477                                | 291           | 16,768         | 3            | 16,771         |
| Europe                           | 29,830                                | 30,976        | 60,806         | 826          | 61,632         |
| Canada                           | 205                                   | -             | 205            | 117          | 322            |
| Asia, Australia and Others       | 11,771                                | 12,016        | 23,787         | 510          | 24,297         |
| Finance & Investments and Others | 6,570                                 | 166           | 6,736          | 1,471        | 8,207          |
|                                  | <b>82,823</b>                         | <b>45,221</b> | <b>128,044</b> | <b>2,940</b> | <b>130,984</b> |

## 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.

|  | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|--|-------------------------|---------------------|
|  | <b>HK\$ million</b>     | HK\$ million        |
| Trade receivables (see note 15)            | <b>17,336</b>           | 19,255              |
| Contract assets (see notes 13 and 15)      | <b>6,003</b>            | 6,943               |
| Contract liabilities (see notes 18 and 19) | <b>(5,631)</b>          | (5,883)             |

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. 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.

## 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, performance assessment and internal decision-making, the Group presents its operating segment information based on the following five operating divisions.

### *Ports and Related Services:*

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.

### *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. In 2018, 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.

### 3 Operating segment information (continued)

#### *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 six 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. In the second half of 2018, 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, 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.

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

The following presents information regarding the Group's operating segments. 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 are mainly attributable to Retail of HK\$14 million (30 June 2018 - HK\$17 million), Hutchison Telecommunications Hong Kong Holdings of HK\$5 million (30 June 2018 - HK\$5 million) and Hutchison Asia Telecommunications of HK\$2 million (30 June 2018 - HK\$1 million).

In the current period, the Group has adopted the HKFRS 16 accounting standard (which relates to accounting for leases) for its statutory reporting, but its management reporting has remained on the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). The Group believes that the HKAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), provide useful information to allow comparable growth rates to be calculated and a like-with-like comparison with the prior period results, and to better reflect management's view of the Group's underlying operational performances. Accordingly, segmental information is presented on a HKAS 17 basis ("Pre-HKFRS 16 basis") as this is the basis of the information used for resource allocation, performance assessment and internal decision-making. As additional information, reconciliation from Pre-HKFRS 16 metrics to Post-HKFRS 16 is included in the following segmental information analysis. The HKAS 17 lease accounting policy is disclosed in note 40(w) of the Group's 2018 Annual Financial Statements.

### 3 Operating segment information (continued)

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

##### (i) An analysis of revenue by segments

|   | Revenue                       |                   |                |             |                               |                   |                |             |
|---|-------------------------------|-------------------|----------------|-------------|-------------------------------|-------------------|----------------|-------------|
|   | Six months ended 30 June 2019 |                   |                |             | Six months ended 30 June 2018 |                   |                |             |
|   | Company and Subsidiaries      | Associates and JV | Total          | %           | Company and Subsidiaries      | Associates and JV | Total          | %           |
|   | HKS million                   | HKS million       | HKS million    |             | HKS million                   | HKS million       | HKS million    |             |
| Ports and Related Services                      | 13,401                        | 4,149             | 17,550         | 8%          | 13,385                        | 4,206             | 17,591         | 8%          |
| Retail  | 65,784                        | 17,377            | 83,161         | 38%         | 66,560                        | 17,314            | 83,874         | 37%         |
| Infrastructure                                  | 6,210                         | 19,415            | 25,625         | 12%         | 10,430                        | 23,795            | 34,225         | 15%         |
| Husky Energy                                    | -                             | 23,465            | 23,465         | 11%         | -                             | 27,315            | 27,315         | 12%         |
| 3 Group Europe                                  | 43,459                        | 5                 | 43,464         | 20%         | 24,300                        | 11,824            | 36,124         | 16%         |
| Hutchison Telecommunications Hong Kong Holdings | 2,515                         | -                 | 2,515          | 1%          | 4,021                         | -                 | 4,021          | 2%          |
| Hutchison Asia Telecommunications               | 4,325                         | -                 | 4,325          | 2%          | 4,081                         | -                 | 4,081          | 2%          |
| Finance & Investments and Others                | 8,162                         | 8,795             | 16,957         | 8%          | 8,207                         | 9,069             | 17,276         | 8%          |
|   | <b>143,856</b>                | <b>73,206</b>     | <b>217,062</b> | <b>100%</b> | <b>130,984</b>                | <b>93,523</b>     | <b>224,507</b> | <b>100%</b> |
| <i>Portion attributable to:</i>                 |                               |                   |                |             |                               |                   |                |             |
| Non-controlling interests of HPH Trust          | -                             | 520               | 520            |             | -                             | 503               | 503            |             |
| Divestiture of infrastructure investments       | 3,764                         | 2,214             | 5,978          |             | -                             | -                 | -              |             |
|   | <b>147,620</b>                | <b>75,940</b>     | <b>223,560</b> |             | <b>130,984</b>                | <b>94,026</b>     | <b>225,010</b> |             |
| HKFRS 16 impact                                 | -                             | -                 | -              |             |                               |                   |                |             |
|   | <b>147,620</b>                | <b>75,940</b>     | <b>223,560</b> |             |                               |                   |                |             |

##### (ii) An analysis of EBITDA by segments

|   | EBITDA <sup>(xiii)</sup>      |                            |                            |             |                               |                   |               |             |
|---|-------------------------------|----------------------------|----------------------------|-------------|-------------------------------|-------------------|---------------|-------------|
|   | Six months ended 30 June 2019 |                            |                            |             | Six months ended 30 June 2018 |                   |               |             |
|   | Company and Subsidiaries      | Associates and JV          | Total                      | %           | Company and Subsidiaries      | Associates and JV | Total         | %           |
|   | HKS million                   | HKS million                | HKS million                |             | HKS million                   | HKS million       | HKS million   |             |
| Ports and Related Services                                  | 4,733                         | 1,717                      | 6,450                      | 12%         | 4,420                         | 1,785             | 6,205         | 11%         |
| Retail  | 6,830                         | 1,352                      | 8,182                      | 15%         | 6,137                         | 1,395             | 7,532         | 14%         |
| Infrastructure  | 3,558                         | 10,798                     | 14,356                     | 27%         | 6,094                         | 12,851            | 18,945        | 34%         |
| Husky Energy  | -                             | 4,713                      | 4,713                      | 9%          | -                             | 5,877             | 5,877         | 11%         |
| 3 Group Europe  | 16,297                        | -                          | 16,297                     | 30%         | 8,212                         | 4,585             | 12,797        | 23%         |
| Hutchison Telecommunications Hong Kong Holdings             | 628                           | 35                         | 663                        | 1%          | 654                           | 36                | 690           | 1%          |
| Hutchison Asia Telecommunications                           | 724                           | -                          | 724                        | 1%          | 346                           | -                 | 346           | 1%          |
| Finance & Investments and Others                            | 433                           | 2,170                      | 2,603                      | 5%          | 912                           | 2,046             | 2,958         | 5%          |
| EBITDA  | <b>33,203</b>                 | <b>20,785</b>              | <b>53,988</b>              | <b>100%</b> | <b>26,775</b>                 | <b>28,575</b>     | <b>55,350</b> | <b>100%</b> |
| <i>Portion attributable to:</i>                             |                               |                            |                            |             |                               |                   |               |             |
| Non-controlling interests of HPH Trust                      | -                             | 357                        | 357                        |             | -                             | 349               | 349           |             |
| EBITDA  | <b>33,203</b> <sup>^</sup>    | <b>21,142</b> <sup>^</sup> | <b>54,345</b> <sup>^</sup> |             | <b>26,775</b>                 | <b>28,924</b>     | <b>55,699</b> |             |
| Depreciation and amortisation (see note 3(b)(iv))           | (11,028)                      | (8,859)                    | (19,887)                   |             | (8,855)                       | (11,242)          | (20,097)      |             |
| Interest expenses and other finance costs                   | (4,591)                       | (3,205)                    | (7,796)                    |             | (4,335)                       | (4,579)           | (8,914)       |             |
| Current tax   | (2,267)                       | (1,517)                    | (3,784)                    |             | (1,939)                       | (1,720)           | (3,659)       |             |
| Deferred tax  | (441)                         | (90)                       | (531)                      |             | 395                           | (1,000)           | (605)         |             |
| Non-controlling interests                                   | (3,925)                       | (222)                      | (4,147)                    |             | (4,228)                       | (176)             | (4,404)       |             |
|   | <b>10,951</b>                 | <b>7,249</b>               | <b>18,200</b>              |             | <b>7,813</b>                  | <b>10,207</b>     | <b>18,020</b> |             |
| HKFRS 16 impact   |                               |                            |                            |             |                               |                   |               |             |
| EBITDA  | <b>10,155</b> <sup>^</sup>    | <b>1,546</b> <sup>^</sup>  | <b>11,701</b> <sup>^</sup> |             |                               |                   |               |             |
| Depreciation and amortisation                               | (8,346)                       | (1,325)                    | (9,671)                    |             |                               |                   |               |             |
| Interest expenses and other finance costs                   | (1,627)                       | (342)                      | (1,969)                    |             |                               |                   |               |             |
| Current tax   | (1)                           | -                          | (1)                        |             |                               |                   |               |             |
| Deferred tax  | 19                            | 14                         | 33                         |             |                               |                   |               |             |
| Non-controlling interests                                   | 31                            | -                          | 31                         |             |                               |                   |               |             |
|   | <b>11,182</b>                 | <b>7,142</b>               | <b>18,324</b>              |             |                               |                   |               |             |
| <sup>^</sup> Post-HKFRS 16 basis EBITDA (see note 22(a)(i)) | <b>43,358</b>                 | <b>22,688</b>              | <b>66,046</b>              |             |                               |                   |               |             |

### 3 Operating segment information (continued)

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

(iii) An analysis of EBIT by segments

|   | EBIT <sup>(xiv)</sup>                    |                                   |                       |      |  |                                   |                       |      |
|---|--|-----------------------------------|-----------------------|------|--|-----------------------------------|-----------------------|------|
|   | Six months ended 30 June 2019            |                                   |                       |      | Six months ended 30 June 2018            |                                   |                       |      |
|   | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %    | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %    |
| Ports and Related Services  | 3,242                                    | 1,008                             | 4,250                 | 12%  | 2,818                                    | 1,046                             | 3,864                 | 11%  |
| Retail  | 5,584                                    | 1,006                             | 6,590                 | 19%  | 4,947                                    | 1,045                             | 5,992                 | 17%  |
| Infrastructure  | 2,599                                    | 7,302                             | 9,901                 | 29%  | 4,297                                    | 8,945                             | 13,242                | 37%  |
| Husky Energy  | -  | 1,787                             | 1,787                 | 5%   | -  | 2,761                             | 2,761                 | 8%   |
| <b>3 Group Europe</b>   |  |                                   |                       |      |  |                                   |                       |      |
| EBITDA before the following non-cash items:   | 16,297                                   | -                                 | 16,297                |      | 8,212                                    | 4,585                             | 12,797                |      |
| Depreciation  | (4,313)                                  | -                                 | (4,313)               |      | (2,406)                                  | (704)                             | (3,110)               |      |
| Amortisation of licence fees, customer acquisition and retention costs and other rights | (2,014)                                  | -                                 | (2,014)               |      | (1,112)                                  | (1,087)                           | (2,199)               |      |
| EBIT - 3 Group Europe   | 9,970                                    | -                                 | 9,970                 | 29%  | 4,694                                    | 2,794                             | 7,488                 | 21%  |
| Hutchison Telecommunications Hong Kong Holdings   | 249                                      | 11                                | 260                   | 1%   | 273                                      | 11                                | 284                   | 1%   |
| Hutchison Asia Telecommunications   | 216                                      | -                                 | 216                   | 1%   | 69                                       | -                                 | 69                    | -    |
| Finance & Investments and Others  | 315                                      | 949                               | 1,264                 | 4%   | 822                                      | 866                               | 1,688                 | 5%   |
| EBIT  | 22,175 <sup>^</sup>                      | 12,063 <sup>^</sup>               | 34,238 <sup>^</sup>   | 100% | 17,920                                   | 17,468                            | 35,388                | 100% |
| <i>Portion attributable to:</i>   |  |                                   |                       |      |  |                                   |                       |      |
| Non-controlling interests of HPH Trust  | -  | 220                               | 220                   |      | -  | 214                               | 214                   |      |
| Interest expenses and other finance costs   | (4,591)                                  | (3,205)                           | (7,796)               |      | (4,335)                                  | (4,579)                           | (8,914)               |      |
| Current tax   | (2,267)                                  | (1,517)                           | (3,784)               |      | (1,939)                                  | (1,720)                           | (3,659)               |      |
| Deferred tax  | (441)                                    | (90)                              | (531)                 |      | 395                                      | (1,000)                           | (605)                 |      |
| Non-controlling interests   | (3,925)                                  | (222)                             | (4,147)               |      | (4,228)                                  | (176)                             | (4,404)               |      |
|   | 10,951                                   | 7,249                             | 18,200                |      | 7,813                                    | 10,207                            | 18,020                |      |
| <b>HKFRS 16 impact</b>  |  |                                   |                       |      |  |                                   |                       |      |
| EBIT  | 1,809 <sup>^</sup>                       | 221 <sup>^</sup>                  | 2,030 <sup>^</sup>    |      |  |                                   |                       |      |
| Interest expenses and other finance costs   | (1,627)                                  | (342)                             | (1,969)               |      |  |                                   |                       |      |
| Current tax   | (1)                                      | -                                 | (1)                   |      |  |                                   |                       |      |
| Deferred tax  | 19                                       | 14                                | 33                    |      |  |                                   |                       |      |
| Non-controlling interests   | 31                                       | -                                 | 31                    |      |  |                                   |                       |      |
|   | 11,182                                   | 7,142                             | 18,324                |      |  |                                   |                       |      |
| <sup>^</sup> Post-HKFRS 16 basis EBIT   | 23,984                                   | 12,284                            | 36,268                |      |  |                                   |                       |      |



### 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            |                                   |                       |  |                                   |                       |
|--|--|-----------------------------------|-----------------------|--|-----------------------------------|-----------------------|
|  | Six months ended 30 June 2019            |                                   |                       | Six months ended 30 June 2018            |                                   |                       |
|  | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million |
| Ports and Related Services   | 1,491                                    | 709                               | 2,200                 | 1,602                                    | 739                               | 2,341                 |
| Retail   | 1,246                                    | 346                               | 1,592                 | 1,190                                    | 350                               | 1,540                 |
| Infrastructure   | 959                                      | 3,496                             | 4,455                 | 1,797                                    | 3,906                             | 5,703                 |
| Husky Energy   | -  | 2,926                             | 2,926                 | -  | 3,116                             | 3,116                 |
| 3 Group Europe   | 6,327                                    | -                                 | 6,327                 | 3,518                                    | 1,791                             | 5,309                 |
| Hutchison Telecommunications Hong Kong Holdings                    | 379                                      | 24                                | 403                   | 381                                      | 25                                | 406                   |
| Hutchison Asia Telecommunications                                  | 508                                      | -                                 | 508                   | 277                                      | -                                 | 277                   |
| Finance & Investments and Others                                   | 118                                      | 1,221                             | 1,339                 | 90                                       | 1,180                             | 1,270                 |
|  | <b>11,028</b>                            | <b>8,722</b>                      | <b>19,750</b>         | <b>8,855</b>                             | <b>11,107</b>                     | <b>19,962</b>         |
| Portion attributable to:<br>Non-controlling interests of HPH Trust | -  | 137                               | 137                   | -  | 135                               | 135                   |
|  | <b>11,028</b>                            | <b>8,859</b>                      | <b>19,887</b>         | <b>8,855</b>                             | <b>11,242</b>                     | <b>20,097</b>         |
| HKFRS 16 impact  | 8,346                                    | 1,325                             | 9,671                 |  |                                   |                       |
|  | <b>19,374</b>                            | <b>10,184</b>                     | <b>29,558</b>         |  |                                   |                       |

(v) An analysis of capital expenditure by segments

|   | Capital expenditure <sup>(xviii)</sup>                   |  |  |  |                       |  |  |  |                       |
|---|--|--|--|--|-----------------------|--|--|--|-----------------------|
|   | Six months ended 30 June 2019                            |  |  |  |                       | Six months ended 30 June 2018  |  |  |                       |
|   | Fixed assets and investment properties @<br>HK\$ million | Telecom- munciations @<br>licences @<br>HK\$ million | Brand names and other rights @<br>HK\$ million | Assets classified as held for sale<br>HK\$ million | Total<br>HK\$ million | Fixed assets, investment properties and leasehold land<br>HK\$ million | Telecom- munciations<br>licences<br>HK\$ million | Brand names and other rights<br>HK\$ million | Total<br>HK\$ million |
| Ports and Related Services                      | 811  | -  | -  | -  | 811                   | 1,285  | -  | -  | 1,285                 |
| Retail  | 954  | -  | -  | -  | 954                   | 1,142  | -  | -  | 1,142                 |
| Infrastructure                                  | 110  | -  | 3  | 3,582  | 3,695                 | 2,461  | -  | 41   | 2,502                 |
| Husky Energy                                    | -  | -  | -  | -  | -                     | -  | -  | -  | -                     |
| 3 Group Europe                                  | 5,663  | 1,045  | 657  | -  | 7,365                 | 2,763  | 1,747  | 26   | 4,536                 |
| Hutchison Telecommunications Hong Kong Holdings | 154  | -  | -  | -  | 154                   | 282  | -  | -  | 282                   |
| Hutchison Asia Telecommunications               | 1,105  | 26   | -  | -  | 1,131                 | 1,157  | 2,143  | -  | 3,300                 |
| Finance & Investments and Others                | 158  | -  | -  | -  | 158                   | 68   | -  | 1  | 69                    |
|   | <b>8,955</b>   | <b>1,071</b>   | <b>660</b>                                     | <b>3,582</b>                                       | <b>14,268</b>         | <b>9,158</b>   | <b>3,890</b>                                     | <b>68</b>                                    | <b>13,116</b>         |
| HKFRS 16 impact                                 | -  | -  | -  | -  | -                     |  |  |  |                       |
|   | <b>8,955</b>   | <b>1,071</b>   | <b>660</b>                                     | <b>3,582</b>                                       | <b>14,268</b>         |  |  |  |                       |

@ net of transfer to assets classified as held for sale.

### 3 Operating segment information (continued)

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

(vi) An analysis of total assets by segments

|                                  | Total assets                   |                     |                                    |   |              |                                |                     |                                    |   |              |
|----------------------------------|--------------------------------|---------------------|------------------------------------|---|--------------|--------------------------------|---------------------|------------------------------------|---|--------------|
|                                  | 30 June 2019                   |                     |                                    |   |              | 31 December 2018               |                     |                                    |   |              |
|                                  | Company and Subsidiaries       |                     | Assets classified as held for sale | Investments in associated companies and interests in joint ventures | Total assets | Company and Subsidiaries       |                     | Assets classified as held for sale | Investments in associated companies and interests in joint ventures | Total assets |
|                                  | Segment assets <sup>(xv)</sup> | Deferred tax assets |                                    |   |              | Segment assets <sup>(xv)</sup> | Deferred tax assets |                                    |   |              |
| HK\$ million                     | HK\$ million                   | HK\$ million        | HK\$ million                       | HK\$ million  | HK\$ million | HK\$ million                   | HK\$ million        | HK\$ million                       | HK\$ million  |              |
| Ports and Related Services       | 73,726                         | 1,064               | -                                  | 20,519  | 95,309       | 74,366                         | 243                 | -                                  | 20,728  | 95,337       |
| Retail                           | 198,094                        | 911                 | -                                  | 13,966  | 212,971      | 199,151                        | 1,059               | -                                  | 13,771  | 213,981      |
| Infrastructure                   | 57,405                         | 5                   | 119,510                            | 140,387   | 317,307      | 54,963                         | 12                  | 118,187                            | 142,569   | 315,731      |
| Husky Energy                     | -                              | -                   | -                                  | 65,680  | 65,680       | -                              | -                   | -                                  | 64,297  | 64,297       |
| 3 Group Europe                   | 309,393                        | 18,057              | 1,906                              | 8   | 329,364      | 309,333                        | 18,659              | 2,352                              | 10  | 330,354      |
| Hutchison                        |                                |                     |                                    |   |              |                                |                     |                                    |   |              |
| Telecommunications               |                                |                     |                                    |   |              |                                |                     |                                    |   |              |
| Hong Kong Holdings               | 15,028                         | 226                 | -                                  | 367   | 15,621       | 19,469                         | 258                 | -                                  | 396   | 20,123       |
| Hutchison Asia                   |                                |                     |                                    |   |              |                                |                     |                                    |   |              |
| Telecommunications               | 13,527                         | -                   | -                                  | -   | 13,527       | 11,333                         | -                   | -                                  | -   | 11,333       |
| Finance & Investments and Others | 157,129                        | 31                  | -                                  | 12,270  | 169,430      | 168,490                        | 29                  | -                                  | 12,569  | 181,088      |
|                                  | 824,302                        | 20,294              | 121,416                            | 253,197   | 1,219,209    | 837,105                        | 20,260              | 120,539                            | 254,340   | 1,232,244    |
| HKFRS 16 impact                  | 68,733                         | 1,692               | 264                                | (848)   | 69,841       |                                |                     |                                    |   |              |
|                                  | 893,035                        | 21,986              | 121,680                            | 252,349   | 1,289,050    |                                |                     |                                    |   |              |

(vii) An analysis of total liabilities by segments

|                                  | Total liabilities   |                         |   |                                    |                   |   |                         |   |                                    |                   |
|----------------------------------|---|-------------------------|---|------------------------------------|-------------------|---|-------------------------|---|------------------------------------|-------------------|
|                                  | 30 June 2019  |                         |   |                                    |                   | 31 December 2018  |                         |   |                                    |                   |
|                                  | Current & non-current borrowings <sup>(xvi)</sup> and other |                         | Liabilities directly associated with assets classified as held for sale | Current & deferred tax liabilities | Total liabilities | Current & non-current borrowings <sup>(xvi)</sup> and other |                         | Liabilities directly associated with assets classified as held for sale | Current & deferred tax liabilities | Total liabilities |
|                                  | Segment liabilities <sup>(xv)</sup>                         | non-current liabilities |   |                                    |                   | Segment liabilities <sup>(xv)</sup>                         | non-current liabilities |   |                                    |                   |
| HK\$ million                     | HK\$ million  | HK\$ million            | HK\$ million  | HK\$ million                       | HK\$ million      | HK\$ million  | HK\$ million            | HK\$ million  | HK\$ million                       |                   |
| Ports and Related Services       | 12,146  | 16,434                  | -   | 5,029                              | 33,609            | 13,433  | 16,127                  | -   | 4,472                              | 34,032            |
| Retail                           | 24,317  | 12,873                  | -   | 9,359                              | 46,549            | 26,366  | 13,407                  | -   | 9,962                              | 49,735            |
| Infrastructure                   | 5,096   | 30,909                  | 79,114  | 554                                | 115,673           | 4,910   | 30,535                  | 77,600  | 590                                | 113,635           |
| Husky Energy                     | -   | -                       | -   | -                                  | -                 | -   | -                       | -   | -                                  | -                 |
| 3 Group Europe                   | 46,981  | 102,607                 | -   | 421                                | 150,009           | 55,915  | 113,808                 | -   | 94                                 | 169,817           |
| Hutchison                        |   |                         |   |                                    |                   |   |                         |   |                                    |                   |
| Telecommunications               |   |                         |   |                                    |                   |   |                         |   |                                    |                   |
| Hong Kong Holdings               | 1,565   | 349                     | -   | 26                                 | 1,940             | 1,804   | 343                     | -   | 16                                 | 2,163             |
| Hutchison Asia                   |   |                         |   |                                    |                   |   |                         |   |                                    |                   |
| Telecommunications               | 5,192   | 20,148                  | -   | 1                                  | 25,341            | 5,976   | 18,897                  | -   | 1                                  | 24,874            |
| Finance & Investments and Others | 12,423  | 231,395                 | -   | 5,907                              | 249,725           | 10,311  | 230,657                 | -   | 6,197                              | 247,165           |
|                                  | 107,720   | 414,715                 | 79,114  | 21,297                             | 622,846           | 118,715   | 423,774                 | 77,600  | 21,332                             | 641,421           |
| HKFRS 16 impact                  | 86,578  | (149)                   | 290   | (998)                              | 85,721            |   |                         |   |                                    |                   |
|                                  | 194,298   | 414,566                 | 79,404  | 20,299                             | 708,567           |   |                         |   |                                    |                   |

### 3 Operating segment information (continued)

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

##### (viii) An analysis of revenue by geographical locations

|                                  | Revenue                                  |                                   |                       |         |  |                                   |                       |         |
|----------------------------------|--|-----------------------------------|-----------------------|---------|--|-----------------------------------|-----------------------|---------|
|                                  | Six months ended 30 June 2019            |                                   |                       |         | Six months ended 30 June 2018            |                                   |                       |         |
|                                  | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       |
| Hong Kong                        | 17,452                                   | 2,112                             | 19,564                | 9%      | 19,755                                   | 2,252                             | 22,007                | 10%     |
| Mainland China                   | 15,845                                   | 3,643                             | 19,488                | 9%      | 16,771                                   | 3,858                             | 20,629                | 9%      |
| Europe                           | 76,256                                   | 27,950                            | 104,206               | 48%     | 61,632                                   | 43,024                            | 104,656               | 47%     |
| Canada <sup>(xvii)</sup>         | 229                                      | 23,274                            | 23,503                | 11%     | 322                                      | 27,013                            | 27,335                | 12%     |
| Asia, Australia and Others       | 25,912                                   | 7,432                             | 33,344                | 15%     | 24,297                                   | 8,307                             | 32,604                | 14%     |
| Finance & Investments and Others | 8,162                                    | 8,795                             | 16,957                | 8%      | 8,207                                    | 9,069                             | 17,276                | 8%      |
|                                  | 143,856                                  | 73,206                            | 217,062               | ** 100% | 130,984                                  | 93,523                            | 224,507               | ** 100% |
| HKFRS 16 Impact                  | -  | -                                 | -                     |         |  |                                   |                       |         |
|                                  | 143,856                                  | 73,206                            | 217,062               | **      |  |                                   |                       |         |

\*\* see note 3(b)(i) for reconciliation to total revenue included in the Group's income statement.

##### (ix) An analysis of EBITDA by geographical locations

|                                  | EBITDA <sup>(xiii)</sup>                 |                                   |                       |         |  |                                   |                       |         |
|----------------------------------|--|-----------------------------------|-----------------------|---------|--|-----------------------------------|-----------------------|---------|
|                                  | Six months ended 30 June 2019            |                                   |                       |         | Six months ended 30 June 2018            |                                   |                       |         |
|                                  | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       |
| Hong Kong                        | 669                                      | 902                               | 1,571                 | 3%      | 938                                      | 948                               | 1,886                 | 3%      |
| Mainland China                   | 3,510                                    | 2,074                             | 5,584                 | 10%     | 2,918                                    | 2,438                             | 5,356                 | 10%     |
| Europe                           | 22,493                                   | 7,186                             | 29,679                | 55%     | 16,875                                   | 13,163                            | 30,038                | 54%     |
| Canada <sup>(xvii)</sup>         | 179                                      | 4,030                             | 4,209                 | 8%      | 220                                      | 5,115                             | 5,335                 | 10%     |
| Asia, Australia and Others       | 5,919                                    | 4,423                             | 10,342                | 19%     | 4,912                                    | 4,865                             | 9,777                 | 18%     |
| Finance & Investments and Others | 433                                      | 2,170                             | 2,603                 | 5%      | 912                                      | 2,046                             | 2,958                 | 5%      |
|                                  | 33,203                                   | 20,785                            | 53,988                | ## 100% | 26,775                                   | 28,575                            | 55,350                | ## 100% |
| HKFRS 16 impact                  | 10,155                                   | 1,546                             | 11,701                |         |  |                                   |                       |         |
|                                  | 43,358                                   | 22,331                            | 65,689                | ##      |  |                                   |                       |         |

## see note 3(b)(ii) for reconciliation to total EBITDA included in the Group's income statement.

##### (x) An analysis of EBIT by geographical locations

|                                  | EBIT <sup>(xiv)</sup>                    |                                   |                       |         |  |                                   |                       |         |
|----------------------------------|--|-----------------------------------|-----------------------|---------|--|-----------------------------------|-----------------------|---------|
|                                  | Six months ended 30 June 2019            |                                   |                       |         | Six months ended 30 June 2018            |                                   |                       |         |
|                                  | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       | Company and Subsidiaries<br>HK\$ million | Associates and JV<br>HK\$ million | Total<br>HK\$ million | %       |
| Hong Kong                        | 112                                      | 397                               | 509                   | 1%      | 370                                      | 423                               | 793                   | 2%      |
| Mainland China                   | 3,001                                    | 1,404                             | 4,405                 | 13%     | 2,416                                    | 1,722                             | 4,138                 | 12%     |
| Europe                           | 14,431                                   | 5,150                             | 19,581                | 57%     | 10,796                                   | 9,054                             | 19,850                | 56%     |
| Canada <sup>(xvii)</sup>         | 167                                      | 1,277                             | 1,444                 | 4%      | 209                                      | 2,201                             | 2,410                 | 7%      |
| Asia, Australia and Others       | 4,149                                    | 2,886                             | 7,035                 | 21%     | 3,307                                    | 3,202                             | 6,509                 | 18%     |
| Finance & Investments and Others | 315                                      | 949                               | 1,264                 | 4%      | 822                                      | 866                               | 1,688                 | 5%      |
|                                  | 22,175                                   | 12,063                            | 34,238                | @@ 100% | 17,920                                   | 17,468                            | 35,388                | @@ 100% |
| HKFRS 16 impact                  | 1,809                                    | 221                               | 2,030                 |         |  |                                   |                       |         |
|                                  | 23,984                                   | 12,284                            | 36,268                | @@      |  |                                   |                       |         |

@@ see note 3(b)(iii) for reconciliation to total EBIT included in the Group's income statement.

### 3 Operating segment information (continued)

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

(xi) An analysis of capital expenditure by geographical locations

|                                  | Capital expenditure <sup>(xviii)</sup>              |   |   |                                    |               |  |                              |                              |               |
|----------------------------------|---|---|---|------------------------------------|---------------|--|------------------------------|------------------------------|---------------|
|                                  | Six months ended 30 June 2019                       |   |   |                                    |               | Six months ended 30 June 2018                          |                              |                              |               |
|                                  | Fixed assets and investment properties <sup>@</sup> | Telecom-munications licences <sup>@</sup> | Brand names and other rights <sup>@</sup> | Assets classified as held for sale | Total         | Fixed assets, investment properties and leasehold land | Telecom-munications licences | Brand names and other rights | Total         |
|                                  | HK\$ million  | HK\$ million                              | HK\$ million                              | HK\$ million                       | HK\$ million  | HK\$ million   | HK\$ million                 | HK\$ million                 | HK\$ million  |
| Hong Kong                        | 420   | -   | -   | -                                  | 420           | 531  | -                            | -                            | 531           |
| Mainland China                   | 208   | -   | -   | -                                  | 208           | 242  | -                            | -                            | 242           |
| Europe                           | 6,283   | 1,045                                     | 657                                       | 3,572                              | 11,557        | 5,996  | 1,747                        | 26                           | 7,769         |
| Canada                           | -   | -   | -   | 10                                 | 10            | 3  | -                            | 36                           | 39            |
| Asia, Australia and Others       | 1,886   | 26  | 3   | -                                  | 1,915         | 2,318  | 2,143                        | 5                            | 4,466         |
| Finance & Investments and Others | 158   | -   | -   | -                                  | 158           | 68   | -                            | 1                            | 69            |
|                                  | <b>8,955</b>  | <b>1,071</b>                              | <b>660</b>                                | <b>3,582</b>                       | <b>14,268</b> | <b>9,158</b>   | <b>3,890</b>                 | <b>68</b>                    | <b>13,116</b> |
| HKFRS 16 impact                  | -   | -   | -   | -                                  | -             |  |                              |                              |               |
|                                  | <b>8,955</b>  | <b>1,071</b>                              | <b>660</b>                                | <b>3,582</b>                       | <b>14,268</b> |  |                              |                              |               |

@ net of transfer to assets classified as held for sale.

(xii) An analysis of total assets by geographical locations

|                                  | Total assets                   |                     |                                    |   |                  |                                |                     |                                    |   |                  |
|----------------------------------|--------------------------------|---------------------|------------------------------------|---|------------------|--------------------------------|---------------------|------------------------------------|---|------------------|
|                                  | 30 June 2019                   |                     |                                    |   |                  | 31 December 2018               |                     |                                    |   |                  |
|                                  | Company and Subsidiaries       |                     | Assets classified as held for sale | Investments in associated companies and interests in joint ventures | Total assets     | Company and Subsidiaries       |                     | Assets classified as held for sale | Investments in associated companies and interests in joint ventures | Total assets     |
|                                  | Segment assets <sup>(xv)</sup> | Deferred tax assets | HK\$ million                       | HK\$ million  | HK\$ million     | Segment assets <sup>(xv)</sup> | Deferred tax assets | HK\$ million                       | HK\$ million  | HK\$ million     |
| Hong Kong                        | 58,926                         | 328                 | -                                  | 12,731  | 71,985           | 55,494                         | 306                 | -                                  | 14,233  | 70,033           |
| Mainland China                   | 43,315                         | 459                 | -                                  | 22,203  | 65,977           | 47,989                         | 681                 | -                                  | 23,735  | 72,405           |
| Europe                           | 446,489                        | 18,766              | 115,449                            | 88,682  | 669,386          | 452,780                        | 18,914              | 114,559                            | 87,437  | 673,690          |
| Canada <sup>(xvii)</sup>         | 3,384                          | -                   | 2,588                              | 66,543  | 72,515           | 3,638                          | 6                   | 2,558                              | 63,027  | 69,229           |
| Asia, Australia and Others       | 115,059                        | 710                 | 3,379                              | 50,768  | 169,916          | 108,714                        | 324                 | 3,422                              | 53,339  | 165,799          |
| Finance & Investments and Others | 157,129                        | 31                  | -                                  | 12,270  | 169,430          | 168,490                        | 29                  | -                                  | 12,569  | 181,088          |
|                                  | <b>824,302</b>                 | <b>20,294</b>       | <b>121,416</b>                     | <b>253,197</b>  | <b>1,219,209</b> | <b>837,105</b>                 | <b>20,260</b>       | <b>120,539</b>                     | <b>254,340</b>  | <b>1,232,244</b> |
| HKFRS 16 impact                  | 68,733                         | 1,692               | 264                                | (848)   | 69,841           |                                |                     |                                    |   |                  |
|                                  | <b>893,035</b>                 | <b>21,986</b>       | <b>121,680</b>                     | <b>252,349</b>  | <b>1,289,050</b> |                                |                     |                                    |   |                  |

### 3 Operating segment information (continued)

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

- (xiii) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net of divesture basis after the divesture. EBITDA is defined as earnings before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings. Information concerning EBITDA 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 to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.
- (xiv) EBIT represents the EBIT of the Company and subsidiary companies as well as the Group's share of the EBIT of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six infrastructure investments co-owned with CKI comprising of Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities that are included on a 100% basis before the divesture (see note 3(a) under Infrastructure) and on a net of divesture basis after the divesture. EBIT is defined as earnings before interest expenses and other finance costs and tax. Information concerning EBIT 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 to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT is not a measure of financial performance under HKFRS and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.
- (xv) Segment assets and segment liabilities are measured in the same way as in the financial statements. Segment assets comprise fixed assets, right-of-use assets, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents, other current assets and exclude assets classified as held for sale (31 December 2018 - 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, lease liabilities and pension obligations and exclude liabilities directly associated with assets classified as held for sale (31 December 2018 - 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 and post-employment benefit assets for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK\$79,582 million (31 December 2018 - HK\$73,511 million), HK\$73,431 million (31 December 2018 - HK\$85,882 million), HK\$473,957 million (31 December 2018 - HK\$463,580 million), HK\$69,903 million (31 December 2018 - HK\$66,500 million), HK\$149,908 million (31 December 2018 - HK\$159,698 million) respectively.
- (xvi) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.
- (xvii) Include contribution from the United States for Husky Energy.
- (xviii) For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

#### 4 Other operating expenses

Other operating expenses include cost of providing services of HK\$13,501 million and expenses for short term, low value leases and payment for variable rent of HK\$3,295 million. The balance of the comparative period includes cost of providing services of HK\$9,331 million and operating lease expenses of HK\$9,999 million.

#### 5 Interest expenses and other finance costs

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2019                     | 2018         |
|   | HK\$ million             | HK\$ million |
| Interest on borrowings  | 5,779                    | 4,951        |
| Interest on lease liabilities   | 1,627                    | -            |
| Other finance costs (income) <sup>(a)</sup>   | (84)                     | 78           |
|   | <b>7,322</b>             | <b>5,029</b> |
| Amortisation of loan facilities fees and premiums or discounts relating to borrowings | 100                      | 100          |
| Unwinding of discount and other non-cash interest adjustments <sup>(b)</sup>          | (367)                    | (562)        |
|   | <b>7,055</b>             | <b>4,567</b> |
| Less: interest capitalised  | (135)                    | (232)        |
|   | <b>6,920</b>             | <b>4,335</b> |

(a) Include fair value gain of HK\$341 million (30 June 2018 - nil) on derivatives financial instruments used to manage interest rate exposure.

(b) Other non-cash interest adjustments mainly include amortisation of bank and other debts' fair value adjustments arising from acquisitions.

#### 6 Tax

|                              | Six months ended 30 June |              |
|------------------------------|--------------------------|--------------|
|                              | 2019                     | 2018         |
|                              | HK\$ million             | HK\$ million |
| Current tax charge           |                          |              |
| Hong Kong                    | 135                      | 192          |
| Outside Hong Kong            | 2,255                    | 1,747        |
|                              | <b>2,390</b>             | <b>1,939</b> |
| Deferred tax charge (credit) |                          |              |
| Hong Kong                    | 12                       | 38           |
| Outside Hong Kong            | 464                      | (433)        |
|                              | <b>476</b>               | <b>(395)</b> |
|                              | <b>2,866</b>             | <b>1,544</b> |

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2018 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

## 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\$18,324 million (30 June 2018 - HK\$18,020 million) and on 3,856,240,500 shares in issue during the six months ended 30 June 2019 (30 June 2018 - 3,857,678,500 shares).

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 30 June 2019 and 30 June 2018. The employee share options of these subsidiary and associated companies outstanding as at 30 June 2019 and 30 June 2018 did not have a dilutive effect on earnings per share.

## 8 Distributions and dividends

### (a) Distribution paid on perpetual capital securities

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2019                     | 2018         |
|   | HK\$ million             | HK\$ million |
| Distribution paid on perpetual capital securities | 241                      | 850          |

### (b) Dividends

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2019                     | 2018         |
|  | HK\$ million             | HK\$ million |
| Interim dividend, declared of HK\$0.87 per share (30 June 2018 - HK\$0.87 per share) | 3,355                    | 3,356        |

In addition, final dividend in respect of the year 2018 of HK\$2.30 per share totalling HK\$8,870 million (2017 - HK\$2.07 per share totalling HK\$7,985 million) was approved and paid during the current period.

## 9 Fixed assets

During the six months ended 30 June 2019, the Group has acquired fixed assets with a cost of HK\$12,537 million (30 June 2018 - HK\$9,158 million), of which HK\$3,582 million (30 Jun 2018 - nil) are presented as assets classified as held for sale. Fixed assets with a net book value of HK\$87 million (30 June 2018 - HK\$66 million) were disposed of during the period, resulting in a loss of HK\$37 million (30 June 2018 - HK\$36 million). Fixed assets presented as assets classified as held for sale with a net book value of HK\$22 million (30 June 2018 - nil) were disposed of during the period, resulting in a loss of HK\$21 million (30 Jun 2018 - nil).

## 10 Right-of-use assets

During the six months ended 30 June 2019, the Group entered into new lease agreements. For these new leases, the Group is required to make fixed monthly payments and, in respect of certain of these new leases, additional variable payments depending on the turnover. On leases that commenced during the six months ended 30 June 2019, the Group has recognised HK\$6,298 million of right-of-use assets, of which HK\$30 million are presented as assets classified as held for sale, and HK\$6,288 million of lease liabilities, of which HK\$30 million are presented as liabilities directly associated with assets classified as held for sale.

## 11 Deferred tax

|                          | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|--------------------------|--|-------------------------------------|
| Deferred tax assets      | 21,986                                   | 20,260                              |
| Deferred tax liabilities | 18,673                                   | 19,261                              |
| Net deferred tax assets  | <b>3,313</b>                             | 999                                 |

Analysis of net deferred tax assets (liabilities):

|  | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|--|--|-------------------------------------|
| Unused tax losses  | 18,350                                   | 18,459                              |
| Accelerated depreciation allowances                        | (4,252)                                  | (4,127)                             |
| Fair value adjustments arising from acquisitions           | (10,488)                                 | (10,501)                            |
| Revaluation of investment properties and other investments | 117                                      | 126                                 |
| Withholding tax on undistributed profits                   | (509)                                    | (497)                               |
| Other temporary differences                                | 95                                       | (2,461)                             |
|  | <b>3,313</b>                             | 999                                 |

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 30 June 2019, the Group has recognised accumulated deferred tax assets amounting to HK\$21,986 million (31 December 2018 - HK\$20,260 million) of which HK\$18,259 million (31 December 2018 - HK\$18,659 million) relates to 3 Group Europe.

Unutilised tax losses, tax credits and other deductible temporary differences for which the Group has not recognised deferred tax assets totalling HK\$123,004 million (31 December 2018 - HK\$99,135 million). Their potential tax effect amounted to HK\$29,344 million at 30 June 2019 (31 December 2018 - HK\$28,880 million).

## 12 Liquid funds and other listed investments

|  | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|--|--|-------------------------------------|
| Financial assets at amortised cost                             |  |                                     |
| Managed funds, outside Hong Kong                               | 43                                       | 66                                  |
| Financial assets at FVOCI                                      |  |                                     |
| Listed equity securities, Hong Kong                            | 2,459                                    | 2,909                               |
| Listed equity securities, outside Hong Kong                    | 229                                      | 208                                 |
| Managed funds - listed equity securities, outside Hong Kong    | 177                                      | 154                                 |
| Managed funds - listed debt securities, outside Hong Kong      | 4,889                                    | 4,770                               |
| Listed / traded debt securities, outside Hong Kong             | -  | 1,089                               |
|  | <b>7,754</b>                             | 9,130                               |
| Financial assets at fair value through profit or loss ("FVPL") | 89                                       | 96                                  |
|  | <b>7,886</b>                             | 9,292                               |

The financial assets measured at fair value are based on quoted market prices.



### 13 Other non-current assets

|   | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|---|-------------------------|---------------------|
|   | <b>HK\$ million</b>     | HK\$ million        |
| Investment properties   | 382                     | 382                 |
| Customer acquisition and retention costs <sup>(a)</sup>                   | 2,348                   | 1,576               |
| Contract assets   | 2,322                   | 2,726               |
| Unlisted investments  |                         |                     |
| Financial assets at amortised costs - debt securities <sup>(b)</sup>      | 170                     | 170                 |
| Financial assets at FVOCI - equity securities <sup>(c)</sup>              | 1,967                   | 1,953               |
| Financial assets at fair value through profit or loss - equity securities | 636                     | 641                 |
| Financial assets at fair value through profit or loss - debt securities   | 308                     | 318                 |
| Derivative financial instruments  |                         |                     |
| Fair value hedges - Interest rate swaps                                   | 65                      | 19                  |
| Cash flow hedges  |                         |                     |
| Cross currency Interest rate swaps  | 718                     | 317                 |
| Net investment hedges   |                         |                     |
| Forward foreign exchange contracts  | 1,824                   | 2,021               |
| Cross currency swaps  | 444                     | 427                 |
| Other derivative financial instruments                                    | 349                     | 167                 |
| Others (mainly lease receivables)   | 309                     | -                   |
|   | <b>11,842</b>           | <b>10,717</b>       |

- (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 period was HK\$692 million (30 June 2018 - HK\$536 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.

### 14 Cash and cash equivalents

|                          | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|--------------------------|-------------------------|---------------------|
|                          | <b>HK\$ million</b>     | HK\$ million        |
| Cash at bank and in hand | 22,071                  | 32,253              |
| Short term bank deposits | 100,088                 | 103,158             |
|                          | <b>122,159</b>          | <b>135,411</b>      |

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

## 15 Trade receivables and other current assets

|   | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|---|--|-------------------------------------|
| Trade receivables <sup>(a)</sup>                                  | <b>18,621</b>                            | 20,391                              |
| Less: loss allowance provision                                    | <b>(1,285)</b>                           | (1,136)                             |
|   | <b>17,336</b>                            | 19,255                              |
| Other current assets  |  |                                     |
| Derivative financial instruments                                  |  |                                     |
| Fair value hedges - Interest rate swaps                           | <b>11</b>                                | -                                   |
| Net investment hedges - Forward foreign exchange contracts        | <b>825</b>                               | 567                                 |
| Financial assets at FVOCI   |  |                                     |
| Listed / traded debt securities, outside Hong Kong <sup>(b)</sup> | <b>1,121</b>                             | -                                   |
| Contract assets   | <b>3,681</b>                             | 4,217                               |
| Prepayments   | <b>20,596</b>                            | 21,105                              |
| Other receivables   | <b>18,583</b>                            | 18,682                              |
|   | <b>62,153</b>                            | 63,826                              |

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

At the end of the period / year, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

|                      | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|----------------------|--|-------------------------------------|
| Less than 31 days    | <b>13,317</b>                            | 11,830                              |
| Within 31 to 60 days | <b>1,903</b>                             | 2,308                               |
| Within 61 to 90 days | <b>740</b>                               | 994                                 |
| Over 90 days         | <b>2,661</b>                             | 5,259                               |
|                      | <b>18,621</b>                            | 20,391                              |

- (b) Included in listed / traded debt securities outside Hong Kong are notes issued by listed associated company, Husky Energy at a principal amount of US\$25 million mature in 2019.

## 16 Assets and liabilities classified as held for sale

|  | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|--|--|-------------------------------------|
| Assets classified as held for sale   |  |                                     |
| Disposal group held for sale <sup>(a)</sup>  | <b>119,774</b>                           | 118,187                             |
| Non-current assets held for sale <sup>(b)</sup>  | <b>1,906</b>                             | 2,352                               |
|  | <b>121,680</b>                           | 120,539                             |
| Liabilities directly associated with assets classified as held for sale <sup>(a)</sup> | <b>79,404</b>                            | 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.

## 16 Assets and liabilities classified as held for sale (continued)

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. During the year ended 31 December 2018, there is no gain or loss recognised in the income statement on reclassification. The major classes and the carrying amounts of asset and liability items of this disposal group classified as held for sale at the reporting date are as follows:

|   | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|---|-------------------------|---------------------|
|   | <b>HK\$ million</b>     | HK\$ million        |
| <b>Assets</b>   |                         |                     |
| Fixed assets  | 72,718                  | 71,309              |
| Right-of-use assets   | 1,070                   | -                   |
| Brand names and other rights  | 7,430                   | 7,443               |
| Goodwill  | 25,783                  | 25,686              |
| Interests in joint ventures   | 7,136                   | 7,223               |
| Deferred tax assets   | 429                     | 416                 |
| Other non-current assets  | 366                     | 304                 |
| Cash and cash equivalents   | 2,458                   | 3,585               |
| Inventories   | 53                      | 56                  |
| Trade receivables and other current assets  | 2,331                   | 2,165               |
| <b>Assets classified as held for sale</b>   | <b>119,774</b>          | <b>118,187</b>      |
| <b>Liabilities</b>  |                         |                     |
| Bank and other debts  | 58,004                  | 57,707              |
| Lease liabilities   | 1,305                   | -                   |
| Current tax liabilities   | 200                     | 134                 |
| Trade payables and other current liabilities  | 4,109                   | 4,453               |
| Interest bearing loans from non-controlling shareholders                                | 2,076                   | 2,071               |
| Deferred tax liabilities  | 6,288                   | 6,255               |
| Pension obligations   | 1,003                   | 1,113               |
| Other non-current liabilities   | 6,419                   | 5,867               |
| <b>Liabilities directly associated with assets classified as held for sale</b>          | <b>79,404</b>           | <b>77,600</b>       |
| <b>Net assets directly associated with disposal group</b>                               | <b>40,370</b>           | <b>40,587</b>       |
| <b>Non-controlling interests</b>  | <b>3,064</b>            | <b>3,021</b>        |
| <b>Net assets and non-controlling interests directly associated with disposal group</b> | <b>37,306</b>           | <b>37,566</b>       |
| <b>Amounts included in accumulated other comprehensive income:</b>                      |                         |                     |
| Exchange reserve deficit  | (4,066)                 | (4,146)             |
| Pension reserve deficit   | (690)                   | (691)               |
| Hedging reserve deficit   | (1,701)                 | (1,112)             |
| <b>Reserves of disposal group classified as held for sale</b>                           | <b>(6,457)</b>          | <b>(5,949)</b>      |

- (b) During the year ended 31 December 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and become the sole shareholder of Wind Tre. 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:

|                             | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|-----------------------------|-------------------------|---------------------|
|                             | <b>HK\$ million</b>     | HK\$ million        |
| Fixed assets                | 565                     | 477                 |
| Telecommunications licences | 1,341                   | 1,875               |
|                             | <b>1,906</b>            | <b>2,352</b>        |

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).

## 17 Bank and other debts

|   | 30 June 2019                    |                                     |                       | 31 December 2018                |                                     |                       |
|---|---------------------------------|-------------------------------------|-----------------------|---------------------------------|-------------------------------------|-----------------------|
|   | Current portion<br>HK\$ million | Non-current portion<br>HK\$ million | Total<br>HK\$ million | Current portion<br>HK\$ million | Non-current portion<br>HK\$ million | Total<br>HK\$ million |
| Principal amounts   |                                 |                                     |                       |                                 |                                     |                       |
| Bank loans  | 25,523                          | 88,276                              | 113,799               | 5,943                           | 111,235                             | 117,178               |
| Other loans   | 4                               | 259                                 | 263                   | 38                              | 410                                 | 448                   |
| Notes and bonds   | 9,319                           | 214,941                             | 224,260               | 19,710                          | 209,582                             | 229,292               |
|   | <b>34,846</b>                   | <b>303,476</b>                      | <b>338,322</b>        | <b>25,691</b>                   | <b>321,227</b>                      | <b>346,918</b>        |
| Unamortised fair value adjustments arising from acquisitions                                  | 302                             | 4,848                               | 5,150                 | 553                             | 5,197                               | 5,750                 |
| Subtotal before the following items   | 35,148                          | 308,324                             | 343,472               | 26,244                          | 326,424                             | 352,668               |
| Unamortised loan facilities fees and premiums or discounts related to debts                   | (20)                            | (637)                               | (657)                 | (1)                             | (656)                               | (657)                 |
| Adjustments to carrying amounts pursuant to unrealised losses on interest rate swap contracts | (246)                           | (35)                                | (281)                 | (257)                           | (198)                               | (455)                 |
|   | <b>34,882</b>                   | <b>307,652</b>                      | <b>342,534</b>        | <b>25,986</b>                   | <b>325,570</b>                      | <b>351,556</b>        |

Bank and other debts at principal amount are scheduled for repayment by calendar year as follows:

|                         | 30 June 2019               |                             |                                 |                       |
|-------------------------|----------------------------|-----------------------------|---------------------------------|-----------------------|
|                         | Bank loans<br>HK\$ million | Other loans<br>HK\$ million | Notes and bonds<br>HK\$ million | Total<br>HK\$ million |
| 2019, remainder of year | 5,168                      | 2                           | 8,018                           | 13,188                |
| 2020                    | 30,759                     | 4                           | 9,100                           | 39,863                |
| 2021                    | 30,276                     | 3                           | 19,870                          | 50,149                |
| 2022                    | 38,452                     | 171                         | 30,060                          | 68,683                |
| 2023                    | 9,142                      | 4                           | 30,439                          | 39,585                |
| 2024 to 2028            | 2                          | 20                          | 108,180                         | 108,202               |
| 2029 to 2038            | -                          | 47                          | 18,593                          | 18,640                |
| 2039 and thereafter     | -                          | 12                          | -                               | 12                    |
|                         | <b>113,799</b>             | <b>263</b>                  | <b>224,260</b>                  | <b>338,322</b>        |
| Less: current portion   | <b>(25,523)</b>            | <b>(4)</b>                  | <b>(9,319)</b>                  | <b>(34,846)</b>       |
|                         | <b>88,276</b>              | <b>259</b>                  | <b>214,941</b>                  | <b>303,476</b>        |
|                         | 31 December 2018           |                             |                                 |                       |
|                         | Bank loans<br>HK\$ million | Other loans<br>HK\$ million | Notes and bonds<br>HK\$ million | Total<br>HK\$ million |
| 2019                    | 5,943                      | 38                          | 19,710                          | 25,691                |
| 2020                    | 35,020                     | 37                          | 9,100                           | 44,157                |
| 2021                    | 31,270                     | 39                          | 19,975                          | 51,284                |
| 2022                    | 36,119                     | 205                         | 30,113                          | 66,437                |
| 2023                    | 8,826                      | 29                          | 31,689                          | 40,544                |
| 2024 to 2028            | -                          | 41                          | 105,927                         | 105,968               |
| 2029 to 2038            | -                          | 47                          | 12,778                          | 12,825                |
| 2039 and thereafter     | -                          | 12                          | -                               | 12                    |
|                         | <b>117,178</b>             | <b>448</b>                  | <b>229,292</b>                  | <b>346,918</b>        |
| Less: current portion   | <b>(5,943)</b>             | <b>(38)</b>                 | <b>(19,710)</b>                 | <b>(25,691)</b>       |
|                         | <b>111,235</b>             | <b>410</b>                  | <b>209,582</b>                  | <b>321,227</b>        |

## 18 Trade payables and other current liabilities

|  | 30 June<br>2019<br>HK\$ million | 31 December<br>2018<br>HK\$ million |
|--|---------------------------------|-------------------------------------|
| Trade payables <sup>(a)</sup>                              | 28,275                          | 29,233                              |
| Other current liabilities                                  |                                 |                                     |
| Derivative financial instruments                           |                                 |                                     |
| Cash flow hedges   |                                 |                                     |
| Interest rate swaps  | -                               | 8                                   |
| Cross currency interest rate swaps                         | 730                             | -                                   |
| Forward foreign exchange contracts                         | 8                               | 2                                   |
| Other contracts  | 14                              | -                                   |
| Net investment hedges - Forward foreign exchange contracts | 50                              | 6                                   |
| Other derivative financial instruments                     | 1                               | -                                   |
| Interest free loans from non-controlling shareholders      | 385                             | 385                                 |
| Contract liabilities                                       | 5,629                           | 5,880                               |
| Provisions   | 4,035                           | 4,514                               |
| Other payables and accruals                                | 63,771                          | 76,244                              |
|  | <b>102,898</b>                  | <b>116,272</b>                      |

(a) At the end of the period / year, the ageing analysis of the trade payables is as follows:

|                      | 30 June<br>2019<br>HK\$ million | 31 December<br>2018<br>HK\$ million |
|----------------------|---------------------------------|-------------------------------------|
| Less than 31 days    | 21,073                          | 19,764                              |
| Within 31 to 60 days | 2,994                           | 4,095                               |
| Within 61 to 90 days | 1,358                           | 2,392                               |
| Over 90 days         | 2,850                           | 2,982                               |
|                      | <b>28,275</b>                   | <b>29,233</b>                       |

## 19 Other non-current liabilities

|   | 30 June<br>2019<br>HK\$ million | 31 December<br>2018<br>HK\$ million |
|---|---------------------------------|-------------------------------------|
| Contract liabilities  | 2                               | 3                                   |
| Derivative financial instruments  |                                 |                                     |
| Fair value hedges - Interest rate swaps                                 | -                               | 116                                 |
| Cash flow hedges  |                                 |                                     |
| Interest rate swaps   | 632                             | 373                                 |
| Cross currency interest rate swaps                                      | -                               | 928                                 |
| Other contracts   | 2                               | -                                   |
| Net investment hedges   |                                 |                                     |
| Forward foreign exchange contracts                                      | 5                               | -                                   |
| Cross currency swaps  | 83                              | 45                                  |
| Other derivative financial instruments                                  | 537                             | 481                                 |
| Obligations for telecommunications licences and other rights            | 10,178                          | 9,613                               |
| Other non-current liabilities <sup>(a)</sup>                            | 16,457                          | 15,610                              |
| Liabilities relating to the economic benefits agreements <sup>(b)</sup> | 14,308                          | 14,308                              |
| Provisions  | 29,082                          | 29,989                              |
|   | <b>71,286</b>                   | <b>71,466</b>                       |

(a) Includes equipment purchase payables of HK\$11,747 million (31 December 2018 - HK\$10,906 million).

## 19 Other non-current liabilities (continued)

- (b) In October 2018, 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, Park’N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities under economic benefit agreements entered with CK Asset Holdings Limited (“CKA”), CKI and Power Assets Holdings Limited (“PAH”). 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.

During the current period, the Group has reached a supplemental agreement to amend the economic benefit agreement entered with CKA in 2018 to, amongst others, provide the counter party with proportionate voting rights of the co-owned infrastructure investments in Europe and Canada.

Subsequent to the current period, the Group has reached a supplemental agreement with each of CKI and PAH to amend the economic benefit agreements entered in 2018 to, among others, provide them with their respective proportionate voting rights of the co-owned infrastructure investments in Europe and Canada.

## 20 Share capital, share premium and perpetual capital securities

### (a) Share capital and share premium

|                        | <b>30 June<br/>2019</b> | 31 December<br>2018 | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|------------------------|-------------------------|---------------------|-------------------------|---------------------|
|                        | <b>Number of shares</b> | Number of shares    | <b>HK\$ million</b>     | HK\$ million        |
| Issued and fully paid: |                         |                     |                         |                     |
| Ordinary shares        | <b>3,856,240,500</b>    | 3,856,240,500       | <b>3,856</b>            | 3,856               |
| Share capital          |                         |                     | <b>3,856</b>            | 3,856               |
| Share premium          |                         |                     | <b>244,377</b>          | 244,377             |
|                        |                         |                     | <b>248,233</b>          | 248,233             |

### (b) Perpetual capital securities

|                                  | <b>30 June<br/>2019</b> | 31 December<br>2018 |
|----------------------------------|-------------------------|---------------------|
|                                  | <b>HK\$ million</b>     | HK\$ million        |
| US\$1,000 million issued in 2017 | <b>7,842</b>            | 7,842               |
| EUR500 million issued in 2018    | <b>4,484</b>            | 4,484               |
|                                  | <b>12,326</b>           | 12,326              |

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

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

## 21 Reserves

|  | Six months ended 30 June 2019       |                                     |                                    |                                       | Total<br>HK\$ million |
|--|-------------------------------------|-------------------------------------|------------------------------------|---------------------------------------|-----------------------|
|  | Retained<br>profits<br>HK\$ million | Exchange<br>reserve<br>HK\$ million | Hedging<br>reserve<br>HK\$ million | Others <sup>(a)</sup><br>HK\$ million |                       |
| At 31 December 2018, as previously reported, and<br>1 January 2019   | 576,381                             | (31,979)                            | (2,138)                            | (344,346)                             | 197,918               |
| Effect on adoption of HKFRS 16 (see note 29)   | (11,812)                            | -                                   | -                                  | -                                     | (11,812)              |
| At 1 January 2019, as adjusted   | 564,569                             | (31,979)                            | (2,138)                            | (344,346)                             | 186,106               |
| Profit for the period  | 18,324                              | -                                   | -                                  | -                                     | 18,324                |
| Other comprehensive income (losses)  |                                     |                                     |                                    |                                       |                       |
| Equity securities at FVOCI   |                                     |                                     |                                    |                                       |                       |
| Valuation losses recognised directly in reserves   | -                                   | -                                   | -                                  | (174)                                 | (174)                 |
| Debt securities at FVOCI   |                                     |                                     |                                    |                                       |                       |
| Valuation gains recognised directly in reserves  | -                                   | -                                   | -                                  | 96                                    | 96                    |
| Remeasurement of defined benefit obligations<br>recognised directly in reserves  | (183)                               | -                                   | -                                  | -                                     | (183)                 |
| Cash flow hedges (forward foreign exchange contracts,<br>cross currency interest rate swap contracts and<br>interest rate swap contracts)                      |                                     |                                     |                                    |                                       |                       |
| Losses recognised directly in reserves   | -                                   | -                                   | (581)                              | -                                     | (581)                 |
| Losses on net investment hedges (forward foreign exchange<br>contracts and cross currency swap contracts) recognised<br>directly in reserves                   | -                                   | (50)                                | -                                  | -                                     | (50)                  |
| Losses on translating overseas subsidiaries' net assets<br>recognised directly in reserves   | -                                   | (252)                               | -                                  | -                                     | (252)                 |
| Losses previously in reserves related to subsidiaries,<br>associated companies and joint ventures disposed<br>during the period recognised in income statement | -                                   | 89                                  | 14                                 | -                                     | 103                   |
| Losses previously in other reserves related to subsidiaries<br>disposed during the period transferred directly to<br>retained profits                          | (5)                                 | -                                   | -                                  | 5                                     | -                     |
| Share of other comprehensive income (losses) of associated<br>companies  | 85                                  | 202                                 | (466)                              | (3)                                   | (182)                 |
| Share of other comprehensive income (losses) of joint<br>ventures  | 347                                 | (586)                               | (576)                              | (1)                                   | (816)                 |
| Tax relating to components of other comprehensive<br>income (losses)   | 37                                  | -                                   | 66                                 | -                                     | 103                   |
| Other comprehensive income (losses), net of tax  | 281                                 | (597)                               | (1,543)                            | (77)                                  | (1,936)               |
| Hedging reserve gains transferred to the carrying value<br>of non-financial item during the period   | -                                   | -                                   | (35)                               | -                                     | (35)                  |
| Impact of hyperinflation   | -                                   | 7                                   | -                                  | -                                     | 7                     |
| Dividends paid relating to 2018  | (8,870)                             | -                                   | -                                  | -                                     | (8,870)               |
| Share option schemes and long term incentive<br>plans of subsidiary companies  | 3                                   | -                                   | -                                  | 24                                    | 27                    |
| Transfer of gain on disposal of equity securities at FVOCI<br>to retained profits  | 67                                  | -                                   | -                                  | (67)                                  | -                     |
| Relating to purchase of non-controlling interests  | -                                   | -                                   | -                                  | (199)                                 | (199)                 |
| At 30 June 2019  | 574,374                             | (32,569)                            | (3,716)                            | (344,665)                             | 193,424               |

## 21 Reserves (continued)

|  | Six months ended 30 June 2018         |                                     |                                    |                                       |                       |
|--|---------------------------------------|-------------------------------------|------------------------------------|---------------------------------------|-----------------------|
|  | Attributable to ordinary shareholders |                                     |                                    |                                       | Total<br>HK\$ million |
|  | Retained<br>profits<br>HK\$ million   | Exchange<br>reserve<br>HK\$ million | Hedging<br>reserve<br>HK\$ million | Others <sup>(a)</sup><br>HK\$ million |                       |
| At 1 January 2018  | 547,877                               | (20,642)                            | (2,094)                            | (343,018)                             |                       |
| Profit for the period  | 18,020                                | -                                   | -                                  | -                                     | 18,020                |
| Other comprehensive income (losses)  |                                       |                                     |                                    |                                       |                       |
| Equity securities at FVOCI   |                                       |                                     |                                    |                                       |                       |
| Valuation losses recognised directly in reserves   | -                                     | -                                   | -                                  | (306)                                 | (306)                 |
| Debt securities at FVOCI   |                                       |                                     |                                    |                                       |                       |
| Valuation losses recognised directly in reserves   | -                                     | -                                   | -                                  | (55)                                  | (55)                  |
| Remeasurement of defined benefit obligations<br>recognised directly in reserves  | 439                                   | -                                   | -                                  | -                                     | 439                   |
| Cash flow hedges (forward foreign exchange contracts,<br>cross currency interest rate swap contracts and<br>interest rate swap contracts)                |                                       |                                     |                                    |                                       |                       |
| Gains recognised directly in reserves  | -                                     | -                                   | 267                                | -                                     | 267                   |
| Cost of hedging previously accumulated in reserves recognised<br>in income statement   | -                                     | -                                   | (17)                               | -                                     | (17)                  |
| Gains on net investment hedges (forward foreign exchange<br>contracts) recognised directly in reserves   | -                                     | 1,151                               | -                                  | -                                     | 1,151                 |
| Losses on translating overseas subsidiaries' net assets<br>recognised directly in reserves   | -                                     | (1,861)                             | -                                  | -                                     | (1,861)               |
| Losses previously in other reserves related to subsidiaries<br>and joint ventures disposed during the period transferred<br>directly to retained profits | (3)                                   | -                                   | -                                  | 3                                     | -                     |
| Share of other comprehensive income (losses) of associated<br>companies  | 107                                   | (1,300)                             | 126                                | (40)                                  | (1,107)               |
| Share of other comprehensive income (losses) of joint ventures   | 194                                   | (1,344)                             | 141                                | (20)                                  | (1,029)               |
| Tax relating to components of other comprehensive<br>income (losses)   | (66)                                  | -                                   | (40)                               | -                                     | (106)                 |
| Other comprehensive income (losses), net of tax  | 671                                   | (3,354)                             | 477                                | (418)                                 | (2,624)               |
| Hedging reserve gains transferred to the carrying value<br>of non-financial item during the period   | -                                     | -                                   | (4)                                | -                                     | (4)                   |
| Dividends paid relating to 2017  | (7,985)                               | -                                   | -                                  | -                                     | (7,985)               |
| Redemption of perpetual capital securities   | -                                     | 1,740                               | -                                  | -                                     | 1,740                 |
| Share option schemes and long term incentive<br>plans of subsidiary companies  | -                                     | -                                   | -                                  | (5)                                   | (5)                   |
| Transfer of loss on disposal of equity securities at FVOCI<br>to retained profits  | (78)                                  | -                                   | -                                  | 78                                    | -                     |
| Relating to purchase of non-controlling interests  | -                                     | -                                   | -                                  | (28)                                  | (28)                  |
| Relating to partial disposal of subsidiary companies   | -                                     | 3                                   | -                                  | (10)                                  | (7)                   |
| At 30 June 2018  | 558,505                               | (22,253)                            | (1,621)                            | (343,401)                             | 191,230               |

(a) Other reserves comprise revaluation reserve and other capital reserves. As at 30 June 2019, revaluation reserve deficit amounted to HK\$3,134 million (1 January 2019 - HK\$2,985 million, 30 June 2018 - HK\$1,753 million and 1 January 2018 - HK\$1,452 million), and other capital reserves deficit amounted to HK\$341,531 million (1 January 2019 - HK\$341,361 million, 30 June 2018 - HK\$341,648 million and 1 January 2018 - HK\$341,566 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.



## 22 Notes to condensed 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

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2019                     | 2018         |
|   | HK\$ million             | HK\$ million |
| <b>Profit after tax</b>   | <b>22,301</b>            | 22,248       |
| Less: share of profits less losses of                                       |                          |              |
| Associated companies  | (3,562)                  | (4,089)      |
| Joint ventures  | (3,893)                  | (6,221)      |
|   | <b>14,846</b>            | 11,938       |
| Adjustments for:  |                          |              |
| Current tax charge  | 2,390                    | 1,939        |
| Deferred tax charge (credit)  | 476                      | (395)        |
| Interest expenses and other finance costs                                   | 6,920                    | 4,335        |
| Depreciation and amortisation   | 19,374                   | 8,855        |
| Others  | 313                      | 103          |
|   | <b>44,319</b>            | 26,775       |
| <b>EBITDA of Company and subsidiaries</b> <sup>(i)</sup>                    | <b>44,319</b>            | 26,775       |
| Loss on disposal of fixed assets  | 58                       | 36           |
| Dividends received from associated companies and joint ventures             | 4,859                    | 9,836        |
| Profit on disposal of subsidiaries, associated companies and joint ventures | (412)                    | (33)         |
| Other items   |                          |              |
| Customer acquisition and retention costs capitalised in the period          | (1,430)                  | (472)        |
| Others  | 253                      | (174)        |
|   | <b>47,647</b>            | 35,968       |

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2019                     | 2018         |
|  | HK\$ million             | HK\$ million |
| (i) Reconciliation of EBITDA:                              |                          |              |
| EBITDA of Company and subsidiaries                         | 44,319                   | 26,775       |
| Divestiture of infrastructure investments                  | (961)                    | -            |
|  | <b>43,358</b>            | 26,775       |
| Share of EBITDA of associated companies and joint ventures |                          |              |
| Share of profits less losses:                              |                          |              |
| Associated companies                                       | 3,562                    | 4,089        |
| Joint ventures   | 3,893                    | 6,221        |
| Adjustments for:   |                          |              |
| Depreciation and amortisation                              | 10,184                   | 11,242       |
| Interest expenses and other finance costs                  | 3,547                    | 4,579        |
| Current tax charge   | 1,517                    | 1,720        |
| Deferred tax charge  | 76                       | 1,000        |
| Non-controlling interests                                  | 222                      | 176          |
| Others   | (313)                    | (103)        |
|  | <b>22,688</b>            | 28,924       |
| EBITDA (see notes 3(b)(i) and 3(b)(xiii))                  | <b>66,046</b>            | 55,699       |

## 22 Notes to condensed consolidated statement of cash flows (continued)

### (b) Changes in working capital

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2019                     | 2018           |
|   | HK\$ million             | HK\$ million   |
| Increase in inventories                 | (530)                    | (1,163)        |
| Increase in trade and other receivables | (1,954)                  | (531)          |
| Decrease in trade and other payables    | (9,683)                  | (4,578)        |
| Other non-cash items                    | 1,656                    | (981)          |
|   | <b>(10,511)</b>          | <b>(7,253)</b> |

### (c) Purchase of subsidiary companies

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

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2019                     | 2018         |
|  | HK\$ million             | HK\$ million |
| Purchase consideration transferred:                                |                          |              |
| Cash and cash equivalents paid                                     | -                        | 38           |
| Fair value of investments held by the Company prior to acquisition | -                        | 278          |
|  | -                        | 316          |
| Fair value   |                          |              |
| Fixed assets   | -                        | 191          |
| Deferred tax assets  | -                        | 2            |
| Cash and cash equivalents  | -                        | 67           |
| Trade receivables and other current assets                         | -                        | 105          |
| Inventories  | -                        | 51           |
| Creditors and current tax liabilities                              | -                        | (144)        |
| Bank and other debts   | -                        | (2)          |
| Deferred tax liabilities   | -                        | (1)          |
| Net identifiable assets acquired                                   | -                        | 269          |
| Non-controlling interests  | -                        | (44)         |
|  | -                        | 225          |
| Goodwill   | -                        | 91           |
|  | -                        | 316          |
| Net cash outflow (inflow) arising from acquisition:                |                          |              |
| Cash and cash equivalents paid                                     | -                        | 38           |
| Cash and cash equivalents acquired                                 | -                        | (67)         |
|  | -                        | (29)         |

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

During the comparative six months ended 30 June 2018, acquisition related costs of approximately HK\$2 million had been charged to income statement during the period and included in the line item titled other operating expenses.

The contribution to the Group's revenue and profit before tax from these subsidiaries acquired during the six months ended 30 June 2018 since the respective date of acquisition was not material.

## 22 Notes to condensed consolidated statement of cash flows (continued)

### (d) Disposal of subsidiary companies

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2019                     | 2018         |
|   | HK\$ million             | HK\$ million |
| Consideration received or receivable  |                          |              |
| Cash and cash equivalents   | -                        | -            |
| Investments retained subsequent to disposal   | 345                      | -            |
| Total disposal consideration  | 345                      | -            |
| Carrying amount of net liabilities disposed   | 293                      | -            |
| Cumulative exchange loss in respect of the net assets of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries | (5)                      | -            |
| Gain on disposal*   | 633                      | -            |
| Net cash outflow on disposal of subsidiaries  |                          |              |
| Cash and cash equivalents received as consideration   | -                        | -            |
| Less: Cash and cash equivalents disposed  | (187)                    | -            |
| Total net cash consideration  | (187)                    | -            |
| Analysis of assets and liabilities over which control was lost  |                          |              |
| Fixed assets  | 126                      | -            |
| Right-of-use assets   | 692                      | -            |
| Deferred tax assets   | 9                        | -            |
| Trade and other receivables   | 185                      | -            |
| Inventories   | 208                      | -            |
| Trade and other payables and current tax liabilities  | (812)                    | -            |
| Leases liabilities  | (884)                    | -            |
| Non-controlling interests   | (4)                      | -            |
| Net liabilities (excluding cash and cash equivalents) disposed  | (480)                    | -            |
| Cash and cash equivalents disposed  | 187                      | -            |
| Net liabilities disposed  | (293)                    | -            |

\* The gain on disposal for the six months ended 30 June 2019 is recognised in the consolidated income statement and is included in the line item titled other operating expenses.

## 22 Notes to condensed 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 changes in liabilities arising from financing activities:

|   | Bank and<br>other<br>debts | Lease<br>liabilities | Interest<br>bearing<br>loans from<br>non-<br>controlling<br>shareholders | Interest<br>free loan<br>from non-<br>controlling<br>shareholders | Liabilities<br>relating<br>to the<br>economic<br>benefits<br>agreements | Total        |
|---|----------------------------|----------------------|--|---|---|--------------|
|   | HK\$ million               | HK\$ million         | HK\$ million   | HK\$ million  | HK\$ million  | HK\$ million |
| At 31 December 2018, as previously reported, and<br>1 January 2019                                    | 351,556                    | -                    | 752  | 385   | 14,308  | 367,001      |
| Effect of adoption of HKFRS 16 (see note 29)  | (174)                      | 92,130               | -  | -   | -   | 91,956       |
| At 1 January 2019, as adjusted  | 351,382                    | 92,130               | 752  | 385   | 14,308  | 458,957      |
| Financing cash flows  |                            |                      |  |   |   |              |
| New borrowings  | 21,707                     | -                    | -  | -   | -   | 21,707       |
| Repayment of borrowings   | (27,605)                   | -                    | -  | -   | -   | (27,605)     |
| Capital element of lease liabilities paid   | -                          | (8,643)              | -  | -   | -   | (8,643)      |
| Interest element of lease liabilities paid  | -                          | (1,986)              | -  | -   | -   | (1,986)      |
| Net loans to non-controlling shareholders   | -                          | -                    | (2)  | -   | -   | (2)          |
| Non-cash changes  |                            |                      |  |   |   |              |
| Amortisation of loan facilities fees and premiums or discounts<br>relating to borrowings (see note 5) | 100                        | -                    | -  | -   | -   | 100          |
| Losses arising on adjustment for hedged items in a designated<br>fair value hedge                     | 174                        | -                    | -  | -   | -   | 174          |
| Amortisation of bank and other debts' fair value adjustments<br>arising from acquisitions             | (641)                      | -                    | -  | -   | -   | (641)        |
| Increase in lease liabilities from entering into new leases<br>during the period (see note 10)        | -                          | 6,288                | -  | -   | -   | 6,288        |
| Interest on lease liabilities (see note 5)  | -                          | 1,627                | -  | -   | -   | 1,627        |
| Relating to subsidiaries disposed (see note 22(d))  | -                          | (884)                | -  | -   | -   | (884)        |
| Exchange translation differences  | (1,347)                    | 359                  | 1  | -   | -   | (987)        |
| Transfer to liabilities directly associated with assets<br>classified as held for sale (see note 16)  | (1,236)                    | (6)                  | (5)  | -   | -   | (1,247)      |
| At 30 June 2019   | 342,534                    | 88,885               | 746  | 385   | 14,308  | 446,858      |
| At 1 January 2018   | 331,988                    | -                    | 3,143  | 389   | -   | 335,520      |
| Financing cash flows  |                            |                      |  |   |   |              |
| New borrowings  | 21,679                     | -                    | -  | -   | -   | 21,679       |
| Repayment of borrowings   | (15,892)                   | -                    | -  | -   | -   | (15,892)     |
| Net loans to non-controlling shareholders   | -                          | -                    | (2)  | (4)   | -   | (6)          |
| Non-cash changes  |                            |                      |  |   |   |              |
| Amortisation of loan facilities fees and premiums or discounts<br>relating to borrowings (see note 5) | 100                        | -                    | -  | -   | -   | 100          |
| Gains arising on adjustment for hedged items in a designated<br>fair value hedge                      | (195)                      | -                    | -  | -   | -   | (195)        |
| Amortisation of bank and other debts' fair value adjustments<br>arising from acquisitions             | (759)                      | -                    | -  | -   | -   | (759)        |
| Relating to subsidiaries acquired (see note 22(c))  | 2                          | -                    | -  | -   | -   | 2            |
| Exchange translation differences  | (2,380)                    | -                    | (19)   | -   | -   | (2,399)      |
| At 30 June 2018   | 334,543                    | -                    | 3,122  | 385   | -   | 338,050      |

## 23 Contingent liabilities

At 30 June 2019, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$4,138 million (31 December 2018 - HK\$4,138 million).

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

|                         | <b>30 June<br/>2019<br/>HK\$ million</b> | 31 December<br>2018<br>HK\$ million |
|-------------------------|--|-------------------------------------|
| To associated companies | <b>2,807</b>                             | 2,777                               |
| To joint ventures       | <b>728</b>                               | 728                                 |

At 30 June 2019, the Group had provided performance and other guarantees of HK\$2,900 million (31 December 2018 - HK\$2,885 million).

## 24 Commitments

There have been no material changes in the total amount of capital commitments since 31 December 2018 except for the amounts taken up during the period in the normal course of business.

## 25 Related parties transactions

There have been no material changes in the total amount of outstanding balances with associated companies and joint ventures since 31 December 2018.

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Saved as disclosed elsewhere in the Interim Financial Statements, transactions between the Group and other related parties during the period are not significant to the Group. No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

## 26 Legal proceedings

At 30 June 2019, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

## 27 Subsequent events

Saved as disclosed elsewhere in the Interim Financial Statements, the followings are the material events and transactions entered subsequent to 30 June 2019:

In July 2019, the Group has sold 9% interest in Hutchison China Meditech Limited for a cash proceed of approximately US\$280 million with the shareholding reduced from 60.15% to 51.15%.

In July 2019, the Group formed a new wholly-owned telecommunications holding company, CK Hutchison Group Telecom Holdings (“CK Hutchison Telecom”), which consolidates the Group’s European operations and HTHKH under one holding entity. The CK Hutchison Telecom Group will refinance all the existing external debt of Wind Tre of approximately €10 billion and be separately rated with an expected investment grade rating from all three credit rating agencies. Correspondingly, the CK Hutchison Telecom Group will also set up a new telecommunications infrastructure company, CK Hutchison Networks Holdings, which will group the 28,500 tower asset interests into a separately managed wholly-owned subsidiary of CK Hutchison Telecom.

## 28 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 six months ended, 30 June 2019, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

## 29 Changes in significant accounting policies

### (a) HKFRS 16

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

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

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

HKFRS 16 has no impact on:

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

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

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

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

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

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

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

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

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

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

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

## 29 Changes in significant accounting policies (continued)

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

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

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

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

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

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

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

### (c) Reconciliation from lease commitments to lease liabilities

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

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

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

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

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

## 29 Changes in significant accounting policies (continued)

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

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

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

|   | 31 December 2018<br>As previously<br>reported<br>HK\$ million | Effect on<br>adoption of<br>HKFRS 16<br>HK\$ million | 1 January 2019<br>As adjusted<br>HK\$ million |
|---|---|--|---|
| <b>Non-current assets</b>   |   |  |   |
| Fixed assets  | 110,605   | (560)  | 110,045                                       |
| Right-of-use assets   | -   | 83,157   | 83,157  |
| Leasehold land  | 7,702   | (7,702)  | -   |
| Telecommunications licences   | 64,221  | -  | 64,221  |
| Brand names and other rights  | 88,761  | -  | 88,761  |
| Goodwill  | 323,160   | -  | 323,160                                       |
| Associated companies  | 136,287   | (36)   | 136,251                                       |
| Interests in joint ventures   | 118,053   | (709)  | 117,344                                       |
| Deferred tax assets   | 20,260  | 1,632  | 21,892  |
| Liquid funds and other listed investments                               | 9,292   | -  | 9,292   |
| Other non-current assets  | 10,717  | 315  | 11,032  |
|   | <b>889,058</b>  | <b>76,097</b>  | <b>965,155</b>                                |
| <b>Current assets</b>   |   |  |   |
| Cash and cash equivalents   | 135,411   | -  | 135,411                                       |
| Inventories   | 23,410  | -  | 23,410  |
| Trade receivables and other current assets                              | 63,826  | (2,829)  | 60,997  |
|   | <b>222,647</b>  | <b>(2,829)</b>                                       | <b>219,818</b>                                |
| Assets classified as held for sale                                      | 120,539   | 342  | 120,881                                       |
|   | <b>343,186</b>  | <b>(2,487)</b>                                       | <b>340,699</b>                                |
| <b>Current liabilities</b>  |   |  |   |
| Bank and other debts  | 25,986  | (34)   | 25,952  |
| Lease liabilities   | -   | 15,713   | 15,713  |
| Current tax liabilities   | 2,071   | -  | 2,071   |
| Trade payables and other current liabilities                            | 116,272   | (2,027)  | 114,245                                       |
|   | <b>144,329</b>  | <b>13,652</b>  | <b>157,981</b>                                |
| Liabilities directly associated with assets classified as held for sale | 77,600  | 368  | 77,968  |
|   | <b>221,929</b>  | <b>14,020</b>  | <b>235,949</b>                                |
| Net current assets  | 121,257   | (16,507)   | 104,750                                       |
| Total assets less current liabilities                                   | 1,010,315   | 59,590   | 1,069,905                                     |
| <b>Non-current liabilities</b>  |   |  |   |
| Bank and other debts  | 325,570   | (140)  | 325,430                                       |
| Lease liabilities   | -   | 76,417   | 76,417  |
| Interest bearing loans from non-controlling shareholders                | 752   | -  | 752   |
| Deferred tax liabilities  | 19,261  | (988)  | 18,273  |
| Pension obligations   | 2,443   | -  | 2,443   |
| Other non-current liabilities   | 71,466  | -  | 71,466  |
|   | <b>419,492</b>  | <b>75,289</b>  | <b>494,781</b>                                |
| <b>Net assets</b>   | <b>590,823</b>  | <b>(15,699)</b>                                      | <b>575,124</b>                                |
| <b>Capital and reserves</b>   |   |  |   |
| Share capital   | 3,856   | -  | 3,856   |
| Share premium   | 244,377   | -  | 244,377                                       |
| Reserves  | 197,918   | (11,812)   | 186,106                                       |
| Total ordinary shareholders' funds                                      | 446,151   | (11,812)   | 434,339                                       |
| Perpetual capital securities  | 12,326  | -  | 12,326  |
| Non-controlling interests   | 132,346   | (3,887)  | 128,459                                       |
| <b>Total equity</b>   | <b>590,823</b>  | <b>(15,699)</b>                                      | <b>575,124</b>                                |



## 29 Changes in significant accounting policies (continued)

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

(ii) Consolidated income statement for the six months ended 30 June 2019

|   | For the six months ended 30 June 2019  |  |   |
|---|--|--|---|
|   | As presented<br>under accounting<br>policies pre<br>1 January 2019<br>HK\$ million | Effect on<br>adoption of<br>HKFRS 16<br>HK\$ million | As presented<br>under accounting<br>policies from<br>1 January 2019<br>HK\$ million |
| Revenue   | 147,620  | -  | 147,620   |
| Cost of inventories sold  | (51,888)   | -  | (51,888)  |
| Staff costs   | (19,308)   | -  | (19,308)  |
| Expensed customer acquisition and retention costs   | (8,677)  | 239  | (8,438)   |
| Depreciation and amortisation   | (11,028)   | (8,346)  | (19,374)  |
| Other operating expenses  | (33,896)   | 9,916  | (23,980)  |
| Share of profits less losses of:  |  |  |   |
| Associated companies  | 3,577  | (15)   | 3,562   |
| Joint ventures  | 3,985  | (92)   | 3,893   |
|   | 30,385   | 1,702  | 32,087  |
| Interest expenses and other finance costs   | (5,293)  | (1,627)  | (6,920)   |
| <b>Profit before tax</b>  | <b>25,092</b>  | <b>75</b>  | <b>25,167</b>   |
| Current tax   | (2,389)  | (1)  | (2,390)   |
| Deferred tax  | (495)  | 19   | (476)   |
| <b>Profit after tax</b>   | <b>22,208</b>  | <b>93</b>  | <b>22,301</b>   |
| <b>Profit attributable to non-controlling interests and holders of perpetual capital securities</b> | <b>(4,008)</b>   | <b>31</b>  | <b>(3,977)</b>  |
| <b>Profit attributable to ordinary shareholders</b>   | <b>18,200</b>  | <b>124</b>   | <b>18,324</b>   |
| <b>Earnings per share for profit attributable to ordinary shareholders</b>                          | <b>HK\$ 4.72</b>   | <b>HK\$ 0.03</b>                                     | <b>HK\$ 4.75</b>  |

## 29 Changes in significant accounting policies (continued)

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

(iii) Consolidated statement of comprehensive income for the six months ended 30 June 2019

|  | For the six months ended 30 June 2019  |  |   |
|--|--|--|---|
|  | As presented<br>under accounting<br>policies pre<br>1 January 2019<br>HK\$ million | Effect on<br>adoption of<br>HKFRS 16<br>HK\$ million | As presented<br>under accounting<br>policies from<br>1 January 2019<br>HK\$ million |
| <b>Profit after tax</b>  | 22,208   | 93   | 22,301  |
| <b>Other comprehensive income (losses)</b>   |  |  |   |
| <b>Items that will not be reclassified to profit or loss:</b>  |  |  |   |
| Remeasurement of defined benefit obligations recognised directly<br>in reserves  | (230)  | -  | (230)   |
| Equity securities at FVOCI   |  |  |   |
| Valuation losses recognised directly in reserves   | (233)  | -  | (233)   |
| Share of other comprehensive income of associated companies  | 110  | -  | 110   |
| Share of other comprehensive income of joint ventures  | 459  | -  | 459   |
| Tax relating to items that will not be reclassified to profit or loss  | 41   | -  | 41  |
|  | 147  | -  | 147   |
| <b>Items that have been reclassified or may be subsequently reclassified to<br/>profit or loss:</b>  |  |  |   |
| Debt securities at FVOCI   |  |  |   |
| Valuation gains (losses) recognised directly in reserves   | 96   | -  | 96  |
| Cash flow hedges (forward foreign exchange contracts, cross currency<br>interest rate swap contracts and interest rate swap contracts)                         |  |  |   |
| Gains (losses) recognised directly in reserves   | (717)  | -  | (717)   |
| Gains (losses) on net investment hedges (forward foreign exchange<br>contracts and cross currency swap contracts) recognised<br>directly in reserves           | (66)   | -  | (66)  |
| Losses on translating overseas subsidiaries' net assets recognised<br>directly in reserves   | (175)  | (278)  | (453)   |
| Losses previously in reserves related to subsidiaries, associated<br>companies and joint ventures disposed during the period recognised<br>in income statement | 130  | -  | 130   |
| Share of other comprehensive income (losses) of associated companies   | (422)  | -  | (422)   |
| Share of other comprehensive income (losses) of joint ventures   | (1,430)  | 4  | (1,426)   |
| Tax relating to items that have been reclassified or may be subsequently<br>reclassified to profit or loss   | 83   | -  | 83  |
|  | (2,501)  | (274)  | (2,775)   |
| Other comprehensive income (losses), net of tax  | (2,354)  | (274)  | (2,628)   |
| <b>Total comprehensive income</b>  | 19,854   | (181)  | 19,673  |
| <b>Total comprehensive income attributable to non-controlling interests<br/>and holders of perpetual capital securities</b>                                    | (3,414)  | 129  | (3,285)   |
| <b>Total comprehensive income attributable to ordinary shareholders</b>  | 16,440   | (52)   | 16,388  |

## 29 Changes in significant accounting policies (continued)

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

(iv) Consolidated statement of financial position on 30 June 2019

|   | As at 30 June 2019 |                 |                  |
|---|--------------------|-----------------|------------------|
|   | As presented       | Effect on       | As presented     |
|   | under accounting   | adoption of     | under accounting |
|   | policies pre       | HKFRS 16        | policies from    |
|   | 1 January 2019     | HK\$ million    | 1 January 2019   |
|   | HK\$ million       | HK\$ million    | HK\$ million     |
| <b>Non-current assets</b>   |                    |                 |                  |
| Fixed assets  | 111,389            | (557)           | 110,832          |
| Right-of-use assets   | -                  | 80,215          | 80,215           |
| Leasehold land  | 7,481              | (7,481)         | -                |
| Telecommunications licences   | 64,412             | -               | 64,412           |
| Brand names and other rights  | 87,924             | -               | 87,924           |
| Goodwill  | 321,996            | -               | 321,996          |
| Associated companies  | 134,674            | (51)            | 134,623          |
| Interests in joint ventures   | 118,523            | (797)           | 117,726          |
| Deferred tax assets   | 20,294             | 1,692           | 21,986           |
| Liquid funds and other listed investments                               | 7,886              | -               | 7,886            |
| Other non-current assets  | 11,533             | 309             | 11,842           |
|   | 886,112            | 73,330          | 959,442          |
| <b>Current assets</b>   |                    |                 |                  |
| Cash and cash equivalents   | 122,159            | -               | 122,159          |
| Inventories   | 23,616             | -               | 23,616           |
| Trade receivables and other current assets                              | 65,906             | (3,753)         | 62,153           |
|   | 211,681            | (3,753)         | 207,928          |
| Assets classified as held for sale                                      | 121,416            | 264             | 121,680          |
|   | 333,097            | (3,489)         | 329,608          |
| <b>Current liabilities</b>  |                    |                 |                  |
| Bank and other debts  | 34,915             | (33)            | 34,882           |
| Lease liabilities   | -                  | 14,586          | 14,586           |
| Current tax liabilities   | 1,625              | 1               | 1,626            |
| Trade payables and other current liabilities                            | 105,205            | (2,307)         | 102,898          |
|   | 141,745            | 12,247          | 153,992          |
| Liabilities directly associated with assets classified as held for sale | 79,114             | 290             | 79,404           |
|   | 220,859            | 12,537          | 233,396          |
| Net current assets  | 112,238            | (16,026)        | 96,212           |
| Total assets less current liabilities                                   | 998,350            | 57,304          | 1,055,654        |
| <b>Non-current liabilities</b>  |                    |                 |                  |
| Bank and other debts  | 307,768            | (116)           | 307,652          |
| Lease liabilities   | -                  | 74,299          | 74,299           |
| Interest bearing loans from non-controlling shareholders                | 746                | -               | 746              |
| Deferred tax liabilities  | 19,672             | (999)           | 18,673           |
| Pension obligations   | 2,515              | -               | 2,515            |
| Other non-current liabilities   | 71,286             | -               | 71,286           |
|   | 401,987            | 73,184          | 475,171          |
| <b>Net assets</b>   | <b>596,363</b>     | <b>(15,880)</b> | <b>580,483</b>   |
| <b>Capital and reserves</b>   |                    |                 |                  |
| Share capital   | 3,856              | -               | 3,856            |
| Share premium   | 244,377            | -               | 244,377          |
| Reserves  | 205,288            | (11,864)        | 193,424          |
| Total ordinary shareholders' funds                                      | 453,521            | (11,864)        | 441,657          |
| Perpetual capital securities  | 12,326             | -               | 12,326           |
| Non-controlling interests   | 130,516            | (4,016)         | 126,500          |
| <b>Total equity</b>   | <b>596,363</b>     | <b>(15,880)</b> | <b>580,483</b>   |

## 29 Changes in significant accounting policies (continued)

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

(v) Consolidated statement of cash flows for the six months ended 30 June 2019

|  | For the six months ended 30 June 2019 |              |                  |
|--|---------------------------------------|--------------|------------------|
|  | As presented                          | Effect on    | As presented     |
|  | under accounting                      |              | under accounting |
|  | policies pre                          | adoption of  | policies from    |
|  | 1 January 2019                        | HKFRS 16     | 1 January 2019   |
|  | HK\$ million                          | HK\$ million | HK\$ million     |
| <b>Operating activities</b>  | (A)                                   |              | (B)              |
| Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital | 37,492                                | 10,155       | 47,647           |
| Interest expenses and other finance costs paid (net of capitalisation)   | (5,560)                               | (1,627)      | (7,187)          |
| Tax paid   | (3,302)                               | -            | (3,302)          |
| <b>Funds from operations (Funds from operations under (B) is before payment of lease liabilities)</b>                              | 28,630                                | 8,528        | 37,158           |
| Changes in working capital   | (10,603)                              | 92           | (10,511)         |
| <b>Net cash from operating activities</b>  | 18,027                                | 8,620        | 26,647           |
| <b>Investing activities</b>  |                                       |              |                  |
| Purchase of fixed assets   | (12,537)                              | -            | (12,537)         |
| Additions to telecommunications licences   | (1,071)                               | -            | (1,071)          |
| Additions to brand names and other rights  | (660)                                 | -            | (660)            |
| Additions to other unlisted investments  | (5)                                   | -            | (5)              |
| Repayments from associated companies and joint ventures  | 238                                   | -            | 238              |
| Purchase of and advances to associated companies and joint ventures  | (504)                                 | -            | (504)            |
| Proceeds on disposal of fixed assets   | 51                                    | -            | 51               |
| Proceeds on disposal of subsidiary companies   | (187)                                 | -            | (187)            |
| Proceeds on disposal of associated companies and joint ventures  | 2,388                                 | -            | 2,388            |
| Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments                | (12,287)                              | -            | (12,287)         |
| Disposal of liquid funds and other listed investments  | 169                                   | -            | 169              |
| Additions to liquid funds and other listed investments   | (2)                                   | -            | (2)              |
| <b>Cash flows used in investing activities</b>   | (12,120)                              | -            | (12,120)         |
| <b>Net cash inflow before financing activities</b>   | 5,907                                 | 8,620        | 14,527           |
| <b>Financing activities</b>  |                                       |              |                  |
| New borrowings   | 21,707                                | -            | 21,707           |
| Repayment of borrowings  | (27,628)                              | 23           | (27,605)         |
| Payment of lease liabilities   | -                                     | (8,643)      | (8,643)          |
| Net loans to non-controlling shareholders  | (2)                                   | -            | (2)              |
| Payment to acquire additional interests in subsidiary companies  | (478)                                 | -            | (478)            |
| Dividends paid to ordinary shareholders  | (8,870)                               | -            | (8,870)          |
| Dividends paid to non-controlling interests  | (4,774)                               | -            | (4,774)          |
| Distribution paid on perpetual capital securities  | (241)                                 | -            | (241)            |
| <b>Cash flows used in financing activities</b>   | (20,286)                              | (8,620)      | (28,906)         |
| Decrease in cash and cash equivalents  | (14,379)                              | -            | (14,379)         |
| Cash and cash equivalents at 1 January   | 138,996                               | -            | 138,996          |
| <b>Cash and cash equivalents at 30 June</b>  | 124,617                               | -            | 124,617          |

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

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

### 30 Fair value measurements

#### (a) 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<br>HKFRS 9 | 30 June 2019                       |                                | 31 December 2018                   |                                |  |
|--|---------|---------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|--|
|  |         |                                 | Carrying<br>amount<br>HK\$ million | Fair<br>values<br>HK\$ million | Carrying<br>amount<br>HK\$ million | Fair<br>values<br>HK\$ million |  |
| <b>Financial assets</b>                                      |         |                                 |                                    |                                |                                    |                                |  |
| Liquid funds and other listed investments                    |         |                                 |                                    |                                |                                    |                                |  |
| Cash and cash equivalents (included in Managed funds)        | 12      | Amortised cost                  | 43                                 | 43                             | 66                                 | 66                             |  |
| Listed equity securities, Hong Kong                          | 12      | FVOCI                           | 2,459                              | 2,459                          | 2,909                              | 2,909                          |  |
| Listed equity securities, outside Hong Kong                  | 12      | FVOCI                           | 229                                | 229                            | 208                                | 208                            |  |
| Listed equity securities (included in Managed funds)         | 12      | FVOCI                           | 177                                | 177                            | 154                                | 154                            |  |
| Listed debt securities (included in Managed funds)           | 12      | FVOCI                           | 4,889                              | 4,889                          | 4,770                              | 4,770                          |  |
| Listed / traded debt securities, outside Hong Kong           | 12 & 15 | FVOCI                           | 1,121                              | 1,121                          | 1,089                              | 1,089                          |  |
| Financial assets at fair value through profit or loss        | 12      | FVPL                            | 89                                 | 89                             | 96                                 | 96                             |  |
| Unlisted investments   |         |                                 |                                    |                                |                                    |                                |  |
| Unlisted debt securities                                     | 13      | Amortised cost                  | 170                                | 170                            | 170                                | 170                            |  |
| Unlisted equity securities                                   | 13      | FVOCI                           | 1,967                              | 1,967                          | 1,953                              | 1,953                          |  |
| Unlisted equity securities                                   | 13      | FVPL                            | 636                                | 636                            | 641                                | 641                            |  |
| Unlisted debt securities                                     | 13      | FVPL                            | 308                                | 308                            | 318                                | 318                            |  |
| Derivative financial instruments                             |         |                                 |                                    |                                |                                    |                                |  |
| Fair value hedges - Interest rate swaps                      | 13 & 15 | Fair value - hedges             | 76                                 | 76                             | 19                                 | 19                             |  |
| Cash flow hedges   |         |                                 |                                    |                                |                                    |                                |  |
| Cross currency interest rate swaps                           | 13      | Fair value - hedges             | 718                                | 718                            | 317                                | 317                            |  |
| Net investment hedges  |         |                                 |                                    |                                |                                    |                                |  |
| Forward foreign exchange contracts                           | 13 & 15 | Fair value - hedges             | 2,649                              | 2,649                          | 2,588                              | 2,588                          |  |
| Cross currency swaps   | 13      | Fair value - hedges             | 444                                | 444                            | 427                                | 427                            |  |
| Other derivative financial instruments                       | 13      | FVPL                            | 349                                | 349                            | 167                                | 167                            |  |
| Cash and cash equivalents                                    | 14      | Amortised cost                  | 122,159                            | 122,159                        | 135,411                            | 135,411                        |  |
| Trade receivables  | 15      | Amortised cost                  | 17,336                             | 17,336                         | 19,255                             | 19,255                         |  |
| Other receivables  | 15      | Amortised cost                  | 18,583                             | 18,583                         | 18,682                             | 18,682                         |  |
|  |         |                                 | <b>174,402</b>                     | <b>174,402</b>                 | <b>189,240</b>                     | <b>189,240</b>                 |  |
| <b>Financial liabilities</b>                                 |         |                                 |                                    |                                |                                    |                                |  |
| Bank and other debts <sup>(i)</sup>                          | 17      | Amortised cost                  | 342,534                            | 347,619                        | 351,556                            | 343,527                        |  |
| Lease liabilities  |         | Amortised cost                  | 88,885                             | 88,885                         | -                                  | -                              |  |
| Trade payables   | 18      | Amortised cost                  | 28,275                             | 28,275                         | 29,233                             | 29,233                         |  |
| Derivative financial instruments                             |         |                                 |                                    |                                |                                    |                                |  |
| Fair value hedges - Interest rate swaps                      | 19      | Fair value - hedges             | -                                  | -                              | 116                                | 116                            |  |
| Cash flow hedges   |         |                                 |                                    |                                |                                    |                                |  |
| Interest rate swaps  | 18 & 19 | Fair value - hedges             | 632                                | 632                            | 381                                | 381                            |  |
| Cross currency interest rate swaps                           | 18 & 19 | Fair value - hedges             | 730                                | 730                            | 928                                | 928                            |  |
| Forward foreign exchange contracts                           | 18      | Fair value - hedges             | 8                                  | 8                              | 2                                  | 2                              |  |
| Other contracts  | 18 & 19 | Fair value - hedges             | 16                                 | 16                             | -                                  | -                              |  |
| Net investment hedges  |         |                                 |                                    |                                |                                    |                                |  |
| Forward foreign exchange contracts                           | 18 & 19 | Fair value - hedges             | 55                                 | 55                             | 6                                  | 6                              |  |
| Cross currency swaps   | 19      | Fair value - hedges             | 83                                 | 83                             | 45                                 | 45                             |  |
| Other derivative financial instruments                       | 18 & 19 | FVPL                            | 538                                | 538                            | 481                                | 481                            |  |
| Interest free loans from non-controlling shareholders        | 18      | Amortised cost                  | 385                                | 385                            | 385                                | 385                            |  |
| Other payables and accruals                                  | 18      | Amortised cost                  | 63,771                             | 63,771                         | 76,244                             | 76,244                         |  |
| Interest bearing loans from non-controlling shareholders     |         | Amortised cost                  | 746                                | 746                            | 752                                | 752                            |  |
| Obligations for telecommunications licences and other rights | 19      | Amortised cost                  | 10,178                             | 10,178                         | 9,613                              | 9,613                          |  |
| Liabilities relating to the economic benefits agreements     | 19      | Amortised cost                  | 14,308                             | 14,308                         | 14,308                             | 14,308                         |  |
|  |         |                                 | <b>551,144</b>                     | <b>556,229</b>                 | <b>484,050</b>                     | <b>476,021</b>                 |  |

- (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.

### 30 Fair value measurements (continued)

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

|                                   | 30 June 2019    |                | 31 December 2018 |              |
|-----------------------------------|-----------------|----------------|------------------|--------------|
|                                   | Carrying amount | Fair values    | Carrying amount  | Fair values  |
|                                   | HK\$ million    | HK\$ million   | HK\$ million     | HK\$ million |
| Representing:                     |                 |                |                  |              |
| Financial assets measured at      |                 |                |                  |              |
| Amortised cost                    | 158,291         | 158,291        | 173,584          | 173,584      |
| FVOCI                             | 10,842          | 10,842         | 11,083           | 11,083       |
| FVPL                              | 1,382           | 1,382          | 1,222            | 1,222        |
| Fair value - hedges               | 3,887           | 3,887          | 3,351            | 3,351        |
|                                   | <b>174,402</b>  | <b>174,402</b> | 189,240          | 189,240      |
| Financial liabilities measured at |                 |                |                  |              |
| Amortised cost                    | 549,082         | 554,167        | 482,091          | 474,062      |
| FVPL                              | 538             | 538            | 481              | 481          |
| Fair value - hedges               | 1,524           | 1,524          | 1,478            | 1,478        |
|                                   | <b>551,144</b>  | <b>556,229</b> | 484,050          | 476,021      |

### 30 Fair value measurements (continued)

#### (b) 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    | 30 June 2019            |                         |                         |                       | 31 December 2018        |                         |                         |                       |
|---|---------|-------------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-------------------------|-----------------------|
|   |         | Level 1<br>HK\$ million | Level 2<br>HK\$ million | Level 3<br>HK\$ million | Total<br>HK\$ million | Level 1<br>HK\$ million | Level 2<br>HK\$ million | Level 3<br>HK\$ million | Total<br>HK\$ million |
| <b>Financial assets</b>                               |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Liquid funds and other listed investments             |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Listed equity securities, Hong Kong                   | 12      | 2,459                   | -                       | -                       | 2,459                 | 2,909                   | -                       | -                       | 2,909                 |
| Listed equity securities, outside Hong Kong           | 12      | 229                     | -                       | -                       | 229                   | 208                     | -                       | -                       | 208                   |
| Listed equity securities (included in Managed funds)  | 12      | 177                     | -                       | -                       | 177                   | 154                     | -                       | -                       | 154                   |
| Listed debt securities (included in Managed funds)    | 12      | 4,889                   | -                       | -                       | 4,889                 | 4,770                   | -                       | -                       | 4,770                 |
| Listed / traded debt securities, outside Hong Kong    | 12 & 15 | 199                     | 922                     | -                       | 1,121                 | 201                     | 888                     | -                       | 1,089                 |
| Financial assets at fair value through profit or loss | 12      | 89                      | -                       | -                       | 89                    | 96                      | -                       | -                       | 96                    |
| Unlisted investments                                  |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Unlisted equity securities - FVOCI                    | 13      | -                       | -                       | 1,967                   | 1,967                 | -                       | -                       | 1,953                   | 1,953                 |
| Unlisted equity securities - FVPL                     | 13      | -                       | 46                      | 590                     | 636                   | -                       | 46                      | 595                     | 641                   |
| Unlisted debt securities                              | 13      | -                       | 140                     | 168                     | 308                   | -                       | 143                     | 175                     | 318                   |
| Derivative financial instruments                      |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Fair value hedges - Interest rate swaps               | 13 & 15 | -                       | 76                      | -                       | 76                    | -                       | 19                      | -                       | 19                    |
| Cash flow hedges                                      |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Cross currency interest rate swaps                    | 13      | -                       | 718                     | -                       | 718                   | -                       | 317                     | -                       | 317                   |
| Net investment hedges                                 |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Forward foreign exchange contracts                    | 13 & 15 | -                       | 2,649                   | -                       | 2,649                 | -                       | 2,588                   | -                       | 2,588                 |
| Cross currency swaps                                  | 13      | -                       | 444                     | -                       | 444                   | -                       | 427                     | -                       | 427                   |
| Other derivative financial instruments                | 13      | -                       | 349                     | -                       | 349                   | -                       | 167                     | -                       | 167                   |
|   |         | <b>8,042</b>            | <b>5,344</b>            | <b>2,725</b>            | <b>16,111</b>         | <b>8,338</b>            | <b>4,595</b>            | <b>2,723</b>            | <b>15,656</b>         |
| <b>Financial liabilities</b>                          |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Derivative financial instruments                      |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Fair value hedges - Interest rate swaps               | 19      | -                       | -                       | -                       | -                     | -                       | 116                     | -                       | 116                   |
| Cash flow hedges                                      |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Interest rate swaps                                   | 18 & 19 | -                       | 632                     | -                       | 632                   | -                       | 381                     | -                       | 381                   |
| Cross currency interest rate swaps                    | 18 & 19 | -                       | 730                     | -                       | 730                   | -                       | 928                     | -                       | 928                   |
| Forward foreign exchange contracts                    | 18      | -                       | 8                       | -                       | 8                     | -                       | 2                       | -                       | 2                     |
| Other contracts                                       | 18 & 19 | -                       | 16                      | -                       | 16                    | -                       | -                       | -                       | -                     |
| Net investment hedges                                 |         |                         |                         |                         |                       |                         |                         |                         |                       |
| Forward foreign exchange contracts                    | 18 & 19 | -                       | 55                      | -                       | 55                    | -                       | 6                       | -                       | 6                     |
| Cross currency swaps                                  | 19      | -                       | 83                      | -                       | 83                    | -                       | 45                      | -                       | 45                    |
| Other derivative financial instruments                | 18 & 19 | -                       | 538                     | -                       | 538                   | -                       | 481                     | -                       | 481                   |
|   |         | -                       | <b>2,062</b>            | -                       | <b>2,062</b>          | -                       | <b>1,959</b>            | -                       | <b>1,959</b>          |

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 six months ended 30 June 2019 and 2018, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

### 30 Fair value measurements (continued)

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

##### *Level 3 fair values*

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

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2019                     | 2018         |
|  | HK\$ million             | HK\$ million |
| At 1 January   | 2,723                    | 2,649        |
| Total gains (losses) recognised in   |                          |              |
| Income statement   | (6)                      | (2)          |
| Other comprehensive income   | 9                        | (9)          |
| Additions  | 4                        | 579          |
| Disposals  | -                        | (4)          |
| Exchange translation differences   | (5)                      | (10)         |
|  | <hr/>                    | <hr/>        |
| At 30 June   | 2,725                    | 3,203        |
|  | <hr/>                    | <hr/>        |
| Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period | (6)                      | (2)          |

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.



# Group Capital Resources and Other Information

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## 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 period or remain outstanding at the end of the period. 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 30 June 2019, 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 2018: 39% floating; 61% 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\$47,088 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 30 June 2019 (31 December 2018: 27% floating; 73% 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<sup>(1)</sup> for the first half of 2019 was HK\$53,988 million, of which 55% was derived from European operations, including 22% from the UK. At 30 June 2019, of the Group's total principal amount of bank and other debts after currency swap arrangements, 55% and 4% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 7% Euro and 6% British Pounds denominated cash and cash equivalents. As a result, 84% and 2% of the Group's consolidated net debt<sup>(2)</sup> of HK\$212,455 million were denominated in Euro and British Pounds respectively. Net assets<sup>(3)</sup> was HK\$596,363 million, with 13% and 25% attributable to Continental Europe and UK operations respectively.

At 30 June 2019, the Group's total principal amount of bank and other debts were denominated as follows: 40% in Euro, 45% in US dollars, 3% in HK dollars, 4% 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\$52,260 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, were denominated as follows: 55% in Euro, 30% in US dollars, 3% in HK dollars, 4% in British Pounds and 8% in other currencies.

### 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, S&P and Fitch remained at A2 (stable outlook), A (stable outlook) and A- (stable outlook) respectively. 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 7% (31 December 2018 - approximately 6%) 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\$131,166 million at 30 June 2019, a decrease of 9% from the balance of HK\$144,703 million at 31 December 2018, mainly reflecting dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings and capital expenditure and investment spending, partly offset by the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings. Liquid assets were denominated as to 25% in HK dollars, 47% in US dollars, 6% in Renminbi, 7% in Euro, 6% in British Pounds and 9% in other currencies.

Cash and cash equivalents represented 93% (31 December 2018 - 94%) of the liquid assets, US Treasury notes and listed/traded debt securities 5% (31 December 2018 - 4%) and listed equity securities 2% (31 December 2018 - 2%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 53%, government and government guaranteed notes of 20%, notes issued by the Group's associated company, Husky Energy of 3%, notes issued by financial institutions of 1% and others of 23%. Of these US Treasury notes and listed/traded debt securities, 81% 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.

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$65,689 million.

Note 2: Under Post-IFRS 16 basis, consolidated net debt was HK\$212,306 million.

Note 3: Under Post-IFRS 16 basis, net assets was HK\$580,483 million.

## Cash Flow

EBITDA in the first half of 2019 was HK\$53,988 million, a decrease of 2% compared to HK\$55,350 million for the same period last year. Consolidated funds from operations ("FFO")<sup>(4)</sup> was HK\$28,630 million for the first half of 2019, flat against the same period last year of HK\$28,614 million.

The Group's capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for the first half of 2019 amounted to HK\$10,686 million (30 June 2018 - HK\$13,116 million). Capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for the ports and related services division amounted to HK\$811 million (30 June 2018 - HK\$1,285 million); for the retail division HK\$954 million (30 June 2018 - HK\$1,142 million); for the infrastructure division HK\$113 million (30 June 2018 - HK\$2,502 million); for 3 Group Europe HK\$7,365 million (30 June 2018 - HK\$4,536 million); for HTHKH HK\$154 million (30 June 2018 - HK\$282 million); for HAT HK\$1,131 million (30 June 2018 - HK\$3,300 million); and for the finance and investments and others segment HK\$158 million (30 June 2018 - HK\$69 million).

The Group's dividends received from associated companies and joint ventures for the first half of 2019 amounted to HK\$4,859 million (30 June 2018 - HK\$9,836 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$775 million (30 June 2018 - HK\$1,135 million); for the retail division HK\$814 million (30 June 2018 - HK\$918 million); for the infrastructure division HK\$2,466 million (30 June 2018 - HK\$7,092 million); for Husky HK\$586 million (30 June 2018 - HK\$185 million); and for the finance and investments and others segment HK\$218 million (30 June 2018 - HK\$506 million).

The Group's purchases of and advances to associated companies and joint ventures amounted to HK\$504 million (30 June 2018 - HK\$1,074 million). Purchases of and advances to associated companies and joint ventures for the retail division HK\$31 million (30 June 2018 - Nil); for the infrastructure division HK\$255 million (30 June 2018 - HK\$94 million); for HTHKH HK\$26 million (30 June 2018 - HK\$42 million); and for the finance and investments and others segment HK\$192 million (30 June 2018 - HK\$938 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 "Condensed Consolidated Statement of Cash Flows" section of this Announcement.

## Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 30 June 2019 amounted to HK\$343,621 million (31 December 2018 - HK\$352,668 million) which comprises principal amount of bank and other debts of HK\$338,471 million (31 December 2018 - HK\$346,918 million) and unamortised fair value adjustments arising from acquisitions of HK\$5,150 million (31 December 2018 - HK\$5,750 million). The Group's total principal amount of bank and other debts at 30 June 2019 consist of 66% notes and bonds (31 December 2018 - 66%) and 34% bank and other loans (31 December 2018 - 34%). The Group's weighted average cost of debt for the period ended 30 June 2019 is 2.1% (30 June 2018 - 2.4%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totaled HK\$746 million as at 30 June 2019 (31 December 2018 - HK\$752 million).

The maturity profile of the Group's total principal amount of bank and other debts at 30 June 2019 is set out below:

|                          | HK\$ | US\$ | Euro | GBP | Others | Total |
|--------------------------|------|------|------|-----|--------|-------|
| In the remainder of 2019 | —    | 3%   | —    | 1%  | —      | 4%    |
| In 2020                  | 1%   | 4%   | 5%   | 2%  | 1%     | 13%   |
| In 2021                  | 1%   | 3%   | 9%   | —   | 1%     | 14%   |
| In 2022                  | 1%   | 5%   | 10%  | —   | 5%     | 21%   |
| In 2023                  | —    | 1%   | 9%   | —   | 1%     | 11%   |
| In 2024 - 2028           | —    | 10%  | 21%  | 1%  | —      | 32%   |
| In 2029 - 2038           | —    | 4%   | 1%   | —   | —      | 5%    |
| Beyond 2038              | —    | —    | —    | —   | —      | —     |
| Total                    | 3%   | 30%  | 55%  | 4%  | 8%     | 100%  |

Note 4: Under Post-IFRS 16 basis, FFO amounted to HK\$37,158 million and represents funds from operations before payment of lease liabilities, where such payments are included under "Cash flows used in financing activities".

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.

## Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in the first half of 2019 were as follows:

- In February 2019, partially repaid EUR450 million (approximately HK\$4,010 million) of a floating rate loan facility of EUR3,000 million maturing in November 2022;
- In April, repaid USD1,500 million (approximately HK\$11,700 million) principal amount of fixed rate notes on maturity;
- In April, repaid a floating rate loan facility of SEK1,786 million (approximately HK\$1,500 million) on maturity; and
- In April, issued USD750 million (approximately HK\$5,850 million) guaranteed notes due 2024 and USD750 million (approximately HK\$5,850 million) guaranteed notes due 2029;

Furthermore, the significant debt financing activities undertaken by the Group subsequent to the period ended 30 June 2019 were as follows,

- In July, prepaid GBP165 million (approximately HK\$1,642 million) of a floating rate loan facility maturing in October 2021; and
- In July, obtained a bridging loan facility of EUR10,400 million (approximately HK\$90,480 million) for up to a maximum period of 18 months.

## Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities<sup>(5)</sup> increased to HK\$465,847 million as at 30 June 2019, compared to HK\$458,477 million as at 31 December 2018, reflecting the Group's profit for the first half of 2019, partly offset by 2018 final dividends and distributions paid and other items recognised directly in reserves.

As at 30 June 2019, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$212,455 million (31 December 2018 - HK\$207,965 million), a 2% increase compared to the net debt at the beginning of the year primarily due to the net effect of dividend payments, capital expenditure and investment spending and positive funds from operations. The Group's consolidated net debt to net total capital ratio<sup>(6)</sup> was 26.2% as at 30 June 2019 (31 December 2018 - 26.0%). The Group's consolidated cash and liquid investments as at 30 June 2019 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2022.

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$3,050 million (30 June 2018: HK\$2,877 million) in the first half of 2019 was HK\$2,510 million (30 June 2018: HK\$1,690 million). EBITDA of HK\$53,988 million (30 June 2018: HK\$55,350 million) and FFO excluding net interest<sup>(7)</sup> of HK\$31,140 million (30 June 2018: HK\$30,534 million) for the period covered consolidated net interest expenses and other finance costs 20.3 times (30 June 2018 - 31.0 times) and 12.4 times (30 June 2018 - 18.1 times) respectively.

## Secured Financing

At 30 June 2019, assets of the Group totalling HK\$111,983 million (31 December 2018 - HK\$111,017 million) were pledged as security for bank loans.

## Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 30 June 2019 amounted to the equivalent of HK\$11,572 million (31 December 2018 - HK\$14,402 million).

## Contingent Liabilities

At 30 June 2019, 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 2018 - HK\$4,138 million), of which HK\$3,535 million (31 December 2018 - HK\$3,505 million) has been drawn down as at 30 June 2019 and also provided performance and other guarantees of HK\$2,900 million (31 December 2018 - HK\$2,885 million).

Note 5: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities was HK\$453,983 million.

Note 6: Under Post-IFRS 16 basis, net debt to net total capital ratio was 26.7%.

Note 7: Under Post-IFRS 16 basis, FFO excluding net interest was HK\$41,295 million.

## Employee Relations

At 30 June 2019, the Company and its subsidiaries employed 187,222 people (30 June 2018 – 182,895 people). The employee costs for the six-month period, excluding Directors' emoluments, totalled HK\$21,337 million (2018 – HK\$19,338 million). Including the Group's associated companies, at 30 June 2019, the Group employed 300,665 people of whom 19,603 were employed in Hong Kong. All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. Certain subsidiaries and associates of the Group offer various equity-linked compensation elements appropriate to their sectors and markets. A wide range of benefits including medical coverage, provident funds and retirement plans and long service awards is also provided to employees. In addition, training and development programmes are provided on an on-going basis throughout the Group. Many social, sporting and recreational activities are arranged for employees on a Group-wide basis. Group employees also participated in community-oriented events.

## Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## Compliance with the Corporate Governance Code

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 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.

The Company has complied throughout the six months ended 30 June 2019 with all code provisions of the Corporate Governance 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 composition of the nomination committee.

## Roles of Chairman and Chief Executive

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. Following the appointment of Mr Li as Chairman of the Company in May 2018, Mr Li continued to hold the position of Group Co-Managing Director. Accordingly, with Mr Fok acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared between Mr Li and Mr Fok with no single individual having unfettered management decision-making power. Further, the Board of Directors (the "Board") of the Company 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.

## Composition of the 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.

## Compliance with the Model Code for Securities Transactions by Directors

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 confirmed that they had complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2019.

## Review of Interim Financial Statements

The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2019 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report of PricewaterhouseCoopers is set out on page 26 in the Announcement. The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2019 have also been reviewed by the Audit Committee of the Company.

## Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Tuesday, 3 September 2019. In order to qualify for the interim dividend payable on Thursday, 12 September 2019, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Tuesday, 3 September 2019.

## Corporate Strategy

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place emphasis on achieving recurring and predictable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group continues to focus on disciplined management of revenue growth, margin and costs, disciplined management of capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities and organic growth in sectors or geographies where we have strong management experience and resources and technology transformation to capture new cost and revenue opportunities in all businesses. At the same time, the Group maintains an equal focus on maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced maturity profile and actively managing cash flow and working capital. The Group continues to explore opportunities to enhance shareholders' returns, which include potential telecom infrastructure divestures and solidifying strategic alliances with global technology partners. The Chairman's Statement and the Operations Highlights contained in the 2019 interim results announcement and the Operations Analysis which is posted on the Company's website (<http://www.ckh.com.hk/en/ir/presentation.php>), include 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 objective.

## Past Performance and Forward Looking Statements

The performance and the results of the operations of the Group contained in the 2019 interim results announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within the 2019 interim results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in the 2019 interim results announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

As at the date of this announcement, the Directors of the Company are:

**Executive Directors:**

Mr LI Tzar Kuoi, Victor (*Chairman and Group Co-Managing Director*)  
Mr FOK Kin Ning, Canning (*Group Co-Managing Director*)  
Mr Frank John SIXT (*Group Finance Director and Deputy Managing Director*)  
Mr IP Tak Chuen, Edmond (*Deputy Managing Director*)  
Mr KAM Hing Lam (*Deputy Managing Director*)  
Mr LAI Kai Ming, Dominic (*Deputy Managing Director*)  
Ms Edith SHIH

**Non-executive Directors:**

Mr CHOW Kun Chee, Roland  
Mrs CHOW WOO Mo Fong, Susan  
Mr LEE Yeh Kwong, Charles  
Mr LEUNG Siu Hon  
Mr George Colin MAGNUS

**Independent Non-executive Directors:**

Mr KWOK Tun-li, Stanley  
Mr CHENG Hoi Chuen, Vincent  
The Hon Sir Michael David KADOORIE  
Ms LEE Wai Mun, Rose  
Mr William Elkin MOCATTA  
*(Alternate to The Hon Sir Michael David Kadoorie)*  
Mr William SHURNIAK  
Mr WONG Chung Hin  
Dr WONG Yick-ming, Rosanna