Hutchison Telecom
Hong Kong Holdings

#digitalisation #transformation

2018 ANNUAL REPORT

Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 215)

A member of CK Hutchison Holdings

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)

Co-Deputy Chairmen and Non-executive Directors

LUI Dennis Pok Man, BSc

WOO Chiu Man, Cliff, BSc

Executive Director

KOO Sing Fai, BSc
Chief Executive Officer

Non-executive Directors

LAI Kai Ming, Dominic, BSc, MBA
(also Alternate to FOK Kin Ning, Canning and Edith SHIH)

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

MA Lai Chee, Gerald, BCom, MA
(Alternate to LAI Kai Ming, Dominic)

Independent Non-executive Directors

CHEONG Ying Chew, Henry, BSc, MSc
(also Alternate to WONG Yick Ming, Rosanna)

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry

NOMINATION COMMITTEE *(Note)*

FOK Kin Ning, Canning *(Chairman)*

LUI Dennis Pok Man

WOO Chiu Man, Cliff

KOO Sing Fai

LAI Kai Ming, Dominic

Edith SHIH

CHEONG Ying Chew, Henry

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

COMPANY SECRETARY

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Note: Established on 1 January 2019

Financial Highlights

	2018 [1] HK$ million	2017 HK$ million	Change
Revenue [2]	***7,912***	*6,752*	*+17%*
Service revenue	***3,662***	*3,853*	*-5%*
Hardware revenue	***4,250***	*2,899*	*+47%*
EBITDA [2]	***1,157***	*1,267*	*-9%*
Service EBITDA [2]	***1,108***	*1,209*	*-8%*
EBIT [2]	***339***	*398*	*-15%*
Profit attributable to shareholders from recurring operations	***404***	*222*	*+82%*
Gain on disposal of subsidiaries and other items [3]	***-***	*4,544*	*-100%*
Profit attributable to shareholders	***404***	*4,766*	*-92%*
Recurring earnings per share (in HK cents) [4]	**8.38**	4.61	+82%
Earnings per share (in HK cents)	**8.38**	98.90	-92%
Special interim dividend per share (in HK cents)	**80.00**	-	N/A
Final dividend per share (in HK cents)	**3.20**	4.55	-30%
Full year dividend per share (in HK cents)	**86.30**	8.45	+921%

Notes:

(1) The Group had changed its accounting policies with effect from 1 January 2018 as a result of adopting IFRS 15 Revenue from Contracts with Customers. In previous reporting years, the incremental costs of obtaining telecommunications service contracts were recognised in the consolidated income statement when incurred. Under IFRS 15, certain incremental costs are required to be capitalised as an asset when incurred, and amortised over the enforceable contract period. Please refer to Note 2(c)(ii)-(iii) of this annual report for further details.

(2) The comparative figures of these items were extracted from recurring operations.

(3) Gain on disposal of subsidiaries and other items in 2017 included disposal gain of the fixed-line business of HK$5,614 million, one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets, and profit after taxation from discontinued operations of HK$321 million.

(4) Recurring earnings per share was calculated based on the profit attributable to shareholders from recurring operations of HK$404 million (2017: HK$222 million) divided by the weighted average number of ordinary shares issued.

Corporate Profile and Awards

The Group is primarily engaged in provision of advanced mobile services under the **3** brand in Hong Kong and Macau.


1

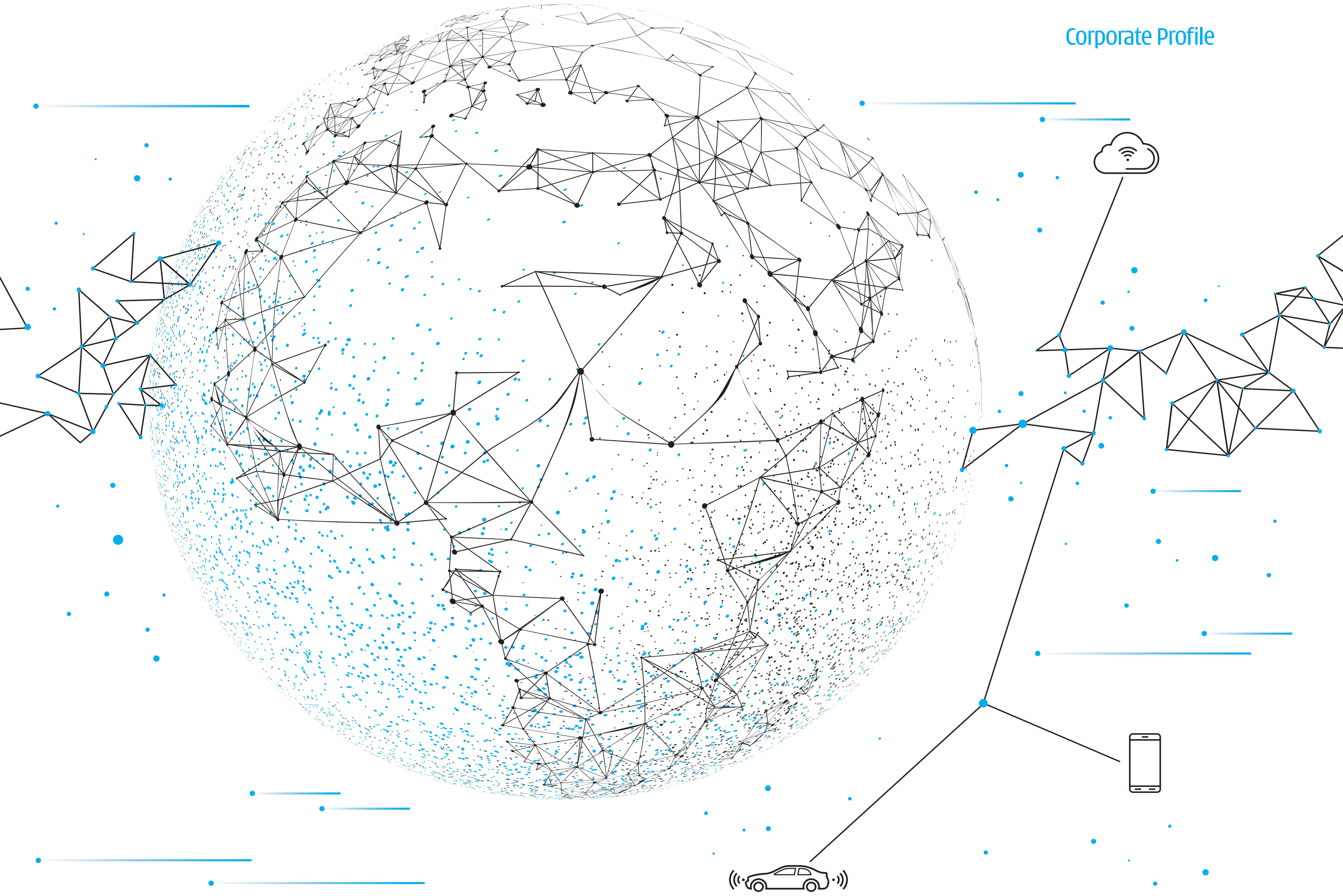
Corporate Profile

HTHKH continues to invest in mobile communications to reinforce its industry leadership.

Hutchison Telecommunications Hong Kong Holdings Limited (HTHKH; stock code: 215) and its subsidiaries (together referred to as "the Group") is one of the leading telecommunications operators in Hong Kong and Macau, holding more than 30 years' industry experience. In October 2017, the Group disposed of its fixed-line interests to focus on mobile business. Proceeds from the transaction enable HTHKH to continue investing in mobile, thereby reinforcing its industry leadership and ensuring a strong financial position. HGC Global Communications Limited is a key supplier of fixed-line services to HTHKH after the disposal of fixed-line interests. The two entities maintain a co-operative commercial relationship.

HTHKH is listed on the Main Board of the Stock Exchange and features in various Hang Seng indexes such as the Composite Index, Composite Industry Index – Telecommunications, Composite LargeCap & MidCap Index, Composite MidCap Index, Composite MidCap & SmallCap Index, Corporate Sustainability Benchmark Index, SCHK HK Companies Index, SCHK ex-AH Companies Index, Stock Connect Hong Kong Index and Stock Connect Hong Kong MidCap & SmallCap Index.

3 Hong Kong unveils its "3.OneWorld" strategy to redefine mobile communications.



3 Hong Kong pursues a customer-centric philosophy.

The 3LIVE flagship store offers customers a wide variety of telecoms products and services.

The Group is primarily engaged in provision of advanced mobile services in Hong Kong and Macau under the **3** brand. **3** Hong Kong is the only local operator to own blocks of spectrum across the 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2600 MHz bands.

3 Hong Kong provides cutting-edge data, voice and roaming services, as well as an NB-IoT network that extends throughout Hong Kong and is ready to carry commercial applications. The Group draws on a worldwide ecosystem to build IoT platforms for homes, cities and industries, while helping them build their own IoT applications.

Close ties between **3** entities and the CKHH Group, as well as relationships with other global carriers, help us to develop value-for-money roaming packages offering extensive overseas coverage.

3 Macau provides territory-wide 4G LTE service and is one of Macau's largest mobile telecommunications service providers.

Awards

Corporate

15 Years Plus Caring Company
The Hong Kong Council of Social Service

9th Asia's Best Employer Brand Awards - Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress & Stars of the Industry Group

Charter on External Lighting: Platinum Award
Environment Bureau

Eco-healthy Workplace Awards Labelling Scheme
World Green Organisation

Hong Kong Green Organisation Certification - Energywi$e Certificate - Excellence
Environmental Campaign Committee

Indoor Air Quality Certificate: Good Class
Environmental Protection Department

United Nations Sustainable Development Goals - Green Office Awards Labelling Scheme
World Green Organisation

Web Accessibility Recognition Scheme: Gold Award
Hong Kong Internet Registration Corporation Limited and Office of the Government Chief Information Officer

Operations

Asia's Telecom Excellence Awards - Best Operator of the Year
CMO Asia

Award for Excellence in Branding and Marketing
- Award for Brand Excellence in Telecom Services
- Brand Revitalisation Award

CMO Asia

CAHK STAR Awards
- Innovative Enterprise: Silver Award
- Smart City Award: Bronze Award
- Best Brand Campaign: Certificate of Merit
- Best Mobile Network Operator: Certificate of Merit
- Digital Marketing: Certificate of Merit

Communications Association of Hong Kong

e-brand Awards (DIGI Category)
- The Best of Mobile Broadband Service
- The Best of Mobile Gaming Telecoms Operator
- The Best of NB-IoT Telecoms Operator

e-zone

Family Top Brand: Quality Life Brand - Mobile Communications for Families
family.ESDlife

Hong Kong Brand Leadership Awards
- Award for Brand Excellence in Telecom Services Sector
- Brand Revitalisation Award
- Effective use of Marketing Communication Award

CMO Asia

Hong Kong Design Awards – Services – Corporate
- User-centricity for Three.com.hk: Gold Award

Driven x Design

Hong Kong Design Awards – Digital – New Service or Application
- Disrupt Telcos with **MO**: Gold Award

Driven x Design

Hong Kong Digital Brand Awards - Outstanding Mobile Broadband Service
Metro Broadcast and The Chamber of Hong Kong Computer Industry

Hong Kong Leaders' Choice - Excellent Brand of Mobile Telecommunications Service
Metro Finance

Metro Awards for Brand Excellence - Excellence in Telecoms Products and Services
Metro Daily and Metro Prosperity

Metro Awards for Service Excellence - Excellence in Telecoms Products and Services
Metro Daily and Metro Prosperity

Mob-Ex Awards: My3 App
- Best E-commerce App: Gold Award
- Best User Experience: Gold Award
- Best Reform of App: Silver Award
- Best App - Branded Content: Bronze Award
- Best App - Creative Design: Bronze Award

Marketing Magazine

Mob-Ex Awards: Website of **3** Hong Kong
- Most Innovative Mobile Site: Bronze Award

Marketing Magazine

Platinum Brand: Mobile Telecom Service
PC3mag.com and IT Pro magazine

ROI Awards – Products Category – Service Design (Interaction Design, Experience Design and Service Process Design)
- **3** Hong Kong's 3GAMER Campaign: Silver Award
- **3** Hong Kong website experience upgrade: Bronze Award

ROI Festival Organisation Committee

Stevie Awards - The International Business Awards:
3 Hong Kong's 3GAMER Campaign
- Marketing Campaign of the Year - Internet / Telecom: Bronze Award

The Stevies

Stevie Awards - The International Business Awards:
3 Hong Kong's Fun Sharing Data Campaign
- Branded Utility of the Year: Gold Award
- Small-Budget Marketing Campaign of the Year (<US$3 million / €5 million): Bronze Award
- Communications or PR Campaign of the Year - Marketing - Consumer Services: Bronze Award
- Communications or PR Campaign of the Year - New Product Launch: Bronze Award

The Stevies

Stevie Awards - The International Business Awards:
3 Hong Kong Customer Service Team's Strive to Deliver Superior Services
- Customer Service Team of the Year: Silver Award

The Stevies

Stevie Awards - The International Business Awards:
3 Hong Kong's Privileged Customer Services
- Customer Service Department of the Year: Bronze Award

The Stevies

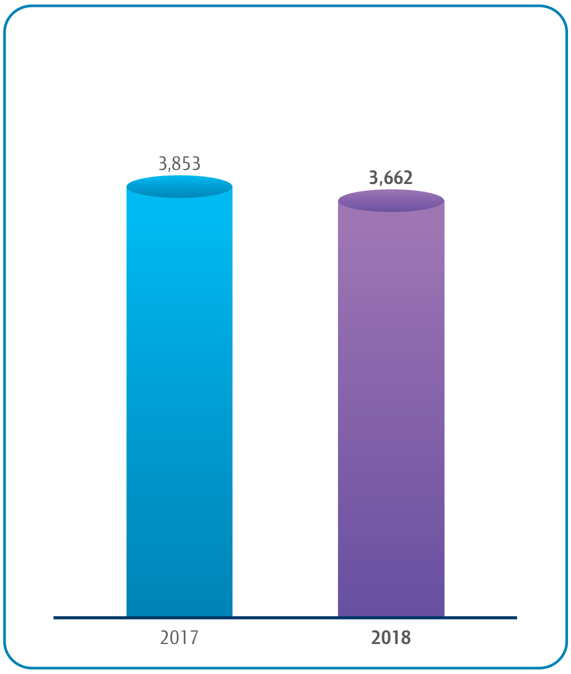
Stevie Awards - The International Business Awards:
3 Hong Kong's Cross-Month and Auto-Refill Top-Up Data Services
- Branded Utility of the Year: Bronze Award
- Communications or PR Campaign of the Year - Marketing - Consumer Services: Bronze Award
- Communications or PR Campaign of the Year - New Product Launch: Bronze Award

The Stevies

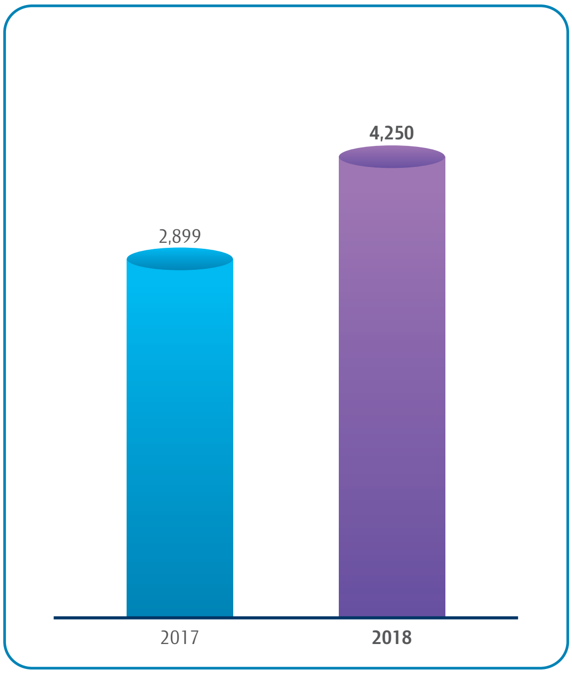
The Best of the Greater Bay Area Awards - Excellence in Telecom Products and Services
Metro Daily and Metro Prosperity

Key Financial Information

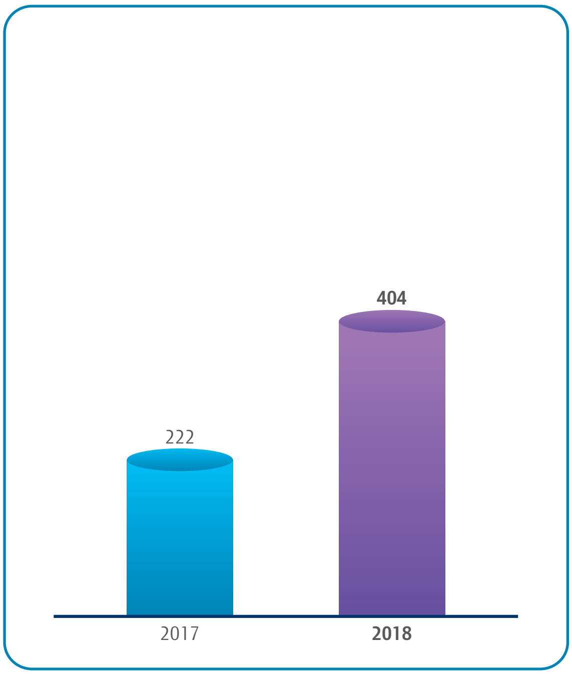
Service Revenue
(in HK$ millions)



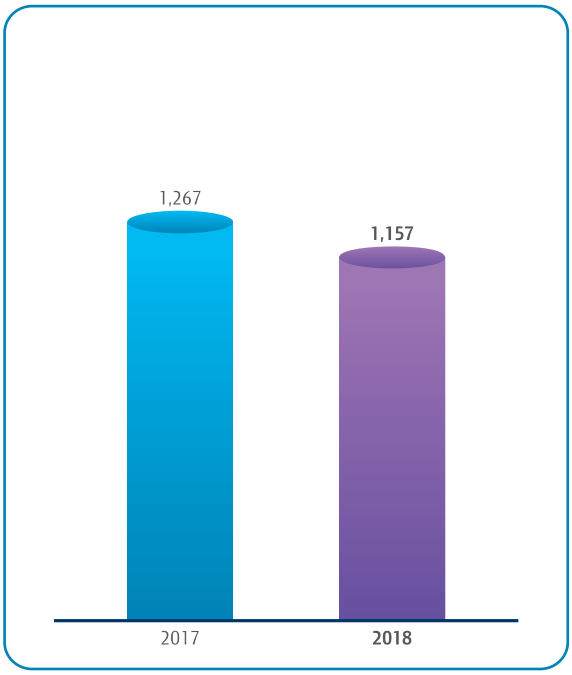
Hardware Revenue
(in HK$ millions)



Profit Attributable to Shareholders of the Company from Recurring Operations
(in HK$ millions)

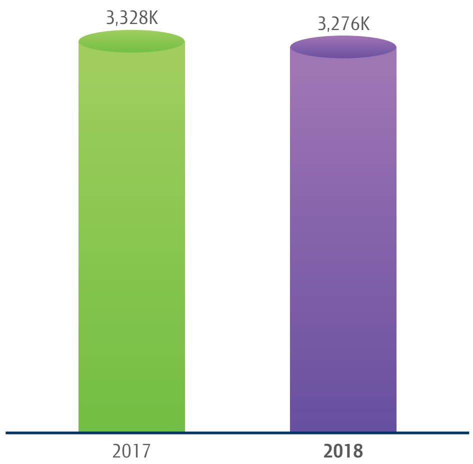


EBITDA
(in HK$ millions)

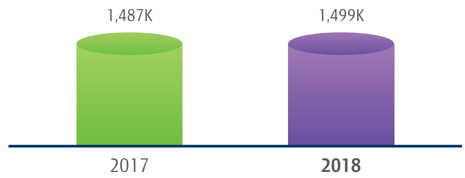


Mobile Key Performance Indicators

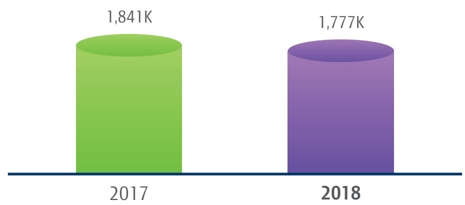
Customer base – Postpaid and Prepaid



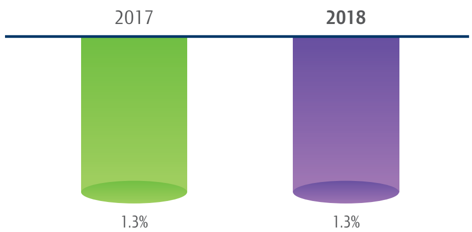
Postpaid



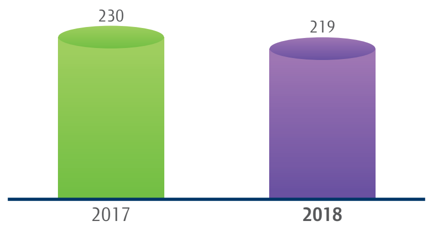
Prepaid



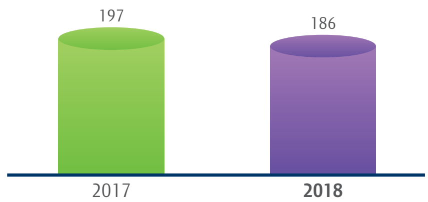
Postpaid Churn



Blended Postpaid Gross ARPU



Blended Postpaid Net ARPU



Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") are pleased to announce annual results for 2018. The Group remained resilient in a challenging operating environment, delivering satisfactory performance and revenue growth, while making progress with digital transformation for efficiency enhancement. The launch of innovative local and roaming products and services, together with deployment of the latest information and online platform technologies, enhanced overall customer experience and improved operational efficiency.

Results

Group revenue amounted to HK$7,912 million in 2018, a 17% increase compared with HK$6,752 million in 2017. Demand for new smartphones remained strong throughout the year with handset revenue growing 47% from HK$2,899 million in 2017 to HK$4,250 million in 2018.

Net customer service margin remained under pressure, partially compensated by improvements in operational efficiency and stringent control over spending. EBITDA decreased by 9% to HK$1,157 million in 2018.

EBIT decreased by 15% to HK$339 million in 2018, primarily driven by the same EBITDA factors noted above, together with additional amortisation of capitalised incremental costs after adoption of the IFRS 15 accounting standard since 1 January 2018. The decrease was partly offset by lower depreciation expense subsequent to an accelerated depreciation exercise involving certain 2G and 3G mobile telecommunications fixed assets in 2017.

Profit attributable to shareholders was HK$404 million, a decrease of 92% compared with HK$4,766 million in 2017. Excluding the gain on disposal of subsidiaries and other items of HK$4,544 million in 2017, with the additional benefits of interest income, the profit attributable to shareholders increased by 82%, while recurring earnings per share was 8.38 HK cents in 2018 (2017: 4.61 HK cents).

As of 31 December 2018, the total number of customers in Hong Kong and Macau was approximately 3.3 million (2017: approximately 3.3 million), of which 46% (2017: 45%) was postpaid customers. Monthly churn rate of postpaid customers remained stable at 1.3% in 2018 (2017: 1.3%) in a fiercely-competitive market. Blended postpaid gross ARPU decreased by 5% from HK$230 in 2017 to HK$219 in 2018.

Dividends

The Board resolved to declare a one-off special interim dividend of 80.00 HK cents (2017: Nil) per share payable on Friday, 24 May 2019 to shareholders whose names appear on the Register of Members of the Company at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the special interim dividend.

Further, the Board recommended payment of a final dividend of 3.20 HK cents (2017: 4.55 HK cents) per share for the year ended 31 December 2018. The proposed final dividend will be payable on Friday, 24 May 2019, following the approval of shareholders at the Annual General Meeting of the Company, to shareholders whose names appear on the Register of Members of the Company at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 3.10 HK cents per share and the special interim dividend of 80.00 HK cents per share, the full year dividend amounts to 86.30 HK cents per share.

Outlook

The Group acquired spectrum resources in the 900 MHz band and 1800 MHz band in 2018 as part of continued efforts to enhance network quality and the overall customer experience. Looking ahead, the Group will continue deploying the latest technologies to further improve spectrum efficiency, while ensuring customers enjoying smooth and reliable mobile service, coinciding with the ongoing surge in demand for mobile data.

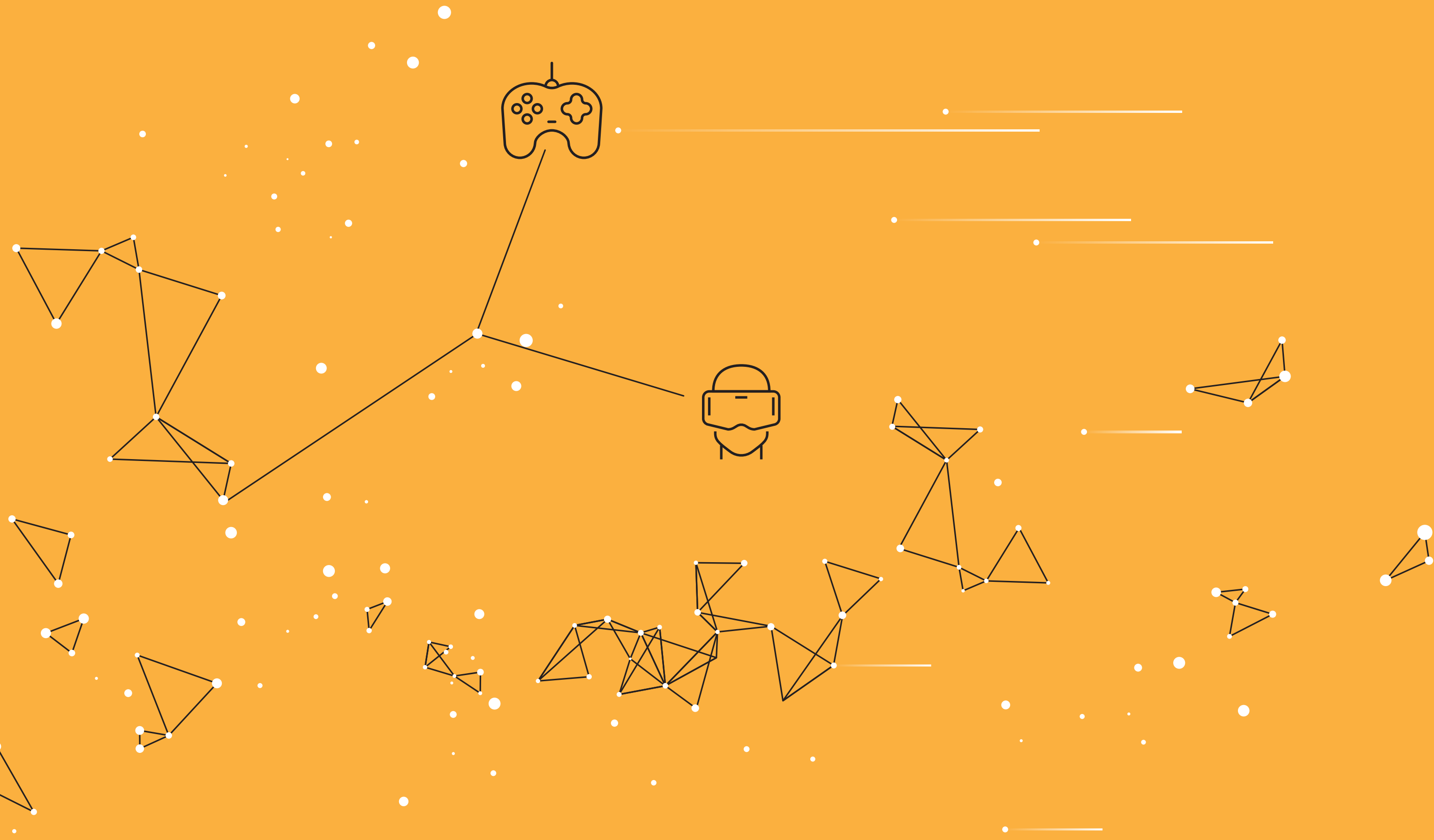
The Group's digitalisation initiatives have been designed to streamline and automate business operations, processes and competencies, and they will be progressively deployed in 2019 and remain a priority of the Group over the next few years. The Group will continue to utilise advanced digital technologies to further enhancing customer experience, while generating incremental revenues and savings in operation.

Pressure on tariff pricing persists as competition is expected to remain keen. The Group will therefore focus on broadening revenue base by opening up new digital services and IoT revenue streams. The Group will continue to collaborate with CKHH Group telecommunications operations in Europe and Asia, as well as with other top-notch telecommunications, internet and technology partners, in order to enhance its procurement capability and develop innovative roaming packages to generate sustainable returns for shareholders over the long term.

Finally, I would like to take this opportunity to thank the Board of Directors and all staff members for their dedication, professionalism and contributions.

FOK Kin Ning, Canning
Chairman

Hong Kong, 28 February 2019



Operations Review

3 Hong Kong promotes Hong Kong as a smart city in preparation for the 5G era and a new digital internet economy.

Operations Review

The lives of our customers will become increasingly more digital in the new era of 5G. Eager to capitalise on this opportunity, **3** Hong Kong is transforming into a digitally-enabled organisation to improve the overall customer experience as part of a masterplan to drive take-up of subscriptions and revenue growth.

Digital Transformation

A digital transformation project has been designed to streamline and automate internal business processes. Key areas covered include customer relationship management, omni-channel and intelligent marketing campaigns, sophisticated product catalogue and order management, enterprise business workflows, digital commerce with convergent billing, comprehensive data analytics and enhanced security.

This transformational journey will enable **3** Hong Kong to respond swiftly to market demands for provision of lifestyle-enhancing services. Advancements in analytics will provide **3** Hong Kong with real-time, predictive and actionable insights, enabling the Group to demonstrate even greater agility when responding to dynamic customer needs.

Promoting Hong Kong as a Smart City

3 Hong Kong promotes Hong Kong as a smart city in preparation for the 5G era and a new digital internet economy. Mobile payment has become a global trend at a time when **3** Hong Kong is keen to reap the benefits of FinTech applications and services. In 2018, for example, **3** Hong Kong offered an eWallet payment facility in collaboration with a global technology and financial services company. This collaboration now provides a secure and simple everyday facility that grants customers hassle-free convenience.

In 2018, **3** Hong Kong entered into strategic co-operation with a global technology company to develop an ecosystem that underpins Hong Kong's new digital internet economy. The move adds impetus to Hong Kong's development as a smart city. **3** Hong Kong's competitive

A four-phase digital transformation project will transform our business operations and enable **3** Hong Kong to achieve an even greater degree of interaction with customers.

advantage in terms of branding, sales channels and operational experience – coupled with a vast pool of big data from a large-scale customer base – will help produce applications for enterprises of all sizes, as well as consumer customers.

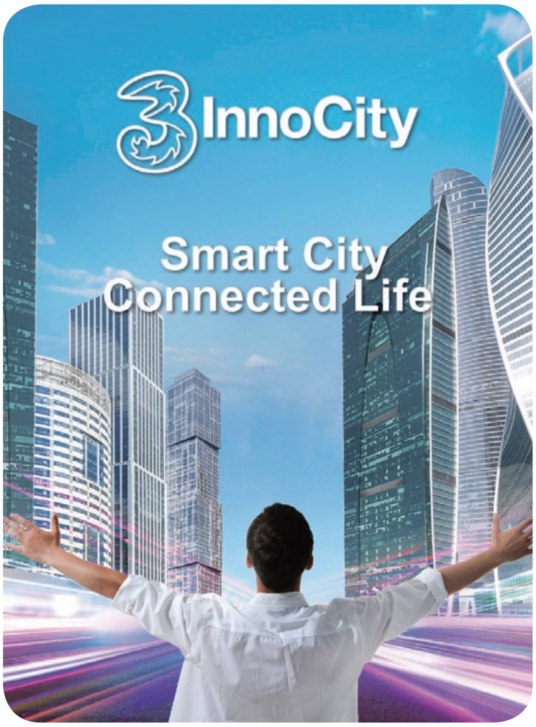
The cloud platform collaboration with this global technology company will help enterprises transform their operations, while creating new business models, opening up fresh revenue streams and generating more opportunities. This will also help accelerate Hong Kong's journey to smart city status.

Propagating a New Digital Internet Economy Ecosystem

The IoT concept is crucial to the development of our industry. And **3** Hong Kong's NB-IoT network now extends throughout Hong Kong and is ready for commercialised applications, following activation in 2017. The Group draws on a worldwide ecosystem in order to build IoT platforms for homes, cities and industries. In 2018, **3** Hong Kong joined hands with solution partners to roll out related NB-IoT solutions for several smart buildings and construction companies.

3 Hong Kong collaborates with start-ups and other sources of talent to develop and promote enterprise IoT solutions with the aim of building an IoT ecosystem. In fact, **3** Hong Kong launched the 3Innocity programme with a view to bringing together innovative technology research companies to accelerate development of related applications. **3** Hong Kong selected projects with market potential and provided companies concerned with network, technology and promotional support. This arrangement also nurtures start-ups in the development of innovative IoT solutions.

In 2018, **3** Hong Kong hosted the Hong Kong Smart Enterprise Digital Summit, which was themed "digital transformation and smart city development". This saw executives and industry leaders from commercial sectors joining forces to exchange ideas and experience in deploying IoT and big data solutions.



- **3** Hong Kong supports 3Innocity projects, enabling companies and researchers to reap the benefits of NB-IoT networking.

Network Excellence

3 Hong Kong is committed to re-farming spectrum to maximise efficiency. Re-farming of the 2100 MHz band was completed in 2018 to enhance 4.5G network capacity and coverage. This helps satisfy ever-increasing demand for data service. **3** Hong Kong is now the only local operator to own blocks of spectrum across the 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2600 MHz bands.

The existing 4.5G service run by **3** Hong Kong took a major step towards the 5G era with official activation of 5CC (Component Carrier) carrier aggregation (CA) network technology. This combines spectrum across **3** Hong Kong's five spectrum bands alongside deployment of advanced technologies such as 4×4 MIMO (Multi-Input Multi-Output), Massive MIMO and 256QAM (Quadrature Amplitude Modulation). Network speed and coverage were enhanced, plus a boost to spectrum efficiency.

In 2018, **3** Hong Kong upgraded existing network architecture, as the industry moved steadily towards 5G and the era of IoT. **3** Hong Kong completed 5G outdoor network trials in the 3.5 GHz and 28 GHz bands and was the first to make a live outdoor broadcast via a 5G network in Hong Kong.

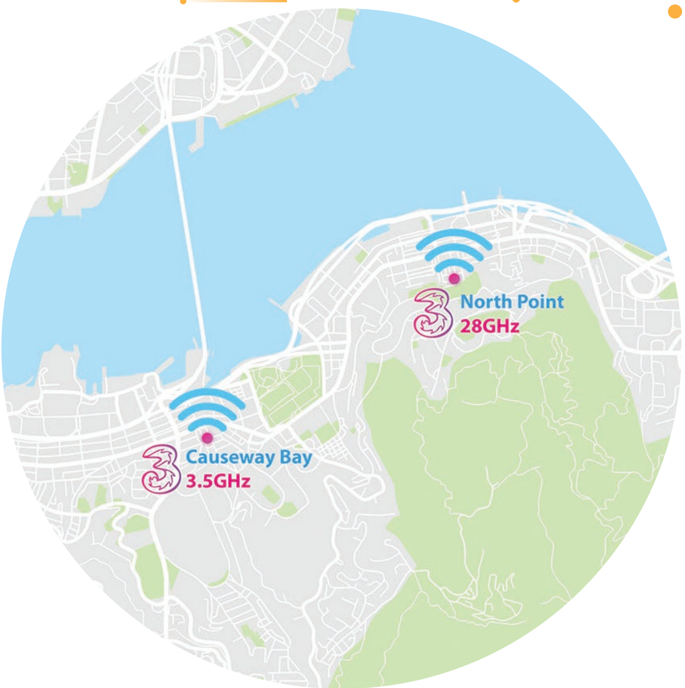
Construction of a "telco cloud" began at the end of 2016, as part of **3** Hong Kong's core network architecture. This will enable flexible deployment of network resources and in accordance with the types of services being utilised by customers with differing needs. **3** Hong Kong's "telco cloud" is highly resilient and capable of providing even greater network stability.

3 Hong Kong was the first operator to announce completion of a network to serve the local section of the Hong Kong-Zhuhai-Macao Bridge (HZMB). Our 4.5G network covers the bridge's deck and surrounding facilities, and was ready to provide high-speed mobile service the moment traffic began to roll. In addition, **3** Hong Kong completed network deployment for local section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

In 2018, the Group acquired spectrum resources in the 900 MHz band and 1800 MHz band for a total consideration of HK$2,040 million. This acquisition represented the Group's effort in continuous network infrastructure enhancement, while ensuring customers continue to enjoy smooth and stable mobile service, coincide with the surging mobile data usage and demands.

A Passion for Customer Service

A succession of campaigns and initiatives in 2018 promoted **3** Hong Kong's premium mobility experience. The same customer-centric philosophy is exemplified by the online and digital support we offer. Our My3 mobile application and company website were revamped to offer more user-friendly features that facilitate a closer rapport with customers, while simplifying the process of finding services.



3 Hong Kong completes successful 5G outdoor trials in the 3.5 GHz and 28 GHz bands, and conducts Hong Kong's first live 5G outdoor broadcast.

Pioneering Tariff Packages

In order to meet the needs of frequent travellers in mainland China and Macau, **3** Hong Kong launched the mainland China-HK-Macau plan to share data entitlements throughout these areas. The plan also includes worry-free cross-border use of WhatsApp and WeChat so customers can stay connected.

In 2018, **3** Hong Kong joined forces with a local FinTech pioneer to launch the 3Money New Phone and Cash Plan.

3 Hong Kong is the first to announce completion of a 4.5G network to serve the local section of the Hong Kong-Zhuhai-Macao Bridge.

Network deployment for the local section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link completes promptly to provide high-speed mobile service the instant it is needed by travellers.

A 24-hour online application process via mobile handset enables **3** Hong Kong customers to subscribe to tariff plans that come complete with designated smartphone models – but without having to make payment upfront. At the same time, customers can opt for a cash loan of up to double the total contract value. The package introduces a new consumer financing solution by combining a conventional purchasing experience with an innovative FinTech facility.

Tailored Roaming Packages

Close ties between **3** entities and CKHH Group, as well as relationships with other global carriers, are helping **3** Hong Kong to develop value-for-money roaming packages offering extensive overseas coverage. Customers can stay connected with friends and family as if physical boundaries did not exist.

3 Hong Kong is committed to developing and launching roaming products and services that meet customer needs in an ever-changing market. In this regard, the Group activated an NB-IoT roaming capability to meet demand created by rising export sales activity among corporate customers. Devices with NB-IoT chips embedded can be connected in countries where NB-IoT roaming-enabled networks are available. This now allows enterprises to explore business opportunities overseas.

In a move to accommodate travellers, **3** Hong Kong introduced a variety of roaming packages such as Roam-in-Command to cover popular destinations. Customers can now roam hassle-free while in Europe, Asia Pacific, the USA and Canada. **3** Hong Kong also launched the 3RoamLite Pass for low-usage travellers seeking budget mobile data options.

In 2018, **3** Hong Kong launched an in-flight roaming pass that enables customers to stay online even in air travel.

Macau Developments

3 Macau continues to launch innovative data offerings, as well as appealing roaming solutions to attract yet more of the city's high-value smartphone users. Examples included tri-city (Macau-HK-China) pool sharing plans.

- New tariff plans enable data entitlements to be shared throughout mainland China, Hong Kong and Macau to create a seamless communications experience.

December 2018 saw continued enhancement of 4G LTE coverage serving all major hotels, casinos, business districts and other busy locations including the HZMB.

3 Macau is committed to continuous improvement of customer service and network quality – preparing the way for subscription growth and higher volumes of local and roaming traffic in future.

3Money

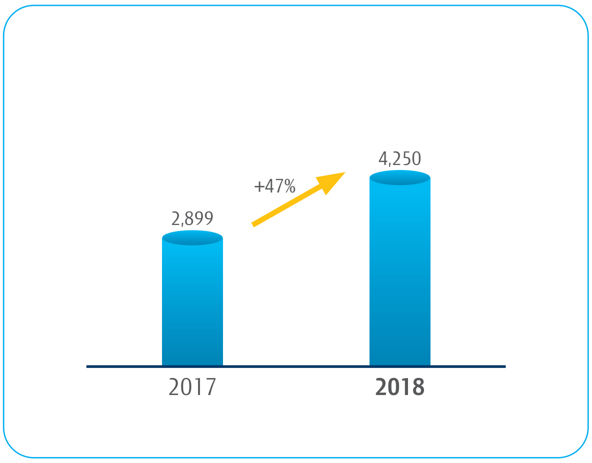
- 3Money's "New Phone and Cash Plan" enables customers to get a new flagship handset and cash loan – all in one go.

Financial Summary - Excluding Gain on Disposal of Subsidiaries and Other Items

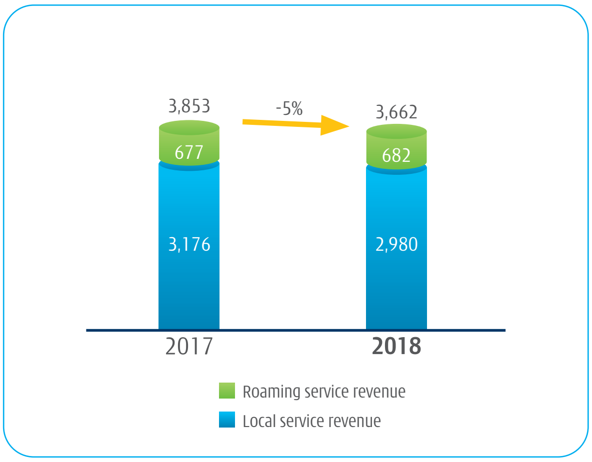
	2018 HK$ million	2017 HK$ million	Change
Revenue	**7,912**	6,752	+17%
Net customer service revenue	**3,662**	3,853	-5%
- Local service revenue	**2,980**	3,176	-6%
- Roaming service revenue	**682**	677	+1%
Hardware revenue	**4,250**	2,899	+47%
- Bundled sales revenue	**667**	750	-11%
- Standalone handset sales revenue	**3,583**	2,149	+67%
Net customer service margin	**3,318**	3,573	-7%
Net customer service margin %	***91%***	*93%*	*-2% points*
Standalone handset sales margin	**49**	58	-16%
CACs	**(827)**	(1,027)	+19%
Less: Bundled sales revenue	**667**	750	-11%
CACs (net of handset revenue)	**(160)**	(277)	+42%
Operating expenses and staff costs	**(2,123)**	(2,153)	+1%
Operating expenses and staff costs as a % of net customer service margin	***64%***	*60%*	*-4% points*
EBITDA	**1,157**	1,267	-9%
Service EBITDA	**1,108**	1,209	-8%
Service EBITDA margin %	***30%***	*31%*	*-1% point*
Depreciation and amortisation	**(768)**	(822)	+7%
EBIT	**339**	398	-15%
Service EBIT	**290**	340	-15%
CAPEX (excluding spectrum licences)	**(522)**	(533)	+2%
EBITDA less CAPEX	**635**	734	-13%

Revenue increased by 17% to HK$7,912 million in 2018. Hardware revenue increased by 47% to HK$4,250 million in 2018, primarily due to higher demand for new smartphones. Service revenue decreased by 5% to HK$3,662 million in 2018, mainly the result of intense market competition in local data tariff pricing which led to a 6% decline in local service revenue. Roaming revenue improved by 1% to HK$682 million with the launch of more innovative roaming data packages in 2018, which led to 24% increase in the roaming data revenue, substantially offset by the decrease of roaming voice revenue.

Hardware revenue (HK$ million)

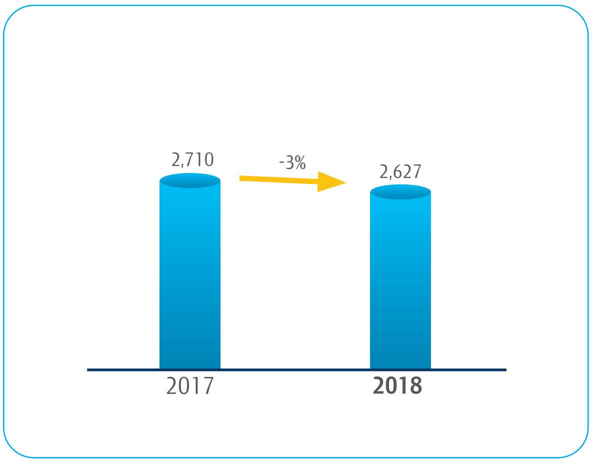


Service revenue (HK$ million)



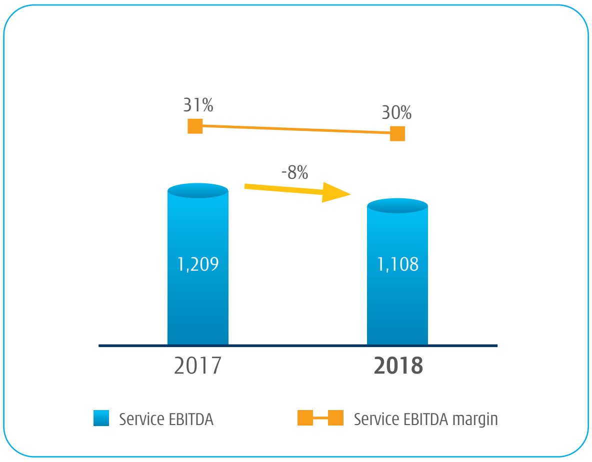
CACs, staff costs and other operating expenses decreased by 3% to HK$2,627 million in 2018, reflecting the favourable effect on capitalisation of certain incremental costs after adoption of IFRS 15 accounting standard as well as the Group's continued focus on efficiency enhancement and stringent expenditure control, partially offset by increase in roaming and other variable costs.

Key cost items (HK$ million)



Service EBITDA decreased by 8% to HK$1,108 million in 2018, broadly in line with the lower local service revenue which resulted from keen market competition in local data tariff packages. Service EBITDA margin was 30% in 2018, slightly decreasing by 1% from 2017.

Service EBITDA (HK$ million) and EBITDA margin %



Depreciation and amortisation excluding the one-off accelerated depreciation charge in 2017 decreased from HK$822 million in 2017 to HK$768 million in 2018. The change was mainly the result of decrease in depreciation charges after the accelerated depreciation exercise for certain 2G and 3G mobile telecommunications fixed assets in 2017, partially offset by additional amortisation charges of capitalised incremental costs of HK$172 million after adoption of the IFRS 15 accounting standard.

EBIT was HK$339 million in 2018, a 15% decrease compared with HK$398 million reported in 2017.

Key Performance Indicators

	2018	2017	Change
Number of postpaid customers ('000)	1,499	1,487	+1%
Number of prepaid customers ('000)	1,777	1,841	-3%
Total customers ('000)	3,276	3,328	-2%
Postpaid customers to the total customer base (%)	46%	45%	+1% point
Postpaid customers' contribution to the net customer service revenue (%)	90%	90%	-
Monthly churn rate of postpaid customers (%)	1.3%	1.3%	-
Postpaid gross ARPU (HK$)	219	230	-5%
Postpaid net ARPU (HK$)	186	197	-6%
Postpaid net AMPU (HK$)	169	181	-7%

As of 31 December 2018, the total number of customers in Hong Kong and Macau was approximately 3.3 million (2017: approximately 3.3 million), of which 46% (2017: 45%) was postpaid customers. Monthly churn rate of postpaid customers remained stable at 1.3% in 2018 (2017: 1.3%) in a fiercely-competitive market. Blended postpaid gross ARPU decreased by 5% from HK$230 in 2017 to HK$219 in 2018.

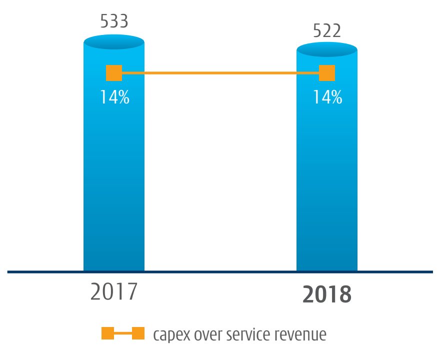
Net Interest and Other Finance Costs

Net interest and other finance income amounted to HK$193 million in 2018 compared with expense of HK$60 million in 2017. The increase in net interest and other finance income was mainly the result of interest income generated from the cash proceeds subsequent to disposal of the fixed-line business together with savings from interest and other finance costs after repayment of bank borrowings in early 2018. As of 31 December 2018, the Group recorded a net cash position of HK$9,555 million (2017: HK$9,817 million), after settlement of transaction costs of the disposal of the fixed-line business and final dividend related to fixed-line contribution in 2017.

Capital Expenditure

Capital expenditure on property, plant and equipment in 2018 amounted to HK$522 million (2017: HK$533 million), focusing on digital transformation project and the long-term investment in quality enhancement and capacity expansion on our advanced 4.5G mobile network. Capital expenditure in 2018 accounted for 14% (2017: 14%) of service revenue.

Capex (HK$ million)



Summary of spectrum investment

as of 31 December 2018

Spectrum band	Bandwidth	Year of expiry
Hong Kong		
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2021#
1800 MHz	23.2 MHz	2021#
2100 MHz	29.6 MHz	2031
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028
Macau		
900 MHz	15.6 MHz	2023
1800 MHz	28.8 MHz	2023
2100 MHz	10 MHz	2023

* *Shared under 50/50 joint venture - Genius Brand Limited*

\# *After the spectrum auction and licence renewal in 2018, the licence period of the existing 16.6 MHz in 900 MHz band has been extended from November 2020 to January 2021 to align with the new spectrum assignment period. Accordingly, the Group will hold 10 MHz in 900 MHz band and 30 MHz in 1800 MHz band from 2021 to 2036.*

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 Director, 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. 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 assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. 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.

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is mainly derived from operating income to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall cash position and determines when external source of finance is needed.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

Credit exposure

The Group's holdings of surplus funds 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 share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Debt

As at 31 December 2018, the Group recorded share capital of HK$1,205 million and total equity of HK$16,147 million.

As at 31 December 2018, the net cash of the Group was HK$9,555 million (2017: HK$9,817 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies. As at 31 December 2017, the cash and cash equivalents of the Group amounted to HK$13,717 million and the bank loan of HK$3,900 million under loan facilities maturing in 2019 was fully prepaid in January 2018.

Charges on Group Assets

As at 31 December 2018, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

The Group has no committed borrowing facilities as at 31 December 2018 (2017: HK$900 million available but not drawn).

Radio Spectrum

During the year ended 31 December 2018, Hutchison Telephone Company Limited, a subsidiary of the Group, acquired 10 MHz in the 900 MHz band and 10 MHz in the 1800 MHz band for a total consideration of HK$960 million through auction. Together with 20 MHz in the 1800 MHz band obtained by exercising a right of first refusal offered by the Communications Authority of Hong Kong with a consideration of HK$1,080 million, the Group acquired 40 MHz in total in the 900 MHz band and 1800 MHz band for a total consideration of HK$2,040 million through auction and licence renewal for the provision of mobile telecommunications services in Hong Kong for a period of 15 years from 2021.

Contingent Liabilities

As at 31 December 2018, the Group provided performance and other guarantees of HK$5 million (2017: HK$5 million).

Commitments

As at 31 December 2018, the Group had total capital commitments of property, plant and equipment amounting to HK$396 million (2017: HK$444 million) and telecommunications licences of HK$2,040 million (2017: Nil).

As at 31 December 2018, the Group had total operating lease commitments for building and other assets amounting to HK$265 million (2017: HK$335 million).

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment years up to year 2021. The licence fees for these spectrum bands were charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

Risk Factors

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

Market Economy

The Group operates principally in Hong Kong. As a result, the financial condition of the Group and results of operations may be influenced by the general state of a local market or economy in the region. Any significant or protracted worsening of the present financial and economic climate within Hong Kong and/or other areas, could result in a change to customer spending or usage behaviour, which could have an adverse impact on the business, results of operations and financial performance of the Group.

Highly-competitive Market

The Group faces significant competition. Aggressive tariff plans and customer acquisition strategies adopted by competitors may impact on pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects – hence, the service revenue the Group receives as a major provider of mobile telecommunications services. Risk of competition from alternative sources of mobile telecommunications services now, or in the future, could materially and adversely affect the financial performance and growth prospects of the Group.

Strategic Partners

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

Impact of Regulatory Decisions

The Group is permitted to provide telecommunications services and operate networks only under licences granted by regulatory authorities in individual countries/areas. All these licences have, historically, been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed when renewed. All these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct business, and such requirements may cover network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspension or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences held by the Group, or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), could result in the Group facing unforeseen competition, and could adversely affect the financial condition and results of operations of the Group.

Accounting

The International Accounting Standards Board has issued, and may in the future issue more new and revised standards and interpretations. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the financial condition and results of operations of the Group.

Rapid Technological Changes

The global telecommunications industry is characterised by rapid increases in the diversity and sophistication of the technologies and services offered. As a result, the Group may face increasing competition from technologies currently being developed, or which may be developed in the future, by both existing competitors as well as new market entrants. The development and application of new technologies involve time, substantial cost and risk. The technologies employed may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any of assets could adversely affect the financial condition and results of operations of the Group. If the Group fails to develop, or obtain timely access to, new technologies and equipment, or if the Group fails to obtain the necessary licences and spectrum to provide services using these new technologies, the Group may lose customers and market share and become less profitable.

Network Performance

Some elements of networks of the Group, such as switching and data platforms, perform critical functions for broad sectors of network operations. Damage to such critical elements may cause an entire sector of network coverage to be rendered non-functional and, as a result, the Group may not be able to provide mobile telecommunications services to a substantial proportion of customer base. In the event that the Group is unable to provide mobile telecommunications services to a substantial proportion of its customers for an extended period of time, its business and results of operations will be materially and adversely affected.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from floods and other major natural disasters and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's financial condition and results of operations.

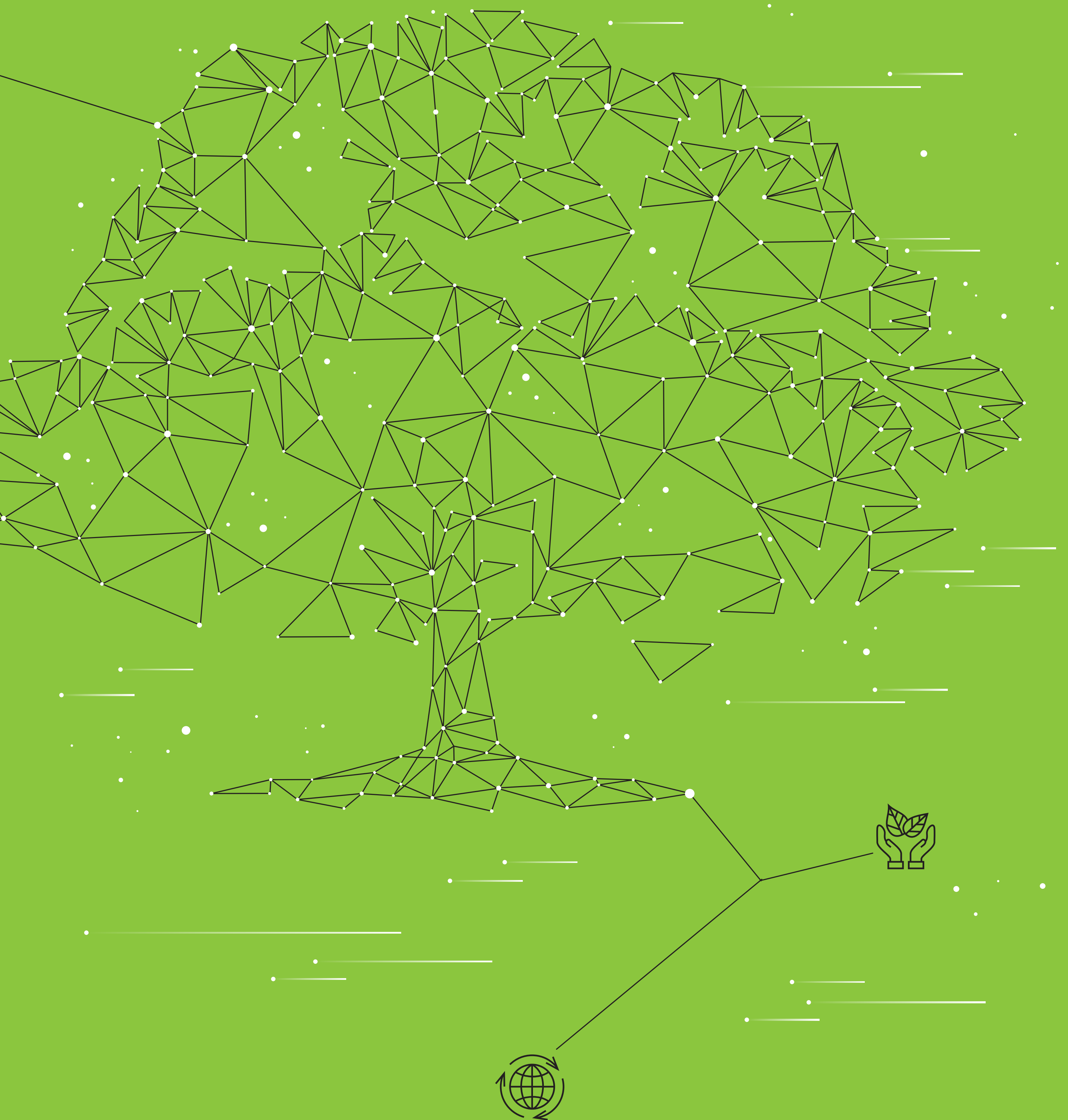
Although the Group has not experienced any major structural damage to the Group's facilities, there can be no assurance that those natural disasters will not occur and result in major damage to the Group's facilities, which could adversely affect the Group's financial condition and results of operations.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained within this annual report are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained within this annual report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented 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 within this annual report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Environmental, Social and Governance Report

The Group acknowledges the importance of sound environmental, social and governance practices in terms of employees, customers, suppliers and anti-corruption measures, as well as environmental and community matters.



Environmental, Social and Governance Report

About this Report

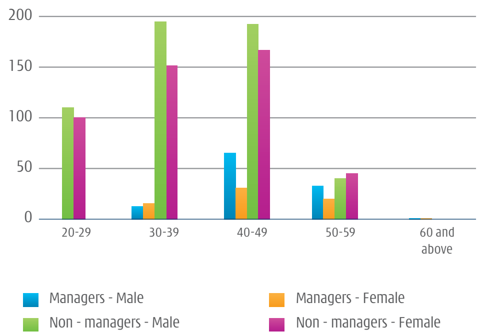
This ESG report provides an annual update of sustainability performance progress in respect of the Group for the year ended 31 December 2018. It has been brought up to date to reflect the interests of various stakeholders. Additional quantitative data and detailed ESG requirements, as well as internal policies and programmes, have been included to illustrate key initiatives that have positive impact on the community and environment. This report is prepared in accordance with Appendix 27 of the Main Board Listing Rules and ESG Reporting Guide issued by the Stock Exchange in 2015, and should be read in conjunction with the Corporate Governance Report section of this annual report.

Approach to ESG Strategy and Reporting

Our approach to ESG represents alignment with the long-term strategic development, and enhancement of shareholder value. Key issues are identified, prioritised and addressed in a way that demonstrates transparency and accountability.

As one of the leading mobile telecommunications operators in Hong Kong and Macau, the Group acknowledges the importance of sound ESG practices in daily operations. The Board and senior management provide strategic direction, establish sustainability policy and objectives, oversee corporate governance matters and monitor progress.

Total full-time employees by gender, employment type and age group



The ESG working group was formed to formulate and translate policy into action, while facilitating exchange of best practices throughout internal cost centres and divisions. Heads of cost centres and divisions then incorporate such initiatives into operations and processes. They also collect and analyse data, evaluate performance and report major issues periodically.

Stakeholder Engagement and Material Assessment

The Group maintains ongoing dialogue with key stakeholders including employees, shareholders, investors, customers, business partners, suppliers, professional institutions, non-government organisations, authorities and media partners. The Group collects views from stakeholders on a frequent basis via a variety of channels such as meetings, workshops, surveys and feedback programmes.

ESG compliance and how the Group benefits the community are among key stakeholder interests. Important aspects vary and range from sourcing practices and environmental emissions through to employment and operating practices, as well as community involvement. Material aspects identified are reviewed periodically and the Board is updated as and when appropriate.

The six sections set out in this report summarise the Group's commitments to employees, customers and supply chain entities, as well as to anti-corruption, environmental and community matters. Key initiatives and activities have been included in each section to highlight efforts made in enhancing long-term value for stakeholders.

Commitment to Our People

Our employees are key to consistent delivery of quality and reliable services. Effective talent management is integral to our prospects for long-term success. The Group aspires to be an employer-of-choice through effective talent acquisition, systematic training and provision of an inclusive working environment.

Recruiting, engaging and retaining talent

Our success depends heavily on attracting, retaining and motivating suitable talent in competitive labour markets. The Group works closely with educational institutions to recruit the calibre of young talent able to support the Group's growth.

As of 31 December 2018, the Group employed 1,180 full-time staff members, and is committed to complying with employment guidelines and regulations including Hong Kong Employment Ordinance. Every aspect of employment is subject to a stringent internal review process involving a well-defined monitoring procedure to verify a candidate's personal information in order to prevent misrepresentation and any form of forced labour. An employment contract comes complete with easily-understood terms and conditions, and each individual is well briefed before taking up employment with us. Our code of ethics requires staff to comply with applicable government and regulatory laws, rules, codes and regulations.

The Group adopts equal employment-opportunity policies and runs programmes to ensure employees are hired, promoted and assigned on the basis of skill and ability. The Group is committed to providing all employees with a positive, respectful and safe working environment, free of discrimination and harassment. The selection process affords equal opportunities to all persons subscribing to a commitment to excellence, and is carried out with a neutral approach to race, colour, gender or religious belief. This non-discrimination policy continues throughout a staff member's career and applies to all employment matters including placement, transfer, promotion and compensation.

Valuing our employees

The Group respects the rights of employees in expressing their views, and has established various channels to facilitate a two-way flow of communication. The Group conducts regular seminars and activities to share views and collect ideas. Feedback from employees through our many channels help enhance talent management practices. The Group upholds labour standards and our policies strictly prohibit use of child or forced labour, and rigorous measures and audits are undertaken to prevent such practices from occurring in our operations.

Investing in training and development

The Group ensures employees at every level are developed and motivated to deliver against our commitments to stakeholders. Each division develops training programmes to meet specific business needs. Training includes orientation, information-exchange sessions, workshops and internal/external courses. Employees are entitled to various subsidies and sponsorships in respect of job-related training courses to encourage lifelong learning.

Employees are encouraged to take part in work-life balance activities and community service. These include employee outings, sports events and community volunteering activities.

In 2018, the Group won "9th Asia's Best Employer Brand Awards – Asia's Best Employer Brand", demonstrating commitment to retention of talent and motivating employees to build careers within the Group.

- Staff take part in The Green Earth's Country Parks Plantation Enrichment Project to help protect the countryside.

Promoting well-being, health and safety

The Group cares about the well-being of its employees and promotes the work-life balance concept, while providing a range of paid-leave entitlements. Where operational needs allow, many businesses are exploring and offering greater flexibility in terms of managing work and free time for staff members.

The Group strives to create a safe workplace for all employees. Safety training programmes are provided based on nature of work, and safety standards are applied consistently throughout the workplace.

Employees are able to access health and safety information posted on the intranet, which offers hyperlinks to external sites. A list of first aid helpers is maintained throughout offices, along with information to help employees understand how to handle health and safety issues.

Regulatory compliance

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

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

Commitment to Our Customers

Building trust through reliability and quality

The Group won a number of service awards in 2018, reflecting the importance it attaches to customer satisfaction. These accolades applaud frontline staff for adopting helpful and sincere attitudes when serving customers. The 24/7 online 3iChat customer interface uses emoticons to create a friendly rapport, while the eSelf-service initiative has blossomed into a swift, simple and good-natured customer experience.

A robust system protects consumers and safeguards their privacy.

Improving the customer experience

The Group maintains a range of customer communications channels such as customer service centres, social networking pages, focus group studies and smartphone applications, so that feedback can be collected and acted upon. The Group treats customer feedback with due care and in a timely manner. Any customer complaints are handled efficiently and investigated to identify and rectify root causes. Records are kept as to how complaints are handled and whether improvements resulted, and measures are in place to review outcomes. The Group also fosters a culture of continuous improvement by benchmarking and publishing service performance details on a regular basis. Service levels are gauged according to performance pledges, then published periodically on the website.

Protecting our customers

Protecting consumers and safeguarding their privacy are top priorities. The Group is committed to complying with data privacy laws and regulations including Hong Kong Personal Data (Privacy) Ordinance. Such commitment to protecting the personal information of customers is well supported by corporate strategies and policies. A robust system is in place to control the collection, access, updating, security and retention of data received.

Additionally, the Group develops an internal platform with links to operational guidelines and handbooks, and issues periodic reminders to customer-facing employees, while running workshops to emphasise the importance of protecting personal data.

Regulatory compliance

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

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

Supply Chain Management

The Group is supported by a wide range of suppliers and contractors. Internal policies are implemented in close collaboration with the business partners. Through regular dialogue and cooperation, the Group and its partners are able to deliver sustainable value to all our stakeholders.

Sourcing responsibly and engaging suppliers

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

Approach to supply chain management

Purchasing policy and business partner evaluation policy, as well as various procedures, provide direction and guidelines on evaluation and engagement when dealing with major business partners. This encompasses working relationships with suppliers of goods and services to ensure business is being conducted only with legally, financially and technically-sound entities.

The Group adheres to international best practices and conducts fair and unbiased tender processes in dealings with vendors. When selecting suppliers, the Group takes factors into account such as quality of products and services, past performance, financial standing, capacity assessment and reputation including track records in handling social and environmental matters. The Group expects suppliers to observe the same environmental, social, health and safety and governance considerations when carrying out their own operating practices. Procurement teams are trained to apply these policies and procedures when assessing suppliers, while tendering procedures are always communicated carefully to vendors. The Group also provides stakeholders, including vendors, with procedures such that they can report any suspected impropriety.

Anti-corruption

Our anti-bribery and anti-corruption policy sets out standards of conduct for all employees to follow. The Group has also established procedures for reporting possible improprieties relating to matters of financial reporting, internal control and other matters. The aim is to encourage employees – and those who deal with the Group (eg customers, suppliers, creditors and debtors) – to report any suspected impropriety, misconduct or malpractice within the Group. These procedures aim to provide reporting channels and guidance, while reassuring "whistleblowers" they will be protected against any unfair treatment. Cases will be followed up independently by an internal auditor and reported to the Audit Committee and senior management.

Staff learn to make their own terrariums at a lunchtime workshop in preparation for an exhibition in the Hutchison Telecom Tower lobby, where staff members vote for their favourite displays.

Secondary school students visit HTHKH to learn about the telecoms industry and careers during a business-school partnership programme.

Regulatory compliance

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

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

Commitment to Our Environment

Optimising use of resources

The Group's environment-protection policy details a commitment to minimising the negative impact of business activities on the environment, while supporting protection initiatives.

The Group demonstrated a keen sense of community spirit by running the Recycling of Handsets and Accessories Programme and placing recycling boxes at 3Shops to encourage the public to recycle or reuse old handsets and accessories. The programme launched in 2012, since when the handsets and accessory items have been collected.

The Group contributed to the Computer Recycling Programme run by the Environmental Protection Department. Items fit for reuse have since been donated to people in need.

The Group was awarded an Excellence Level for both Wastewi$e certificate and Energywi$e certificate. The Green Office status had been conferred on the Group under the auspices of the World Green Organisation's Green Office Awards Labelling Scheme for many consecutive years.

The Group continues to encourage customers to opt for electronic billing by email or SMS, as part of a long-term strategy to reduce consumption of paper.

Helping to protect the environment ranks as one of our top commitments to society. The Group organised a tree-planting scheme in 2018 and sought to boost biodiversity and maintain woodland by planting native tree seedlings. Employees were encouraged to support the Country Parks Plantation Enrichment Project run by The Green Earth and the Agriculture, Fisheries and Conservation Department.

In December 2018, the Group initiated "Greening the Office" - a terrarium workshop and mini-plant project to raise environmental awareness among staff. Staff took part in a lunchtime workshop and created their own terrariums. Other staff members casted votes for their favourite displays and were given free mini-potted plants to "green" their office and living areas.

The use of electricity was reduced by 12%, from 125,791,648 kwh in 2017 to 111,277,682 kwh in 2018 as a result of retirement of certain aged equipment and decrease in locations of premises after implementation of internal efficiency enhancement initiatives.

A student immerses herself in an interactive demonstration of artificial intelligence at the 3LIVE flagship store.

Regulatory compliance

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

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

HTHKH volunteers visit an elderly centre and hand out festive gift packs to senior citizens.

Commitment to Our Community

The Group engages in a wide range of philanthropic efforts to benefit the community. Such initiatives include employee volunteerism, education and health care. In line with sound corporate governance practice, donations and contributions are subject to internal compliance guidelines and controls in order to safeguard stakeholder interests.

The Group has maintained "Caring Company" status – granted by the Hong Kong Council of Social Service – for a long period of time. The Group has adopted a public engagement and donation policy to encourage service to the community through voluntary staff efforts and by way of cash and in-kind donations.

Cash and in-kind donations benefitting community projects in Hong Kong and Macau under the subject headings of community, education, youth and the elderly during 2018 amounted to approximately HK$1.4 million, in which HK$1.3 million was made to charitable organisations.

The Group has made in-kind donations to the benefit of a diversity of needy individuals by drawing on the strength of its superior mobile network and technology expertise. In 2018, the Group supported the Hong Kong Jockey Club Online Youth Emotional Support Project, a text-based online-crisis support initiative that targets youth. The Group also supported fundraising programmes run by charitable organisations such as Save the Children Hong Kong, Sheng Kung Hui St. Christopher's Home and the Hong Kong Sheng Kung Hui Welfare Council. The Group supported the Narcotics Division of the Security Bureau to spread anti-drug abuse messaging via SMS.

The Group continued to help senior citizens by providing the free "e-Care Link" package, which includes voice minutes, local data usage and the all-year-round call-and-care "e-Care Link" service. All this was done under the auspices of the Safety Phone Service Packages Sponsorship Programme organised by the Senior Citizen Home Safety Association. The year under review also saw continuity of the Lo-Yau-Kee Monthly Service Plans Sponsorship Programme, launched in 2010. Meanwhile, senior citizens from a number of charitable organisations benefitted from a waiver-of-service fee scheme. Some members of the Hong Kong Down Syndrome Association and U-Hearts received free SIMs from the Group in order to stay connected with friends and families.

The Group helps develop a more inclusive and caring society by easing the way people with disabilities and special needs obtain information and services. Our corporate website again won a gold award in the Web Accessibility Recognition Scheme organised by The Hong Kong Internet Registration Corporation and co-organised by The Office of the Government Chief Information Officer.

The Group plays an important role in imparting knowledge of mobile technologies and the telecommunications industry. The Group sponsored the "Make our lives easier with AI" App Enhancement Competition as part of the World Telecommunication and Information Society Day Hong Kong, and supported the Hong Kong 5G Industry Forum organised by the Communications Association of Hong Kong. The Group also supported the Business-School Partnership Programme of the Hong Kong General Chamber of Commerce. Our senior executives shared with students personal insight and experience during the career sharing session and visit to our office.

The Group emphasises the importance of striking a healthy work-life balance and encourages staff to participate in various charity sports events such as "A Drop of Life Walk for Water", "Youth Outreach Let's Walk the Road", the "Children's Heart Foundation Heart-to-Heart Charity Walk" and "Jardines Sports and Family Day". Our volunteers visited Hong Chi Fu Shin Centre, along with the Evangelical Lutheran Church Hong Kong Shatin District Community Centre for the Golden-Aged and Little Sisters of the Poor St. Mary's Home for the Aged, and handed out festive gift packs to members.

Meanwhile, staff in Macau took part in a community walk to raise funds for the underprivileged, while the Group continued to sponsor the Mobile Application Software Technologies Training Plan, which encourages youngsters to keep up to speed with the latest mobile application technology.

Environmental Key Performance Indicators

	Unit	2018	2017
Emissions			
Total GHG emissions (mainly from use of electricity under Scope 2)	tonnes CO_2e	61,008	69,273
Total GHG emissions intensity	tonne CO_2e/revenue HK$'000	0.008	0.010
Energy			
Electricity	kWh	111,277,682	125,791,648
Gasoline and Diesel*	kWh	177,248	217,057
Total energy consumption intensity	kwh/revenue HK$'000	14.1	18.7
Paper			
Paper*	tonne	60	72
Paper recycled	tonne	40	18
Water			
Water	m^3	6,791	25,181
Water consumption intensity	m^3/revenue HK$'000	0.001	0.004
Waste management			
General office waste	tonne	62	26
Computer and network equipment	piece	3,170	2,773

* The comparative figures were adjusted to reflect the change in allocation basis to align with current year presentation.

Information on Directors

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 67, has been Chairman and a Non-executive Director of the Company since March 2009. He is also Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr Fok is an executive director and group co-managing director of CKHH. He has been a director of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") and HWL since 1985 and 1984 respectively, and both companies were formerly listed on the Stock Exchange and have become wholly owned subsidiaries of CKHH in 2015. He is also the chairman of HTAL, HPHM (as trustee-manager of Hutchison Port Holdings Trust ("HPH Trust")), Power Assets Holdings Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited, co-chairman of Husky Energy Inc. and deputy chairman of CKI. In addition, he is a director of CKHGI, which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of the Chartered Accountants Australia and New Zealand.

LUI Dennis Pok Man

Co-Deputy Chairman and Non-executive Director

Lui Dennis Pok Man, aged 67, has been Deputy Chairman and a Non-executive Director of the Company since March 2009 and was re-designated as Co-Deputy Chairman and Non-executive Director of the Company on 1 August 2018. He is also a member of the Nomination Committee of the Company. Mr Lui is a director of Hutchison Telecommunications Group Holdings Limited and heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also oversees the telecommunications operations in Ireland and Austria and generally assists in other telecommunications operations and related investments within the CKHH Group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was managing director of HTHK (a wholly owned subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in China, Hong Kong, Macau and Taiwan from 1996 to 2000. From 2001, he oversaw a number of the telecommunications operations and new business development of the HWL Group in particular as an executive director and chief executive officer of HTIL from 2004 to 2010. He is also a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Lui holds a Bachelor of Science degree.

WOO Chiu Man, Cliff

Co-Deputy Chairman and Non-executive Director

Woo Chiu Man, Cliff, aged 65, has been Executive Director and Chief Executive Officer of the Company since January 2017 and was re-designated as Co-Deputy Chairman and Non-executive Director of the Company on 1 August 2018. He is also a member of the Nomination Committee of the Company and a director of HTAL. Mr Woo held various senior technology management positions in the telecommunications industry before joining the HWL Group in 1998. He was deputy managing director of HTHK, a subsidiary of the Company, from 2000 to 2004, and also executive director of HTIL from March 2005 to December 2005. Mr Woo was seconded to Vodafone Hutchison Australia Pty Limited as chief technology officer from 2012 to 2013 and was part of the core management team. HTAL, HWL and HTIL are all subsidiaries of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Further, Mr Woo is also a director of certain companies controlled by certain substantial shareholders of the Company. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years. Mr Woo holds a Bachelor's degree in Electronics and a Diploma in Management for Executive Development. He is a Chartered Engineer and also a member of the Institution of Engineering and Technology (UK) and the Hong Kong Institution of Engineers.

KOO Sing Fai

Executive Director and Chief Executive Officer

Koo Sing Fai, aged 46, has been Executive Director and Chief Executive Officer of the Company since 1 August 2018. He is also a member of the Nomination Committee of the Company. Mr Koo joined the HWL Group in August 2006 and became a director of enterprise and international business of mobile operations of the Company in January 2014. Since then he has led the corporate market and international services, business and development aspects of the mobile business of the Company until January 2015. He re-joined the Company in April 2017 as a director of roaming and services development and became the Chief Commercial Officer in January 2018. Mr Koo possesses a Bachelor of Science degree in Computer Science and has more than 23 years of experience in the telecommunications industry.

LAI Kai Ming, Dominic

Non-executive Director

Lai Kai Ming, Dominic, aged 65, has been a Non-executive Director of the Company since March 2009 and Alternate Director to Mr Fok Kin Ning, Canning, Chairman and a Non-executive Director of the Company, and Ms Edith Shih, a Non-executive Director and Company Secretary of the Company since January 2017. He is also a member of the Nomination Committee of the Company. Mr Lai is an executive director and deputy managing director of CKHH. He has been a director of HWL since 2000 and such company has become a wholly owned subsidiary of CKHH in 2015. He is also a director of HTAL, a member of the Board of Commissioners of PT Duta Intidaya Tbk ("PTDI"), and an alternate director to directors of HTAL and TOM Group Limited ("TOM"). In addition, Mr Lai is a director of CKHGI, HTIHL and HTHL, all of which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Mr Lai acts as director or commissioner for the purpose of overseeing the management of such businesses. Mr Lai has over 35 years of management experience in different industries and holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Edith SHIH

Non-executive Director and Company Secretary

Edith Shih, aged 67, has been a Non-executive Director of the Company since January 2017 and Company Secretary of the Company since November 2007. She is also a member of the Nomination Committee of the Company. Ms Shih is an executive director and Company Secretary of CKHH. She has been with the Cheung Kong (Holdings) group since 1989 and from 1991 to 2015 with HWL, both of which have become wholly owned subsidiaries of CKHH in 2015. She has acted in various capacities within the HWL Group including director, head group general counsel and company secretary of HWL and its subsidiaries and associated companies. Ms Shih is a non-executive director of Hutchison China MediTech Limited and HPHM (as trustee-manager of HPH Trust), and a member of the Board of Commissioners of PTDI. In addition, she is a director of CKHGI, HTIHL and HTHL, all of which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Ms Shih acts as director or commissioner for the purpose of overseeing the management of such businesses. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is at present the International President and Executive Committee Chairman of the Institute of Chartered Secretaries and Administrators ("ICSA") and a past President and current chairperson of certain committees and panels of the Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also the Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants, a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel of the Financial Reporting Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both ICSA and HKICS, holding Chartered Secretary and Chartered Governance Professional dual designations. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHEONG Ying Chew, Henry

Independent Non-executive Director

Cheong Ying Chew, Henry, aged 71, has been an Independent Non-executive Director of the Company since April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company, since March 2010. He is Chairman of the Audit Committee, a member of the Remuneration Committee and Nomination Committee of the Company. He was a director of Cheung Kong (Holdings) for the period from 2004 to 2015 and such company has become a wholly owned subsidiary of CKHH in 2015. He is an independent non-executive director of CK Asset Holdings Limited ("CK Asset"), CKI, CNNC International Limited, Greenland Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM. He is also an independent director of BTS Group Holdings Public Company Limited, and an executive director and deputy chairman of Worldsec Limited. Mr Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

LAN Hong Tsung, David, GBS, ISO, JP

Independent Non-executive Director

Lan Hong Tsung, David, aged 78, has been an Independent Non-executive Director of the Company since April 2009. He is Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company. He is currently chairman of David H T Lan Consultants Limited. He is an independent non-executive director of CKI, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT")) and SJM Holdings Limited. He is also president of The International Institute of Management Limited, senior advisor of Mitsui & Company (Hong Kong) Limited, supervisor of Nanyang Commercial Bank (China), Limited and an independent non-executive director of Nanyang Commercial Bank, Limited and Cinda Financial Holdings Co., Limited. Dr Lan was Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal in July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China. Dr Lan is a Chartered Secretary, and a Fellow of ICSA and HKICS. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford. Dr Lan was conferred with Honorary Degree of Doctor of Business Administration by University of the West of England (UWE Bristol), Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University and Visiting Professorships of Bulacan State University and Tarlac State University.

WONG Yick Ming, Rosanna, DBE, JP

Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 66, has been an Independent Non-executive Director of the Company since April 2009. She is a member of the Audit Committee and Nomination Committee of the Company. She is an independent non-executive director of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. She was a director of Cheung Kong (Holdings) for the period from 2001 to 2015 and such company has become a wholly owned subsidiary of CKHH in 2015. Dr Wong is currently an independent non-executive director of The Hongkong and Shanghai Hotels, Limited, a director of RJJ Ideas Limited, a senior advisor of The Hong Kong Federation of Youth Groups ("HKFYG"), a steward of The Hong Kong Jockey Club, a governor of Our Hong Kong Foundation and chairman of the Advisory Board of the California Center Early Learning School, Shanghai. In addition, she is a member of the 13th session of the National Committee of the CPPCC of the People's Republic of China and The Hong Kong University of Science and Technology Business School Advisory Council. She also serves as a global advisor to Mars, Incorporated. She was previously the executive director of HKFYG, the non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation and an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. Dr Wong holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates by The Chinese University of Hong Kong, The Hong Kong Polytechnic University, the University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada.

MA Lai Chee, Gerald

Alternate Director

Ma Lai Chee, Gerald, aged 51, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company since June 2009. He is an executive committee member and general manager of corporate business development department of CK Asset. Mr Ma joined the CK Group in 1996. He is also a non-executive director and member of the Designated Committee of ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust) and also a non-executive director and member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (as manager of Prosperity REIT). He is also a director of certain subsidiaries of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has over 29 years of experience in finance, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2018 Interim Report or the date of announcement on appointment of Director are set out below:

Directors	Details of changes
Fok Kin Ning, Canning	Appointed as: – chairman of Nomination Committee of each of the Company, Power Assets Holdings Limited and HK Electric Investments Limited on 1 January 2019 – a member of Nomination Committee of each of CKHH and CKI on 1 January 2019
Lui Dennis Pok Man	Re-designated as Co-Deputy Chairman and Non-executive Director of the Company on 1 August 2018 Appointed as a member of Nomination Committee of the Company on 1 January 2019
Woo Chiu Man, Cliff	Re-designated as Co-Deputy Chairman and Non-executive Director of the Company on 1 August 2018 Appointed as a member of Nomination Committee of the Company on 1 January 2019
Koo Sing Fai	Appointed as a member of Nomination Committee of the Company on 1 January 2019
Lai Kai Ming, Dominic	Appointed as a member of Nomination Committee of each of the Company and CKHH on 1 January 2019

Directors	Details of changes
Edith Shih	Appointed as a member of Nomination Committee of each of the Company and CKHH on 1 January 2019
Cheong Ying Chew, Henry	Appointed as a member of Nomination Committee of each of the Company, CK Asset and CKI on 1 January 2019
Lan Hong Tsung, David	Appointed as a member of Nomination Committee of each of the Company and CKI on 1 January 2019
Wong Yick Ming, Rosanna	Appointed as: – chairman of the Advisory Board of the California Center Early Learning School, Shanghai in August 2018 – steward of The Hong Kong Jockey Club in August 2018 – governor of Our Hong Kong Foundation in August 2018 – a member of Nomination Committee of each of the Company and CKHH on 1 January 2019 Ceased to be a member of the Advisory Committee of The Jockey Club CPS Limited on 3 September 2018

In respect of the change in emoluments of Directors of the Company, please refer to note 7(a) to the consolidated financial statements on pages 122 to 123.

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

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

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

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 (Note)	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	0.1888%
Woo Chiu Man, Cliff	Beneficial owner	Personal interest	2,001,333	0.0415%
Koo Sing Fai	Interest of spouse	Family interest	20,000	0.0004%

Note: Such shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

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

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

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

(i) corporate interests in 5,111,438 ordinary shares, representing approximately 0.13% of the issued voting shares, in CKHH;

(ii) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and

(iii) family interests in 26,740 ordinary shares, representing approximately 0.04% of the issued voting shares, in Hutchison China MediTech Limited ("Chi-Med"), held by his spouse.

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

Mr Woo Chiu Man, Cliff had, as at 31 December 2018, 8,892 ordinary shares, representing approximately 0.0002% of the issued voting shares, in CKHH, comprising personal interests in 3,420 ordinary shares held in his capacity as a beneficial owner and family interests in 5,472 ordinary shares held by his spouse.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in 34,200 ordinary shares, representing approximately 0.0008% of the issued voting shares, in CKHH.

Ms Edith Shih had, as at 31 December 2018, the following interests:

(i) 57,187 ordinary shares, representing approximately 0.0014% of the issued voting shares, in CKHH, comprising personal interests in 52,125 ordinary shares held in her capacity as a beneficial owner and family interests in 5,062 ordinary shares held by her spouse;

(ii) personal interests in 70,000 ordinary shares and 100,000 American depositary shares (each representing 0.5 ordinary share), in aggregate representing approximately 0.18% of the issued voting shares, in Chi-Med held in her capacity as a beneficial owner; and

(iii) personal interests in (a) a nominal amount of US$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; and (b) a nominal amount of US$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited held in her capacity as a beneficial owner.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2018, personal interests in 13,680 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKHH.

Save as disclosed above, as at 31 December 2018, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the HTHKH Securities Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

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

- Mr Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic and Ms Edith Shih were executive directors of CKHH and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications business.

- Mr Lui Dennis Pok Man and Mr Woo Chiu Man, Cliff were directors and/or alternate directors of certain subsidiaries of CKHH which are engaged in telecommunications business.

On 17 April 2009, the Company entered into a non-competition agreement with HWL (the then holding company of the Company) (the "HWL Non-Competition Agreement") and a non-competition agreement with HTIL, whereby the parties thereto agreed, inter alia, to clearly delineate the respective geographical markets and businesses of each of (i) the HWL Group (excluding HTIL and its subsidiaries (the "HTIL Group") and the Group); (ii) the HTIL Group; and (iii) the Group within their respective territories for the purpose of implementing the non-competition restrictions. The exclusive territories of the Group comprised Hong Kong and Macau. The exclusive territories of the HWL Group (which in substance included those of the HTIL Group following the privatisation of HTIL in 2010) comprised all the remaining countries of the world.

HWL transferred its rights and obligations under the HWL Non-Competition Agreement to CKHH by novation on 28 December 2015, as a result of the completion of the reorganisation of the HWL Group on 3 June 2015 whereupon CKHH became the ultimate holding company of HWL and the Company.

Information on Senior Management

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 44, has been Chief Financial Officer of the Group since September 2012. She joined the HWL Group in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 21 years of experience in accounting and finance for corporate and banking sectors.

CHUNG Yiu Man, Daniel

Chief Technology Officer

CHUNG Yiu Man, Daniel, aged 51, has been Chief Technology Officer of the Group since June 2008. Mr Chung is responsible for network engineering, operations, IT development and service management. He holds a Master's degree in Business Administration and has more than 28 years of experience in telecommunications.

HO Wai Ming

Chief Executive Officer – Macau

HO Wai Ming, aged 65, has been Chief Executive Officer – Macau of the Group since April 2008. He joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 37 years of experience in telecommunications.

WONG King Yee, Dennis

Corporate & International Business Director

WONG King Yee, Dennis, aged 46, has been Corporate & International Business Director of the Group since re-joining in November 2018. Mr Wong is responsible for the sales and marketing aspects for corporate and international market segments. He holds a Bachelor's degree in Business Administration and has more than 22 years of experience in ICT sales and marketing.

NG May Yuk, Frances

General Manager, Corporate Affairs

NG May Yuk, Frances, aged 58, has been General Manager, Corporate Affairs of the Group since June 2014. She joined the Group in July 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She holds a Master's degree in Business Administration and has more than 34 years of experience in public relations.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 54, has been Director of Legal Services & Regulatory of the Group since September 2012. He joined the HWL Group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 31 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India.

WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 55, has been HR & Organisational Development Director of the Group since January 2012. He joined the HWL Group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 29 years of experience in human resources management.

Report of the Directors

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

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 155.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2018, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis", "Group Capital Resources and Liquidity" and "Key Financial Information" on pages 10 to 25.
- "Risk Factors" on pages 26 to 27.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 111 to 119.
- Discussions on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the "Environmental, Social and Governance Report" on pages 28 to 36.
- "Corporate Governance Report" on pages 60 to 78.

All such discussions form part of this report.

Group Profit

The consolidated income statement is set out on page 84 and shows the profit of the Group for the year ended 31 December 2018.

Dividends

An interim dividend of 3.10 HK cents per share was paid to shareholders on 3 September 2018.

The Directors resolved to declare a one-off special interim dividend of 80.00 HK cents per share, to be payable on Friday, 24 May 2019 to those persons registered as shareholders of the Company at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the special interim dividend.

The Directors also recommended the declaration of a final dividend at the rate of 3.20 HK cents per share, to be payable on Friday, 24 May 2019 to those persons registered as shareholders of the Company at close of business on Wednesday, 15 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend.

Reserves

The reserves of the Group and of the Company during the year are set out in notes 29 and 38(a) to the consolidated financial statements respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$1.3 million (2017: HK$0.7 million).

Directors

As at the date of this report, the Board comprises nine Directors:

Chairman and Non-executive Director

Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors

Mr LUI Dennis Pok Man, re-designated from Deputy Chairman and Non-executive Director on 1 August 2018
Mr WOO Chiu Man, Cliff, re-designated from Executive Director and Chief Executive Officer on 1 August 2018

Executive Director

Mr KOO Sing Fai (Chief Executive Officer), appointed on 1 August 2018

Non-executive Directors

Mr LAI Kai Ming, Dominic (also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)
Ms Edith SHIH
Mr MA Lai Chee, Gerald (Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors

Mr CHEONG Ying Chew, Henry (also Alternate to Dr WONG Yick Ming, Rosanna)
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna

In accordance with Article 83(3) of the Articles of Association, Mr Koo Sing Fai, who is appointed as an additional director, will retire at the next following general meeting (i.e. the forthcoming annual general meeting) and, being eligible, offer himself for re-election.

In accordance with Article 84 of the Articles of Association, Messrs Fok Kin Ning, Canning, Edith Shih and Cheong Ying Chew, Henry will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details regarding the re-election are set out in the circular to shareholders together with this report.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent.

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

Directors' Service Contracts

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

Permitted Indemnity Provisions

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place to protect the Directors of the Company or of its subsidiaries against any potential costs and liabilities arising from claims brought against the Directors. The relevant provisions in the Articles of Association and the Directors liability insurance are in force during the financial year ended 31 December 2018 and as of the date of this report.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the business of the Group to which a subsidiary, fellow subsidiary or parent company of the Company was a party in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

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

Continuing Connected Transactions

On 14 December 2017, the Company and CKHH entered into (i) a master HTHKH telecommunications supplies agreement, whereby the Company agreed to provide, or to procure its subsidiaries to provide, the Group Telecommunications Supplies (as defined hereunder) to the CKHH Group; (ii) a master CKHH telecommunications supplies agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the CKHH Telecommunications Supplies (as defined hereunder) to members of the Group; and (iii) a master purchase agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the Business Related Supplies (as defined hereunder) to members of the Group (collectively, the "Master Agreements"), as and when reasonably requested by relevant members of the Group or of the CKHH Group (as the case may be) for the period from 1 January 2018 to 31 December 2020:

(a) "CKHH Group" means CKHH and its subsidiaries from time to time (excluding members of the Group) and such other entities in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings of such entities; or (ii) control the composition of a majority of the board of directors of such entities, and the subsidiaries of such other entities;

(b) "Group Telecommunications Supplies" include telecommunications products and services of the Group, including mobile telecommunications products (including mobile handsets and accessories); mobile telecommunications services (including international direct dialing and roaming services, mobile Wi-Fi and other value-added services); marketing, advertising and promotional services; and such other telecommunications products and services of the Group as may be agreed between the Company and CKHH from time to time;

(c) "CKHH Telecommunications Supplies" include telecommunications goods and services of the CKHH Group, including roaming services; and such other telecommunications goods and services of the CKHH Group as may be agreed between the Company and CKHH from time to time, which exclude the Business Related Supplies; and

(d) "Business Related Supplies" include goods and services for use in connection with the businesses of the Group, including billing collection services; dealership services at retail outlets in Hong Kong for sale of handsets and/or telecommunications services; IT related services, including IT platforms development services, software solutions and applications development services and other professional services; cash coupons and marketing, advertising and promotional services; equipment installation and maintenance services; lease and licensing services; and such other goods and services for use in connection with the businesses of the Group as may be agreed between the Company and CKHH from time to time, which exclude the CKHH Telecommunications Supplies.

Each of CKHH and the other members of the CKHH Group is a connected person of the Company by virtue of being either a substantial shareholder of the Company or an associate of CKHH. Accordingly, the transactions contemplated under the Master Agreements constituted continuing connected transactions (the "Continuing Connected Transactions") for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement (the "Announcement") dated 14 December 2017 was issued by the Company.

As set out in the Announcement, the caps for the year ended 31 December 2018, and for the two years ending 31 December 2020 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group are HK$93 million, HK$116 million and HK$140 million respectively; (ii) the Group's acquisition of the CKHH Telecommunications Supplies are HK$17 million, HK$19 million and HK$21 million respectively; and (iii) the Group's acquisition of the Business Related Supplies are HK$33 million, HK$43 million and HK$57 million respectively.

The annual caps of the Continuing Connected Transactions in respect of the year ended 31 December 2018 as stated in the Announcement and the corresponding aggregate transaction amounts for the year are set out below:

	2018 annual cap (HK$ millions)	**Aggregate transaction amount (HK$ millions)**
Provision of the Group Telecommunications Supplies to the CKHH Group	93	21
Purchase of the CKHH Telecommunications Supplies by the Group	17	9
Purchase of the Business Related Supplies by the Group	33	14

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2018 and the internal control procedures in respect of the negotiation, approval, reporting and monitoring of these transactions, and is of the view that the controls over the Continuing Connected Transactions for 2018 entered into by the Group were robust overall, and such transactions were conducted in accordance with the Master Agreements under fair and reasonable commercial terms. All the Independent Non-executive Directors of the Company, after reviewing the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2018 and the findings provided by the internal audit of the Group, confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

The Company has engaged its external auditor to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audit or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2018 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions which involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2018 as disclosed in the Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2018 is contained in note 37 to the consolidated financial statements. All transactions entered into with the CKHH Group and the NTT Group (as defined and described in note 37 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from all disclosure requirements, annual review and shareholders' approval under Chapter 14A of the Listing Rules, other than the transactions with the CKHH Group contemplated under the Master Agreements, which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2018.

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

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures are set out in the "Information on Directors" section on pages 43 to 44.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and Chief Executive of the Company are aware, as at 31 December 2018, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Approximate % of shareholding
HTHL	Beneficial owner	512,961,149 [1]	10.64%
HTIHL	Beneficial owner	2,619,929,104 [1])	
		)	
	Interest of a controlled corporation	512,961,149 [1])	65.01%
		)	
CKHGI	Interest of controlled corporations	3,132,890,253 [1]	65.01%
CKHH	Interest of controlled corporations	3,184,982,840 [1][2]	66.09%

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

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Approximate % of shareholding
Yuda Limited ("Yuda")	Beneficial owner	350,527,953 [(3)]	7.27%
Mayspin Management Limited ("Mayspin")	Interest of controlled corporations	403,733,953 [(4)]	8.38%
Li Ka-shing ("Mr Li")	Founder of discretionary trusts	153,280 [(5)])	
	Interest of controlled corporations	403,979,499 [(4)(6)])	8.38%

Notes:

(1) HTHL is a direct wholly-owned subsidiary of HTIHL, and its interests in the share capital of the Company are duplicated in the interests of HTIHL. HTIHL in turn is a direct subsidiary of CKHGI, which in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and CKHGI were deemed to be interested in the 2,619,929,104 shares of the Company held by HTIHL and the 512,961,149 shares of the Company held by HTHL.

(2) Certain wholly-owned subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") hold 52,092,587 shares of the Company. Cheung Kong (Holdings) is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and Cheung Kong (Holdings) were deemed to be interested in the 52,092,587 shares of the Company held by certain wholly-owned subsidiaries of Cheung Kong (Holdings).

(3) Yuda is a direct wholly-owned subsidiary of Mayspin, which in turn is a company wholly-controlled by Mr Li. The interests held by Yuda are duplicated in the interests of Mayspin.

(4) Mayspin is a company wholly-controlled by Mr Li and is interested in 53,206,000 shares of the Company which are held through certain of its direct wholly-owned subsidiaries and 350,527,953 shares of the Company which are held by Yuda. Such interests held by Mayspin are duplicated in the interests of Mr Li.

(5) Mr Li is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Victor T K Li, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 shares of the Company.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li and Mr Victor T K Li are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco, TUT3 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li and Mr Victor T K Li as a holder of the shares of Castle Holdco as aforesaid. Each of the trustee of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any shares of the Company comprising the trust assets of UT3.

As Mr Li may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO, and by virtue of the above, Mr Li is taken to have a duty of disclosure in relation to the 153,280 shares of the Company held by TUT3 as trustee of UT3 under the SFO as a substantial shareholder of the Company.

(6) Among those shares, 245,546 shares are held by Li Ka Shing (Overseas) Foundation ("LKSOF"). By virtue of the terms of the constituent documents of LKSOF, Mr Li may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF.

Save as disclosed above, as at 31 December 2018, there was no other person (other than the Directors and Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 6 April 2009, was approved at the extraordinary general meeting of HWL on 21 May 2009 for the grant of options to acquire ordinary shares of HK$0.25 each in the share capital of the Company. The Share Option Scheme is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. The Share Option Scheme has a remaining term of approximately three months as at the date of this report. A summary of the Share Option Scheme is as follows:

(1) The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group and/or to establish a stronger business relationship between the Group and such participants.

(2) The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for shares of the Company:

   (a) any employee or consultant (as to functional areas of finance, business or personnel administration or IT) (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

   (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

   (c) any supplier of goods or services to any member of the Group or any Invested Entity;

   (d) any customer of any member of the Group or any Invested Entity;

   (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

   (f) any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

   (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

   (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

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

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

(3) A nominal consideration of HK$1.00 is payable on acceptance to an offer for the grant of a share option.

(4) Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised.

(5) The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company on the date of the offer of grant of the share options which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (iii) the nominal value of share of the Company.

(6) The maximum number of shares of the Company which may be allotted and issued pursuant to the Share Option Scheme is as follows:

(a) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time;

(b) The total number of shares of the Company which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue, being 4,814,346,208 ordinary shares, as at 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange (the "General Scheme Limit"). Based on the number of shares in issue of the Company on the Listing Date, the General Scheme Limit of the Share Option Scheme is 481,434,620 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme (including the share options granted but yet to be exercised) was 476,884,620, representing approximately 9.90% of the shares of the Company in issue;

(c) Subject to paragraph (6)(a) above and without prejudice to paragraph (6)(d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted;

(d) Subject to paragraph (6)(a) above and without prejudice to paragraph (6)(c) above, the Company may seek separate approval of its shareholders in general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) or, if applicable, the extended limit referred to in paragraph (6)(c) above to participants specifically identified by the Company before such approval is sought; and

(e) The total number of shares of the Company issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders in a general meeting of the Company (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

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

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

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

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

Notes:

(1) *The share options were vested in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010 respectively, so long as the grantee remained an Eligible Participant (as defined in the Share Option Scheme) on each vesting date.*

(2) *The exercise price of the share options is subject to adjustment in accordance with the provisions of the Share Option Scheme.*

(3) *The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.*

As at the date of this report, the Company had 200,000 share options outstanding under the Share Option Scheme, representing approximately 0.0042% of the shares of the Company in issue.

No share option was granted under the Share Option Scheme during the year ended 31 December 2018.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2018 was the Company or any of its subsidiaries or its parent company or a subsidiary of the parent company of the Company a party to any arrangements whose objects are to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or were subsisted at the end of the year or at any time during the year.

Pre-emptive Rights

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

Shares/Debentures Issued

No shares or debentures of the Company were issued during the year.

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Major Customers and Suppliers

During the year, the percentage of revenue attributable to the five largest customers of the Group combined was less than 30% of the total revenue of the Group.

During the year, the percentages of purchases attributable to the major suppliers of the Group were as follows:

	Percentage of total purchases of the Group
The largest supplier	68%
Five largest suppliers combined	84%

As at 31 December 2018, none of the Directors, their close associates or any shareholders (which to the knowledge of Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers of the Group.

Public Float

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

Auditor

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

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2019

Corporate Governance Report

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

The Company has complied throughout the year ended 31 December 2018 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, other than those in respect of the nomination committee. The reasons for deviation are explained subsequently in this report.

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

The Board

Corporate strategy

The primary objective of the Company is to enhance long-term total return for shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group 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 objective of the Group.

Role of the Board

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

The Board, led by the Chairman (Non-executive), Mr Fok Kin Ning, Canning, determines and monitors group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Board composition

During the year ended 31 December 2018 and up to the date of this report, the following changes to the Board composition took place on 1 August 2018:

(a) Mr Lui Dennis Pok Man was re-designated from his position of Deputy Chairman and Non-executive Director as Co-Deputy Chairman and Non-executive Director;

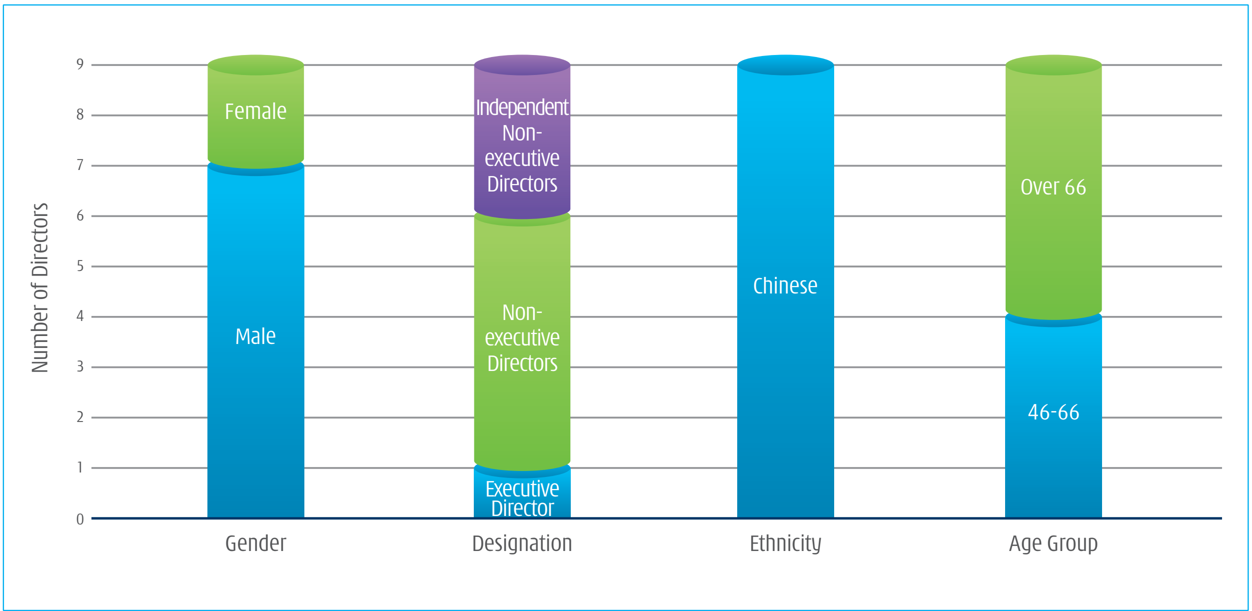
(b) Mr Woo Chiu Man, Cliff was re-designated from his position of Executive Director and Chief Executive Officer as Co-Deputy Chairman and Non-executive Director; and

(c) Mr Koo Sing Fai was appointed as Executive Director and Chief Executive Officer.

As at 31 December 2018, the Board comprised nine Directors, including the Chairman (Non-executive), two Co-Deputy Chairmen (Non-executive), an Executive Director and the Chief Executive Officer, two Non-executive Directors and three Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules. Information about changes to the Board composition during 2018 are set out in the section "Report of the Directors" on page 48.

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

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



Biographical details of the Directors are set out in the "Information on Directors" section on pages 37 to 40 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and HKEx (www.hkexnews.hk).

Chairman, Co-Deputy Chairmen and Chief Executive Officer

The roles of the Chairman and the Co-Deputy Chairmen are separate from that of the Chief Executive Officer. Such division of responsibilities reinforces the independence and accountability of these Directors.

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

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Chief Financial Officer and the executive management team of the Company, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial performance of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Co-Deputy Chairmen and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive management team to support him in his role.

Board process

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

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

The Company held four Board meetings in 2018 with overall attendance of 100%. All Directors (including Non-executive and Independent Non-executive Directors) attended the annual general meeting of the Company held on 8 May 2018. The attendance record is set out below:

Directors	Board meetings attended/ Eligible to attend	Attendance at 2018 AGM
Chairman and Non-executive Director		
Fok Kin Ning, Canning	4/4	√
Co-Deputy Chairmen and Non-executive Directors		
Lui Dennis Pok Man(1)	4/4	√
Woo Chiu Man, Cliff(1)	4/4	√
Executive Director		
Koo Sing Fai(2)	1/1	N/A
(Chief Executive Officer)		
Non-executive Directors		
Lai Kai Ming, Dominic	4/4	√
Edith Shih	4/4	√
Independent Non-executive Directors		
Cheong Ying Chew, Henry	4/4	√
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

Notes:

(1) Re-designated as Co-Deputy Chairman and Non-executive Director on 1 August 2018

(2) Appointed on 1 August 2018

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

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall then be eligible for re-election. All Directors are subject to retirement from office by rotation and re-election by shareholders at annual general meetings at least about once every three years. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate resolutions. In addition, all Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of their appointments which contracts are automatically renewed for successive 12-month periods, subject to re-election in accordance with the Articles of Association.

No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Training and commitment

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

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

The Directors are required to provide the company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2018 is summarised as follows, representing an average of approximately 11 hours by each Director during the year.

	Areas		
Directors	**Legal and Regulatory**	**Corporate Governance**	**Businesses of the Group/ Directors' Duties**
Chairman and Non-executive Director			
Fok Kin Ning, Canning	√	√	√
Co-Deputy Chairmen and Non-executive Directors			
Lui Dennis Pok Man	√	√	√
Woo Chiu Man, Cliff	√	√	√
Executive Director			
Koo Sing Fai	√	√	√
(Chief Executive Officer)			
Non-executive Directors			
Lai Kai Ming, Dominic	√	√	√
Edith Shih	√	√	√
Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic)	√	√	√
Independent Non-executive Directors			
Cheong Ying Chew, Henry	√	√	√
Lan Hong Tsung, David	√	√	√
Wong Yick Ming, Rosanna	√	√	√

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

Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout their tenure during the year.

Board Committees

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

Company Secretary

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

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

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

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

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

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih is the Company Secretary and has day-to-day knowledge of the affairs of the Group. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules in 2018.

Accountability and Audit

Financial reporting

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

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with but distinguished from, the Independent Auditor's Report on pages 79 to 83 which acknowledges the reporting responsibility of the auditor of the Group.

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

Audit Committee

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

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

Members	Attended/Eligible to attend
Cheong Ying Chew, Henry *(Chairman)*	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

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

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

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

The Audit Committee meets with the Chief Financial Officer and other senior management of the Group from time to time in reviewing the interim and final results, the interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the internal and external auditors of the Group, with a view of ensuring that the consolidated financial statements of the Group are prepared in accordance with IFRS and the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). It also meets at least four times a year with the external auditor of the Group, PwC, to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

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

External auditor

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

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

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed, to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – include, for example, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial system consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 8 to the consolidated financial statements. For the year ended 31 December 2018, the total fees to PwC amounted to approximately HK$7 million, which were primarily for audit services and those for non-audit services amounted to approximately HK$0.3 million, representing approximately 4% of the total fees (audit and non-audit).

Audit Report on the Annual Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by PwC in accordance with International Standards on Auditing issued by the International Accounting Standards Board. The unqualified auditor's report is set out on pages 79 to 83. The consolidated financial statements of the Group for the year ended 31 December 2018 have also been reviewed by the Audit Committee.

Risk Management, Internal Control and Legal & Regulatory Compliance

Role of the Board

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

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

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by a Director and Company Secretary, comprising representatives from key departments of the Company, continuously provides updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. During the year, the Company reviewed the key risk areas within the Group in light of the current antitrust and competition law regime. Practical trainings, internal control measures, guidelines and policies tailor-made for key business units were put in place to strengthen the compliance program of the Group in these areas. The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the nomination committee as explained in this report.

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

Risk management

Based on the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) model, the Company establishes its Enterprise Risk Management (ERM) framework to support the delivery of the Group's business and strategic objectives. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

The Group's risk management is a continuous process integrated seamlessly into the day-to-day activities at all levels of the group companies. There is ongoing communication between the executive management of the Group and the business units on the current and emerging risks, their plausible impact and mitigation measures so as to institute additional controls and deploy appropriate insurance instruments to minimise or transfer the impact of risks to the Group's business. In addition, the Group's Directors and officers are protected against potential personal legal liabilities through the Directors and Officers Liability Insurance.

In terms of formal risk review and reporting, the Company adopts a "top-down and bottom-up" approach, involving input from each major business unit as well as discussions and reviews by the Executive Director and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each major business unit is responsible for formally identifying the significant risks their business faces, measuring them against a defined set of criteria, and considering likelihood of occurrence and potential impact to the business, whilst the Executive Director provides input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as part of the Risk Management Report, are submitted to the Audit Committee for review on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the nature and extent of the significant risks facing the Group, and provides input as and where appropriate so as to ensure effective risk management system in place.

Pages 26 to 27 of this report provide a description of the risk factors of the Group which could affect the financial condition or results of operations of the Group that differ materially from expected or historical results.

Internal control environment

Executive and Non-executive Directors are appointed to the boards of all material operating subsidiaries and associated companies for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team is accountable for the conduct and performance of their business within the agreed strategies. The Executive Director monitors the performance and reviews the risk profiles of the group companies on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management team of each business unit and the Executive Director.

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

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, the Chief Financial Officer and finance managers of the business operations have monthly meetings to review monthly performance against budget and forecast, and to address accounting and finance related matters.

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

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the Chief Financial Officer or Executive Director are required prior to commitment for unbudgeted expenditures and material expenditures within the approved budget. Monthly reports of actual versus budgeted and approved expenditures are also reviewed.

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

Legal and regulatory compliance

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

On the listed company level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the SFO. The legal department is vigilant with the legal requirements under these statutes, rules and regulations.

Code of Ethics and handling of inside information

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

With a view to identifying, handling and disseminating inside information in compliance with the SFO, additional procedures – including pre-clearance on dealing in the securities of the Company by designated members of Management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis – have also been implemented by the Group to guard against possible mishandling of inside information within the Group.

Internal Audit

The internal auditor, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management and internal controls systems in the business operations of the Group. By applying risk assessment methodology and taking into account the dynamics of the activities of the Group, internal audit devises its yearly audit plan which is reviewed by the Audit Committee, and continually reassesses the plan during the year to ensure that adequate resources are deployed and the objectives of the plan are met. Internal audit is responsible for assessing the risk management and internal control systems of the Group, including reviewing the continuing connected transactions of the Company (refer to pages 49 to 51 of this report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the Executive Director and the executive management team concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

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

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the internal auditor and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

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

Remuneration of Directors and Senior Management

Remuneration Committee

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

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

Members	**Attended/Eligible to attend**
Lan Hong Tsung, David *(Chairman)*	1/1
Fok Kin Ning, Canning	1/1
Cheong Ying Chew, Henry	1/1

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

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

Remuneration policy

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

2018 remuneration

Directors' emoluments comprise payments to Directors by the Group. The emoluments of each of the Directors exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. Details of emoluments paid to each Director in 2018 are set out below:

Directors	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind(6) HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
Fok Kin Ning, Canning (1)(4)	0.09	-	-	-	-	0.09
Lui Dennis Pok Man (1)	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff (1)(5)(7)	0.07	2.54	3.50	0.18	-	6.29
Koo Sing Fai (5)(8)	0.03	1.07	0.93	0.08	-	2.11
Lai Kai Ming, Dominic (1)(5)	0.07	-	-	-	-	0.07
Edith Shih (1)	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry (2)(3)(4)	0.16	-	-	-	-	0.16
Lan Hong Tsung, David (2)(3)(4)	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna (2)(3)	0.14	-	-	-	-	0.14
Total	0.86	3.61	4.43	0.26	-	9.16

Notes:

(1) Non-executive Director

(2) Independent Non-executive Director

(3) Member of the Audit Committee

(4) Member of the Remuneration Committee

(5) Directors' fees received by these Directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(6) Benefits-in-kind included insurance and transportation

(7) Re-designated as Non-executive Director on 1 August 2018

(8) Appointed on 1 August 2018

The remuneration paid to the members of senior management by bands in 2018 is set out below:

Remuneration bands	Number of individual
HK$1 to HK$500,000	1
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	1

Nomination of Directors

Nomination Committee

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

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

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

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

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

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

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

Director Nomination Policy

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

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

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

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

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. The Group is committed to enhancing investor engagement and communications. Through the Chief Executive Officer, the Chief Financial Officer, the Investor Relations Department and the Corporate Secretarial team, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. A policy on shareholders' communication, which is available on the website of the Company, has been adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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

The Board formalised and adopted a dividend policy for the Company which took effect from 1 January 2019. The Board recognises the benefits of providing shareholders with dividends linked to the underlying earnings performance of the business. This is pursued to deliver value to the shareholders while maintaining a sustainable financial position and healthy operating cash flow. Subject to business conditions, market opportunities and maintenance of the Company's strong financial position, the Company has adopted a policy of paying regular dividends with a normal target payout ratio of 75% of recurring profit attributable to shareholders for the year.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to article 58 of the Articles of Association, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders, by sending the Board or the Company Secretary at the principal place of business a written request for such general meetings, signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition.

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

The last shareholders' meeting of the Company was the 2018 Annual General Meeting (the "AGM"), which was held on 8 May 2018 at Harbour Grand Kowloon, and attended by PwC and all Directors, including the respective chairman of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Separate resolutions were proposed at the AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 8 May 2018 are set out below:

Resolutions proposed at the AGM		**Percentage of votes**
1	Adoption of the audited financial statements together with the report of the Directors and the report of the Independent Auditor for the year ended 31 December 2017	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr LUI Dennis Pok Man as a Director	99.89%
3(b)	Re-election of Dr LAN Hong Tsung, David as a Director	99.93%
3(c)	Re-election of Dr WONG Yick Ming, Rosanna as a Director	99.93%
3(d)	Authorisation of the board of directors to fix the Directors' remuneration	99.99%
4	Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the board of directors to fix the Auditor's remuneration	99.91%
5	Granting of a general mandate to the directors to issue new shares of the Company	96.10%
6	Granting of a general mandate to the directors to repurchase shares of the Company	99.99%
7	Extension of the general mandate to the directors to issue additional shares of the Company	95.96%

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

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

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

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by a Director comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and continually enhance the Group's ESG efforts. The ESG Report of the Group is set out on pages 28 to 36 of this report.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2019

Independent Auditor's Report

To the Shareholders of Hutchison Telecommunications Hong Kong Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 84 to 155, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:
- Goodwill; and
- Revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill *Refer to note 14 to the consolidated financial statements* As at 31 December 2018, the Group had goodwill amounted to HK$2,155 million. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the Group's telecommunications businesses and to determine the key assumptions, including the growth rate used in the cash flow projections and the EBITDA multiples used in determining the terminal values, and the discount rates applied to bring the future cash flows back to their present values. Based on the results of these impairment assessments conducted by the Group, it is believed that there is sufficient headroom and therefore there is no impairment of goodwill. This conclusion is based on the recoverable amounts exceeding the book amount of the cash generating units including goodwill and telecommunications related assets. The significant assumptions are disclosed in note 14 to the consolidated financial statements.	The procedures to evaluate the Group's assessments included: • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions and discount rates based on our knowledge of the business and industry; • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions against which the value-in-use calculations are most sensitive to; and • Testing source data on a sample basis to supporting evidence, such as approved budgets and available market data and considering the reasonableness of these budgets. We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to note 5 to the consolidated financial statements* The Group recognised revenue of HK$7,912 million from the provision of mobile telecommunications services and from hardware sales during the year ended 31 December 2018. Significant effort was spent auditing the revenue recognised by the Group because the systems are complex and involve frequent changes in tariff structure. In addition, there is a large volume of transactions arising from a combination of different hardware or services sold, some of which are bundled transactions under contracts with customers, and these are processed through a number of different systems. The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 using the modified retrospective approach. Significant management judgement is required to assess the relative standalone selling price of each performance obligation to allocate revenue to distinct goods or services identified in the contracts with customers.	The procedures performed in addressing the risk around the accuracy of revenue recognised included: • Testing the IT environment in which billing, rating and other relevant support systems reside; • Testing a sample of transaction records in the systems to the respective customer contracts, underlying invoices and cash receipts; • Assessing the judgements exercised by the Group when allocating revenue to each performance obligation identified in the contracts with customers, by reference to the standalone selling price of each performance obligation and other observable data; and • Evaluating and testing the new processes and controls with respect to the application of IFRS 15, including the key controls over the accuracy of calculation and allocation of revenue to each performance obligation identified in the contracts with customers. We found the revenue recorded to be supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sung Lai, Arthur.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 HK$ millions	2017 HK$ millions
Continuing operations			
Revenue	5	7,912	6,752
Cost of inventories sold		(4,201)	(2,841)
Staff costs	7	(374)	(482)
Expensed customer acquisition and retention costs		(160)	(277)
Depreciation and amortisation		(768)	(3,004)
Other operating expenses	8	(2,093)	(1,951)
		316	(1,803)
Interest and other finance income	9	214	59
Interest and other finance costs	9	(21)	(119)
Share of result of a joint venture	20	(4)	(6)
Profit/(loss) before taxation		505	(1,869)
Taxation	10	(72)	288
Profit/(loss) for the year from continuing operations		433	(1,581)
Discontinued operations			
Profit for the year from discontinued operations	31(a)	-	5,935
Profit for the year		433	4,354
Attributable to:			
Shareholders of the Company		404	4,766
Non-controlling interests		29	(412)
		433	4,354
Profit/(loss) attributable to shareholders of the Company arises from:			
Continuing operations		404	(1,169)
Discontinued operations		-	5,935
		404	4,766
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- Basic earnings/(losses) per share arises from	11		
Continuing operations		8.38	(24.26)
Discontinued operations		-	123.16
		8.38	98.90
- Diluted earnings/(losses) per share arises from	11		
Continuing operations		8.38	(24.26)
Discontinued operations		-	123.16
		8.38	98.90

Details of interim dividend paid, special interim dividend and proposed final dividend payable to shareholders of the Company are set out in Note 12. The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 HK$ millions	2017 HK$ millions
Profit for the year	**433**	4,354
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	**2**	106
Items that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	**(2)**	4
– Cumulative translation adjustments released upon disposal of subsidiaries	**-**	11
Total comprehensive income for the year, net of tax	**433**	4,475
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	**404**	4,886
Non-controlling interests	**29**	(411)
	433	4,475
Total comprehensive income/(loss) attributable to shareholders of the Company arises from:		
Continuing operations	**404**	(1,064)
Discontinued operations	**-**	5,950
	404	4,886

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 HK$ millions	2017 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,194	2,017
Goodwill	14	2,155	2,155
Telecommunications licences	15	2,289	2,542
Customer acquisition and retention costs	16	132	-
Contract assets	17	130	-
Other non-current assets	18	300	214
Deferred tax assets	19	258	338
Investment in a joint venture	20	396	434
Total non-current assets		7,854	7,700
Current assets			
Cash and cash equivalents	21	9,555	13,717
Trade receivables and other current assets	22	546	950
Contract assets	17	276	-
Inventories	23	107	125
Total current assets		10,484	14,792
Current liabilities			
Borrowings	24	-	3,900
Trade and other payables	25	1,755	2,304
Contract liabilities	26	132	-
Current income tax liabilities		16	3
Total current liabilities		1,903	6,207
Non-current liabilities			
Licence fees liabilities and other non-current liabilities	27	288	330
Total non-current liabilities		288	330
Net assets		16,147	15,955

	Note	2018 HK$ millions	2017 HK$ millions
CAPITAL AND RESERVES			
Share capital	28	1,205	1,205
Reserves	29	14,771	14,639
Total shareholders' funds		15,976	15,844
Non-controlling interests		171	111
Total equity		16,147	15,955

The accompanying notes are an integral part of these financial statements.

LUI Dennis Pok Man
Director

KOO Sing Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Retained earnings/ (accumulated losses) HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 31 December 2017, previously reported	1,205	11,185	3,310	2	138	4	15,844	111	15,955
Changes in accounting policies (Note 2(c)(iii))	-	-	96	-	-	-	96	31	127
At 1 January 2018	1,205	11,185	3,406	2	138	4	15,940	142	16,082
Profit for the year	-	-	404	-	-	-	404	29	433
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	2	-	2	-	2
Currency translation differences	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income, net of tax	-	-	404	(2)	2	-	404	29	433
Dividend paid (Note 12)	-	-	(368)	-	-	-	(368)	-	(368)
At 31 December 2018	1,205	11,185	3,442	-	140	4	15,976	171	16,147
At 1 January 2017	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061
Profit for the year	-	-	4,766	-	-	-	4,766	(412)	4,354
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	105	-	105	1	106
Currency translation differences	-	-	-	4	-	-	4	-	4
Cumulative translation adjustments released upon disposal of subsidiaries (Note 31(c))	-	-	-	11	-	-	11	-	11
Total comprehensive income, net of tax	-	-	4,766	15	105	-	4,886	(411)	4,475
Disposal of subsidiaries	-	-	(50)	-	5	45	-	-	-
Dividend paid	-	-	(520)	-	-	-	(520)	(61)	(581)
At 31 December 2017	1,205	11,185	3,310	2	138	4	15,844	111	15,955

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$ millions	2017 HK$ millions
Cash flows from operating activities			
Cash generated from operations	30	**530**	2,076
Interest and other finance costs paid		**(10)**	(128)
Tax paid		**(3)**	(5)
Net cash generated from operating activities		**517**	1,943
Cash flows from investing activities			
Purchases of property, plant and equipment		**(513)**	(1,013)
Additions to other non-current assets		**-**	(9)
Proceeds from disposals of property, plant and equipment		**1**	2
Interest received		**173**	1
Loan to a joint venture		**(72)**	(84)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	31(c)	**-**	14,244
Net cash (used in)/generated from investing activities		**(411)**	13,141
Cash flows from financing activities			
Proceeds from borrowings		**-**	800
Repayment of borrowings		**(3,900)**	(1,400)
Repayment of loan from a fellow subsidiary		**-**	(543)
Dividend paid to the shareholders of the Company	12	**(368)**	(520)
Dividend paid to non-controlling interests		**-**	(61)
Net cash used in financing activities		**(4,268)**	(1,724)
(Decrease)/increase in cash and cash equivalents		**(4,162)**	13,360
Cash and cash equivalents at 1 January		**13,717**	357
Cash and cash equivalents at 31 December	21	**9,555**	13,717

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 General Information

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. Its registered office address is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company and its subsidiaries (together the "Group") is engaged in mobile telecommunications business in Hong Kong and Macau after the disposal of its fixed-line telecommunications business in October 2017 (Note 31).

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and whose American depositary share, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issuance by the Board of Directors on 28 February 2019.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

On 3 October 2017, the Group completed its disposal of the entire interests in subsidiaries which operate the fixed-line telecommunications business (the "discontinued operations") to Asia Cube Global Communications Limited, a company wholly-owned by a fund managed by I Squared Capital (the "Disposal"). Since then, the Group is principally engaged in the mobile telecommunications business in Hong Kong and Macau. The accompanying consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued operations separately. Further details of the Disposal and discontinued operations are set out in Note 31.

2 Significant Accounting Policies (Continued)

(b) New/revised standards, amendments to existing standards and interpretations adopted by the Group

During the year, the Group has adopted the following new/revised standards, amendments to existing standards and interpretations which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2018:

IFRSs (Amendments)	Annual Improvements 2014 – 2016 Cycle in relation to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures*
IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Save as disclosed in Note 2(c), the adoption of other new/revised standards, amendments to existing standards and interpretations does not have a material impact to the Group's results of operations or financial position.

(c) Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the consolidated financial statements.

(i) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

From 1 January 2018, the Group has adopted IFRS 9 retrospectively without restating comparative information.

The financial assets which were classified as loans and receivables before 1 January 2018 were reclassified as debt instruments measured under amortised cost.

The adoption of IFRS 9 does not have a material impact to the Group, except for the methodology of impairment of financial assets. The new accounting policies are set out in Note 2(o) while Note 3(a)(iii) provides details about the calculation of the provision for doubtful debts.

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply the new standard only to contracts that are not completed contracts at 1 January 2018.

The new accounting policies are set out in Note 2(m), Note 2(s), Note 2(u) and Note 2(ab).

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements

The following tables illustrate the amounts by each financial statements line item affected in current year by the application of IFRS 15 as compared to IAS 18 and IAS 11 that were previously in effect before the adoption of IFRS 15:

	2018		
Consolidated Income Statement	**Reported under current accounting policies HK$ millions**	**Effect of IFRS 15 HK$ millions**	**Balance without the adoption of IFRS 15 HK$ millions**
Revenue	7,912	-	7,912
Cost of inventories sold	(4,201)	-	(4,201)
Staff costs	(374)	(65)	(439)
Expensed customer acquisition and retention costs	(160)	(88)	(248)
Depreciation and amortisation	(768)	172	(596)
Other operating expenses	(2,093)	-	(2,093)
	316	19	335
Interest and other finance income	214	-	214
Interest and other finance costs	(21)	-	(21)
Share of result of a joint venture	(4)	-	(4)
Profit before taxation	505	19	524
Taxation	(72)	(3)	(75)
Profit for the year	433	16	449
Attributable to:			
Shareholders of the Company	404	12	416
Non-controlling interests	29	4	33
	433	16	449

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements (Continued)

Consolidated Statement of Comprehensive Income	2018 Reported under current accounting policies HK$ millions	2018 Effect of IFRS 15 HK$ millions	2018 Balance without the adoption of IFRS 15 HK$ millions
Profit for the year	433	16	449
Other comprehensive income			
Item that will not be reclassified subsequently to income statement in subsequent periods:			
– Remeasurements of defined benefit plans	2	-	2
Item that may be reclassified subsequently to income statement in subsequent periods:			
– Currency translation differences	(2)	-	(2)
Total comprehensive income for the year, net of tax	433	16	449
Total comprehensive income attributable to:			
Shareholders of the Company	404	12	416
Non-controlling interests	29	4	33
	433	16	449

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements (Continued)

Consolidated Statement of Financial Position	At 31 December 2018 Reported under current accounting policies HK$ millions	Effect under IFRS 15 HK$ millions	Balance without the adoption of IFRS 15 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	2,194	-	2,194
Goodwill	2,155	-	2,155
Telecommunications licences	2,289	-	2,289
Customer acquisition and retention costs	132	(132)	-
Contract assets	130	(130)	-
Other non-current assets	300	-	300
Deferred tax assets	258	21	279
Investment in a joint venture	396	-	396
Total non-current assets	7,854	(241)	7,613
Current assets			
Cash and cash equivalents	9,555	-	9,555
Trade receivables and other current assets	546	406	952
Contract assets	276	(276)	-
Inventories	107	-	107
Total current assets	10,484	130	10,614
Current liabilities			
Trade and other payables	1,755	132	1,887
Contract liabilities	132	(132)	-
Current income tax liabilities	16	-	16
Total current liabilities	1,903	-	1,903
Non-current liabilities			
Licence fees liabilities and other non-current liabilities	288	-	288
Total non-current liabilities	288	-	288
Net assets	16,147	(111)	16,036
CAPITAL AND RESERVES			
Share capital	1,205	-	1,205
Reserves	14,771	(84)	14,687
Total shareholders' funds	15,976	(84)	15,892
Non-controlling interests	171	(27)	144
Total equity	16,147	(111)	16,036

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements (Continued)

Consolidated Statement of Financial Position	31 December 2017 As previously reported HK$ millions	Effect under IFRS 15 HK$ millions	1 January 2018 As restated HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	2,017	-	2,017
Goodwill	2,155	-	2,155
Telecommunications licences	2,542	-	2,542
Customer acquisition and retention costs	-	151	151
Contract assets	-	157	157
Other non-current assets	214	-	214
Deferred tax assets	338	(24)	314
Investment in a joint venture	434	-	434
Total non-current assets	7,700	284	7,984
Current assets			
Cash and cash equivalents	13,717	-	13,717
Trade receivables and other current assets	950	(337)	613
Contract assets	-	180	180
Inventories	125	-	125
Total current assets	14,792	(157)	14,635
Current liabilities			
Borrowings	3,900	-	3,900
Trade and other payables	2,304	(162)	2,142
Contract liabilities	-	162	162
Current income tax liabilities	3	-	3
Total current liabilities	6,207	-	6,207
Non-current liabilities			
Licence fees liabilities and other non-current liabilities	330	-	330
Total non-current liabilities	330	-	330
Net assets	15,955	127	16,082
CAPITAL AND RESERVES			
Share capital	1,205	-	1,205
Reserves	14,639	96	14,735
Total shareholders' funds	15,844	96	15,940
Non-controlling interests	111	31	142
Total equity	15,955	127	16,082

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements (Continued)

Accounting for costs to obtain a contract

In previous reporting periods, incremental commission expenses paid to internal sales personnel and external agents in conjunction with obtaining telecommunications service contracts and bundled transactions under contracts were recognised in the consolidated income statement as incurred.

Following the adoption of IFRS 15, the incremental commission expenses of HK$151 million were capitalised as customer acquisition and retention costs in the consolidated statement of financial position on 1 January 2018 with a corresponding reduction of deferred tax assets of HK$24 million recognised. These resulted the net adjustments to retained earnings and non-controlling interests of HK$96 million and HK$31 million, respectively.

Presentation of assets and liabilities related to contracts with customers

The Group has changed the presentation of contract assets (Note 2(s)) relating to bundled transaction under contracts and contract liabilities (Note 2(u)) relating to telecommunications service contracts in the consolidated statement of financial position on 1 January 2018 to reflect the terminology of IFRS 15.

Previously, contract balances were presented in the consolidated statement of financial position under "trade receivables and other current assets" and "trade and other payables".

(d) New/revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group

At the date of approval of these financial statements, the following new/revised standards, amendments to existing standards and interpretations have been issued but are not yet effective for the year ended 31 December 2018:

IFRSs (Amendments) [(i)]	Annual Improvements 2015 – 2017 Cycle in relation to IFRS 3 *Business Combination*, IFRS 11 *Joint Arrangements* and IAS 23 *Borrowing Costs*
IAS 1 and IAS 8 (Amendments) [(ii)]	Definition of Material
IAS 19 (Amendments) [(i)]	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments) [(i)]	Long-term Interests in Associates and Joint Ventures
IFRS 3 (Amendments) [(ii)]	Definition of a Business
IFRS 9 (Amendments) [(i)]	Prepayment Features with Negative Compensation
IFRS 10 and IAS 28 (Amendments) [(iv)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16 [(i)]	Leases
IFRS 17 [(iii)]	Insurance Contracts
IFRIC 23 [(i)]	Uncertainty over Income Tax Treatments

(i) Effective for annual periods beginning on or after 1 January 2019
(ii) Effective for annual periods beginning on or after 1 January 2020
(iii) Effective for annual periods beginning on or after 1 January 2021
(iv) No mandatory effective date yet determined but is available for adoption

2 Significant Accounting Policies (Continued)

(d) New/revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group (Continued)

IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The new leases standard is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group will adopt this new standard from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard provides a single, on statement of financial position lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. With all other variables remain constant, the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

In view of the costs and massive complexity involved of applying the full retrospective approach, the Group will elect the modified retrospective approach. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 16, i.e. 1 January 2019; and (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

2 Significant Accounting Policies (Continued)

(d) New/revised standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Group (Continued)

IFRS 16 Leases (Continued)

When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

IFRS 16 will affect primarily the accounting for the Group's operating leases. The Group has quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows on adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the future economic conditions, including the Group's incremental borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions allowed under the modified retrospective adoption approach.

The impact on adoption of IFRS 16 will be disclosed in the first set of consolidated financial statements issued by the Group following the initial application of this new standard, i.e. in the condensed consolidated financial statements for the six months ending 30 June 2019.

The adoption of other standards, amendments and interpretations listed above in future periods is not expected to have any material impact on the Group's results of operations and financial position.

(e) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Significant Accounting Policies (Continued)

(e) Subsidiaries (Continued)

(i) Consolidation (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed (Note 2(k)). If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Company's financial statements

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(f) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the shareholders of the Company.

(g) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Significant Accounting Policies (Continued)

(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Significant Accounting Policies (Continued)

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Property, plant and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

Buildings	50 years or over the unexpired period of the lease, whichever is the shorter
Telecommunications infrastructure and network equipment	2 – 15 years
Motor vehicles	4 years
Office furniture and equipment and computer equipment	5 – 7 years
Leasehold improvements	Over the unexpired period of the lease or at annual rate of 15%, whichever is the shorter

Subsequent costs on property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to the qualifying assets.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(n)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating expenses" in the consolidated income statement.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is reported in the consolidated statement of financial position as a separate asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing.

2 Significant Accounting Policies (Continued)

(l) Telecommunications licences

Telecommunications licences represent the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date the related spectrum is ready for its intended use. Telecommunications licences are amortised on a straight-line basis from the date the related spectrum is ready for its intended use over the remaining expected licence periods and are stated net of accumulated amortisation.

(m) Customer acquisition and retention costs eligible for capitalisation

The incremental costs of obtaining telecommunications service contracts are those costs that would not have been incurred if the contract had not been obtained, mainly representing commission expenses paid to internal sales personnel and external agents. These incremental costs are required to be capitalised as an asset when incurred, and amortised on a straight-line basis in the consolidated income statement over the enforceable contractual period.

Acquisition costs related to contracts with durations less than one year are expensed as incurred.

(n) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Financial assets

From 1 January 2018, the Group classifies all of its financial assets as debt instruments measured at amortised cost including trade receivables, other receivables, prepayments and deposits and loan to a joint venture. The classification depends on the entity's business model for managing financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Significant Accounting Policies (Continued)

(o) Financial assets (Continued)

(i) Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in net basis as "provision for doubtful debts" within "other operating expenses" in the consolidated income statement.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(ii) Impairment of financial assets and contract assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (Note 3(a)(iii)).

Accounting policies applied until 31 December 2017

The Group classified its financial assets as loans and receivables. The classification was depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and with no intention of trading. They were included in current assets, except for the amounts that were settled or expected to be settled more than 12 months after the end of the reporting period which were classified as non-current assets.

Regular way purchases and sales of financial assets were recognised on trade-date, the date on which the Group committed to purchasing or selling the asset. Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

2 Significant Accounting Policies (Continued)

(o) Financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment of financial assets

The Group assessed at each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. Financial assets were impaired and impairment losses were incurred only if there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets had been impacted. For financial assets carried at amortised cost, the amount of the impairment was the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset was reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount was reduced through the use of a provision account. A provision for doubtful debts of trade receivables was established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of receivable. The amount of provision was determined based on historical data of payment statistics for aged receivable balances. When a trade receivable was uncollectible, it was written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off were credited against the consolidated income statement. Changes in the carrying amount of the provision account were recognised in the consolidated income statement.

(p) Cash and cash equivalents

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

(q) Inventories

Inventories consist of handsets and phone accessories and are valued using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(r) Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method (Note 2(o)).

2 Significant Accounting Policies (Continued)

(s) Contract assets

Contract assets relating to bundled transaction under contracts are recognised when the Group has provided the service or delivered the hardware to the customer before the customer pays consideration or before payment is due.

(t) Trade and other payables

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

(u) Contract liabilities

The Group recognises contract liabilities when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group provides a service or delivers a hardware to the customer.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets (Notes 2(j) and 2(l)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Significant Accounting Policies (Continued)

(x) Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences (including tax losses) can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is disclosed in the notes to the consolidated financial statements unless the possibility of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2 Significant Accounting Policies (Continued)

(aa) Employee benefits

(i) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

(a) Defined benefit plans

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in pension costs, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in other comprehensive income.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the pension costs in the consolidated income statement.

(b) Defined contribution plans

The Group's contributions to defined contribution plans are charged to the consolidated income statement in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

2 Significant Accounting Policies (Continued)

(aa) Employee benefits (Continued)

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably committed itself to terminating employment or to providing benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(ab) Revenue recognition

The Group recognises revenue on the following bases:

(i) Sales of services

The Group provides mobile telecommunications and other related service to customers through a variety of plans on a postpaid or prepaid basis. Revenue is recognised using an output method, either as the service entitlement units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the transfer of service to the customer. Monthly service revenue is generally billed in advance, which results in a contract liability (Note 2(u)).

For postpaid plan, the Group enters into a fixed-term and fixed-price service contract with the customer. When monthly usage exceeds the entitlement, the overage usage represents options held by the customer for incremental services and the usage-based fee is recognised when the customer exercises the option.

Customers are invoiced on a monthly basis and consideration is payable when invoiced. The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms.

2 Significant Accounting Policies (Continued)

(ab) Revenue recognition (Continued)

(ii) Sales of hardware

The Group sells telecommunications hardware to customers. Revenue is recognised upon delivery of hardware to customers as this is when control passes to the customers and the payment is due immediately.

(iii) Bundled transactions under contracts comprising provision of mobile telecommunications services and sale of handset

Under bundled contracts, the Group sells handset device in exchange for entering into a fixed-term and fixed-price service contract, representing the two distinct performance obligations in these typical bundled contracts.

The amount of revenue recognised for each performance obligation is determined by considering the standalone selling prices of each of the services element and handset device element provided within the bundled contracts. The payment pattern is consistent with the sales of services and hardware.

The bundled contracts generally include the sale of a handset device at subsidised prices. This results in the creation of a contract asset at the time of sale, which represents the recognition of hardware revenue in excess of amounts billed (Note 2(s)).

Financing components

The Group does not expect to have any contracts where the period between the provision of the promised services to the customers and payment by the customers exceeds one year. The financing component in the bundled contracts where the period between the delivery of the promised handset device to the customers and payment by the customers exceeds one year is not expected to be significant. Based on current facts and circumstances, the Group determined that the financing component within the bundled contracts with customers is not significant and therefore not accounted for separately.

Accounting policies applied until 31 December 2017

The Group recognised revenue on the following bases:

(i) Sales of services were recognised in the accounting period in which the services were rendered.

(ii) Sales of hardware were recognised upon delivery to customers.

(iii) For bundled transactions under contract comprising provision of mobile telecommunications services and sale of a handset device, the amount of revenue recognised upon the sale of the handset device was accrued as determined by considering the estimated fair values of each of the services element and handset device element of the contract.

2 Significant Accounting Policies (Continued)

(ac) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that subsequently become credit-impaired.

(ad) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ae) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale or dispose.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operations.

3 Financial Risk Management

(a) Financial risk factors

The Group is exposed to market risk (from changes in interest rates and currency exchange rates), credit risk and liquidity risk. Interest rate risk exists with respect to the Group's financial assets and liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed rate financial assets and liabilities. Exchange rate risk exists with respect to the Group's financial assets and liabilities denominated in a currency that is not the entity's functional currency. No instruments are held by the Group for speculative purposes.

(i) Foreign currency exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with the surplus funds placed with banks as deposits, trade receivables and trade payables denominated in United States dollars ("US$"), Euro ("EURO") and British pounds ("GBP"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign currency exposure (Continued)

The table below summarises the foreign exchange exposure on the net monetary position of the above assets and liabilities, expressed in the Group's presentation currency of HK$.

	2018 HK$ millions	2017 HK$ millions
US$	**(84)**	(241)
EURO	**(86)**	(34)
GBP	**(49)**	(27)
Total net exposure: net liabilities	**(219)**	(302)

As at 31 December, a 5% strengthening/weakening of the currencies of the above assets and liabilities against HK$ would have decreased/increased post-tax profit for the year by the amounts as shown below. This analysis assumes that all other variables remain constant.

	2018 HK$ millions	2017 HK$ millions
US$	**(3)**	(10)
EURO	**(4)**	(2)
GBP	**(2)**	(1)
	(9)	(13)

There is no foreign currency transaction risk that would affect equity directly. The 5% movement represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate exposure

The Group's main interest risk exposures relate to its borrowings, investments of surplus funds placed with banks as deposits and loan to a joint venture. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt and interest rate exposure of investments of surplus funds by placing such balances with various maturities and interest rate terms.

As at 31 December, the carrying amounts of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

	2018 HK$ millions	2017 HK$ millions
Borrowings at floating rates (Note 24)	**-**	(3,900)
Cash at banks and short-term bank deposits	**9,312**	13,591
Loan to a joint venture (Note 20)	**433**	466
	9,745	10,157

The interest rate profile of the Group's borrowings is disclosed in Note 24. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2018 and 2017 would have increased by approximately HK$81 million and HK$85 million, respectively, mainly as a result of higher interest income from cash at banks and bank deposits, interest bearing balance with a joint venture and interest expenses on floating rate borrowings; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting date and had been applied to the exposure to interest rate risk for the above financial assets and liabilities in existence at that date. The 100 basis point movement represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk arises from cash at banks and short-term bank deposits, trade and other receivables, non-current deposits, contract assets and loan to a joint venture.

Risk management

Credit risk is managed on a group basis. Management has policies in place and exposures to the credit risk are monitored on an ongoing basis.

For banks and financial institutions, only independently rated parties with sound credit rating are accepted.

The Group controls its credit risk by assessing the credit quality of the counterparties, taking into account their equity share price movements, credit ratings, past experience and other factors, in measuring the expected credit loss. Individual limits are set by the management with regular monitoring.

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. There is no concentration of credit risk with respect to trade receivables and contract assets as the Group has a large number of customers. The Group does not have significant exposure to any individual debtor.

The Group considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2018 HK$ millions	2017 HK$ millions
Cash at banks and short-term bank deposits (Note 21)	**9,555**	13,717
Trade and other receivables (Note 22)	**433**	826
Contract assets (Note 17)	**406**	–
Non-current deposits (Note 18)	**36**	37
Loan to a joint venture (Note 20)	**433**	466
	10,863	15,046

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables from the provision of mobile telecommunications services and from the provision of bundled transactions under contract;
- contract assets relating to bundled transactions under contract; and
- other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(a) Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected provision for doubtful debts against trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group considers the lifetime expected loss for contract assets relating to unbilled bundled transactions under contract to be substantially the same as the trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on economic trend that affects the ability of the customers to settle the receivables.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

On that basis, the provision for doubtful debts as at 31 December 2018 and 1 January 2018 are determined as follows for trade receivables and contract assets:

	Trade receivables			Contract assets		
	Expected loss rate	Gross carrying amount HK$ millions	Provision for doubtful debts HK$ millions	Expected loss rate	Gross carrying amount HK$ millions	Provision for doubtful debts HK$ millions
At 31 December 2018:						
Not yet due	2%	112	2	2%	414	8
Past due 1 - 30 days	4%	77	4			
Past due 31 - 60 days	5% - 11%	23	2			
Past due 61 - 90 days	8% - 21%	15	2			
Past due over 90 days	28% - 54%	72	31			
		299	41			

	Trade receivables			Contract assets		
	Expected loss rate	Gross carrying amount HK$ millions	Provision for doubtful debts HK$ millions	Expected loss rate	Gross carrying amount HK$ millions	Provision for doubtful debts HK$ millions
At 1 January 2018 (Restated):						
Not yet due	2%	93	2	2%	344	7
Past due 1 - 30 days	5%	78	4			
Past due 31 - 60 days	8% - 13%	22	3			
Past due 61 - 90 days	11% - 22%	16	3			
Past due over 90 days	37% - 54%	67	28			
		276	40			

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

Movement of provision for doubtful debts of trade receivables and contract assets is as follows:

	Trade receivables		Contract assets	
	2018 HK$ millions	2017 HK$ millions	**2018 HK$ millions**	2017 HK$ millions
At 31 December under IAS 39	**47**	106	**-**	-
Changes in accounting policies	**(7)**	-	**7**	-
At 1 January under IFRS 9	**40**	106	**7**	-
Increase in provision recognised in the consolidated income statement	**20**	92	**5**	-
Amounts recovered in respect of brought forward balance	**(3)**	(65)	**(4)**	-
Write-off during the year	**(16)**	(24)	**-**	-
Disposal of subsidiaries	**-**	(62)	**-**	-
At 31 December	**41**	47	**8**	-

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments past due for a period of greater than 365 days. Impairment losses on trade receivables and contract assets are presented in net basis as "provision for doubtful debts" within "other operating expenses" in the consolidated income statement (Note 8). Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include loan to a joint venture, other receivables and deposits. These financial assets are considered to be low credit risk as the counterparty has capacity to meet its contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for these financial assets.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Prudent liquidity risk management, including maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, is adopted. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines and sufficient cash for operating and investing activities.

The following table details the contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group is required to pay.

	Carrying amount HK$ million	Contractual liabilities HK$ million	Non-contractual liabilities HK$ million	Contractual undiscounted cash flow HK$ million	Within 1 year HK$ million	After 1 year but within 2 years HK$ million	After 2 years but within 5 years HK$ million
At 31 December 2018							
Trade payables (Note 25)	314	314	-	314	314	-	-
Other payables and accruals (Note 25)	1,250	272	978	272	272	-	-
Licence fees liabilities (Notes 25 and 27)	140	140	-	149	58	58	33
	1,704	726	978	735	644	58	33

	Carrying amount HK$ million	Contractual liabilities HK$ million	Non-contractual liabilities HK$ million	Contractual undiscounted cash flow HK$ million	Within 1 year HK$ million	After 1 year but within 2 years HK$ million	After 2 years but within 5 years HK$ million
At 31 December 2017							
Borrowings (Note 24)	3,900	3,900	-	3,900	-	3,900	-
Trade payables (Note 25)	406	406	-	406	406	-	-
Other payables and accruals (Note 25)	1,537	291	1,246	291	291	-	-
Licence fees liabilities (Notes 25 and 27)	191	191	-	206	57	58	91
	6,034	4,788	1,246	4,803	754	3,958	91

3 Financial Risk Management (Continued)

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The Group defines capital as total equity attributable to shareholders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

(c) Fair value estimation

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate their fair values due to short maturity. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Group bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions.

The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(a) Estimated useful life for telecommunications infrastructure and network equipment

The Group has substantial investments in mobile telecommunications infrastructure and network equipment. As at 31 December 2018, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK$1,628 million (2017: HK$1,374 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

During the year ended 31 December 2017, estimated useful lives for certain items of mobile telecommunications infrastructure and network equipment were revised. The after tax and non-controlling interests net effect of the changes in depreciation expense in that financial year was an increase of HK$1,391 million for certain 2G and 3G mobile telecommunications infrastructure and network equipment after the deployment of various network transformational initiatives. These items were fully depreciated as at 31 December 2017.

4 Critical Accounting Estimates and Judgements (Continued)

(b) Asset impairment

Non-financial assets

Management judgement is required in the area of asset impairment, including goodwill, property, plant and equipment and telecommunications licences, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2018 indicated that no impairment charge was necessary.

(c) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contracts with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised for each performance obligation is determined by considering the standalone selling price at contract inception of each distinct service element and hardware element of the contract and allocating the revenue in proportion based on these standalone selling price. Significant judgement is required in assessing the standalone selling price of these elements, including observable price or estimated price based on adjusted market assessment approach. Changes in the estimated standalone selling price may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout the contract term. The Group periodically re-assesses the allocation basis as a result of changes in market conditions.

(d) Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2018, the Group has recognised deferred tax assets of approximately HK$258 million (2017: HK$338 million).

5 Revenue

Revenue comprises revenues from provision of mobile telecommunications services and other related service as well as sales of telecommunications hardware. An analysis of revenue is as follows:

	2018 HK$ millions	2017 HK$ millions
Mobile telecommunications and other related service	**3,662**	3,853
Telecommunications hardware	**4,250**	2,899
	7,912	6,752

(a) Disaggregation of revenue

The Group derives revenue from the provision of services and delivery of goods by timing of satisfaction of performance obligations as follows:

	2018 HK$ millions	2017 HK$ millions
Timing of revenue recognition:		
Over time	**3,662**	3,853
At a point in time	**4,250**	2,899
	7,912	6,752

(b) Unsatisfied mobile telecommunications service contracts

The aggregate amount of the transaction price allocated to the performance obligations arisen from fixed-price mobile telecommunications service contracts that are partially or fully unsatisfied as at 31 December 2018 was HK$3,008 million. Management expects that the transaction price allocated to these unsatisfied contracts as of 31 December 2018 will be recognised as revenue in the following future years:

	2018 HK$ millions	2017 (i) HK$ millions
Not later than 1 year	**1,883**	–
After 1 year, but within 5 years	**1,119**	–
After 5 years	**6**	–
	3,008	–

(i) As permitted under the transitional provisions in IFRS 15, the unsatisfied performance obligations as of 31 December 2017 is not disclosed.

The performance obligations arisen from other mobile telecommunications service contracts are for period of one year or less or are billed based on usage incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 Segment Information

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has identified only one reporting segment, i.e. mobile telecommunications business.

7 Staff Costs

	2018 HK$ millions	2017 HK$ millions
Wages and salaries	494	528
Pension costs		
– defined benefit plans	21	20
– defined contribution plans	9	9
Termination benefits	2	3
Less: – Amounts capitalised as property, plant and equipment	(87)	(78)
– Amounts capitalised as customer acquisition and retention costs	(65)	–
	374	482

(a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Group. The emoluments of each of the directors of the Company exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and the chief executive for 2018 and 2017 are as follows:

	2018					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind (v) HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning	0.09	-	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff (i) (ii)	0.07	2.54	3.50	0.18	-	6.29
Koo Sing Fai (i) (iii)	0.03	1.07	0.93	0.08	-	2.11
Lai Kai Ming, Dominic (i)	0.07	-	-	-	-	0.07
Edith Shih	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry	0.16	-	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.86	3.61	4.43	0.26	-	9.16

7 Staff Costs (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	2017					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind (v) HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning	0.09	–	–	–	–	0.09
Lui Dennis Pok Man	0.07	–	–	–	–	0.07
Woo Chiu Man, Cliff (i) (ii) (iv)	0.07	2.93	7.00	0.20	–	10.20
Lai Kai Ming, Dominic (i)	0.07	–	–	–	–	0.07
Edith Shih (i) (iv)	0.07	–	–	–	–	0.07
Cheong Ying Chew, Henry	0.16	–	–	–	–	0.16
Lan Hong Tsung, David	0.16	–	–	–	–	0.16
Wong Yick Ming, Rosanna	0.14	–	–	–	–	0.14
Total	0.83	2.93	7.00	0.20	–	10.96

(i) Director's fee received by these directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(ii) Mr Woo Chiu Man, Cliff was the chief executive for the period from 1 January 2018 to 31 July 2018 and for the year ended 31 December 2017 whose emoluments have been shown in directors' emoluments above.

(iii) Mr Koo Sing Fai was appointed as the chief executive on 1 August 2018, whose emoluments for the period from 1 August 2018 to 31 December 2018 have been shown in directors' emoluments above.

(iv) Appointed on 1 January 2017.

(v) Benefits-in-kind included insurance and transportation.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

7 Staff Costs (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

	2018 Number of individual	2017 Number of individual
Directors of the Company	**2**	1
Management executives	**3**	4

The aggregate remuneration paid to these highest paid individuals is as follows:

	2018 HK$ millions	2017 HK$ millions
Basic salaries, allowances and benefits-in-kind	**10**	11
Bonuses	**8**	14
Provident fund contributions	**1**	1
	19	26

The emoluments of the above mentioned individuals with the highest emoluments fall within the following bands:

	2018 Number of individual	2017 Number of individual
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**2**	2
HK$6,000,001 – HK$6,500,000	**1**	1
HK$10,000,001 – HK$10,500,000	**-**	1

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2018 (2017: Nil).

8 Other Operating Expenses

	2018 HK$ millions	2017 HK$ millions
Cost of services provided	**1,447**	1,351
General administrative and distribution costs	**162**	131
Operating leases in respect of:		
– Buildings	**457**	441
– Hire of plant and machinery	**1**	2
Loss on disposals of property, plant and equipment	**1**	1
Auditors' remuneration	**7**	7
Provision for doubtful debts	**18**	18
Total	**2,093**	1,951

9 Interest and Other Finance Income/(Costs), Net

	2018 HK$ millions	2017 HK$ millions
Interest and other finance income:		
Bank interest income	**193**	30
Interest income from a joint venture	**21**	17
Interest and other finance income from discontinued operations	**-**	12
	214	59
Interest and other finance costs:		
Bank loans	**(1)**	(71)
Notional non-cash interest accretion [(i)]	**(11)**	(13)
Guarantee and other finance fees	**(9)**	(39)
	(21)	(123)
Less: Amounts capitalised on qualifying assets	**-**	4
	(21)	(119)
Interest and other finance income/(costs), net	**193**	(60)

(i) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the consolidated statement of financial position such as licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

10 Taxation

	2018		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	16	46	62
Outside Hong Kong	-	10	10
	16	56	72

	2017		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	–	(272)	(272)
Outside Hong Kong	–	(16)	(16)
	–	(288)	(288)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

	2018 HK$ millions	2017 HK$ millions
Tax calculated at domestic rates	84	(304)
Income not subject to tax	(32)	(6)
Expenses not deductible for taxation purposes	51	38
Utilisation of previously unrecognised tax losses	(7)	(16)
Utilisation of previously unrecognised temporary differences	(1)	–
Recognition of previously unrecognised temporary differences	(23)	–
Over provision in prior years	-	(1)
Tax losses not recognised	-	1
Total taxation charge/(credit)	72	(288)

11 Earnings per Share

	2018 **HK$ millions**	2017 HK$ millions
Profit/(loss) attributable to shareholders of the Company arises from:		
– Continuing operations	**404**	(1,169)
– Discontinued operations	**-**	5,935
	404	4,766

The calculation of basic earnings/(losses) per share is based on profit/(loss) attributable to shareholders of the Company and on the weighted average number of ordinary shares in issue during the year as follows:

	2018	2017
Weighted average number of ordinary shares in issue	**4,818,896,208**	4,818,896,208
Basic earnings/(losses) per share (HK cents):		
– Continuing operations	**8.38**	(24.26)
– Discontinued operations	**-**	123.16
	8.38	98.90

The diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares in issue with the weighted average number of ordinary shares deemed to be issued assuming the exercise of the share options as follows:

	2018	2017
Weighted average number of ordinary shares in issue	**4,818,896,208**	4,818,896,208
Adjustments on share options	**131,741**	125,094
	4,819,027,949	4,819,021,302
Diluted earnings/(losses) per share (HK cents):		
– Continuing operations	**8.38**	(24.26)
– Discontinued operations	**-**	123.16
	8.38	98.90

12 Dividends

	2018 **HK$ millions**	2017 HK$ millions
Interim, paid of 3.10 HK cents per share (2017: 3.90 HK cents per share)	**149**	188
Special interim of 80.00 HK cents per share (2017: Nil)	**3,855**	–
Final, proposed of 3.20 HK cents per share (2017: 4.55 HK cents per share)	**154**	219
	4,158	407

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2018 and 2017 are as follows:

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
At 1 January 2018	87	7,207	3,072	272	10,638
Additions	-	294	72	156	522
Disposals	-	(2,020)	(84)	-	(2,104)
Transfer between categories	-	174	33	(207)	-
At 31 December 2018	87	5,655	3,093	221	9,056
Accumulated depreciation and impairment losses					
At 1 January 2018	15	5,833	2,773	-	8,621
Charge for the year	2	213	128	-	343
Disposals	-	(2,019)	(83)	-	(2,102)
At 31 December 2018	17	4,027	2,818	-	6,862
Net book value					
At 31 December 2018	70	1,628	275	221	2,194

13 Property, Plant and Equipment (Continued)

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
At 1 January 2017	152	22,444	3,669	652	26,917
Additions	–	588	142	293	1,023
Disposals	–	(2,152)	(48)	–	(2,200)
Disposal of subsidiaries (Note 31(c))	(65)	(13,976)	(787)	(278)	(15,106)
Transfer between categories	–	300	95	(395)	–
Currency translation differences	–	3	1	–	4
At 31 December 2017	87	7,207	3,072	272	10,638
Accumulated depreciation and impairment losses					
At 1 January 2017	46	12,714	3,227	–	15,987
Charge for the year	4	3,034	216	–	3,254
Disposals	–	(2,151)	(46)	–	(2,197)
Disposal of subsidiaries (Note 31(c))	(35)	(7,765)	(625)	–	(8,425)
Currency translation differences	–	1	1	–	2
At 31 December 2017	15	5,833	2,773	–	8,621
Net book value					
At 31 December 2017	72	1,374	299	272	2,017

The carrying values of all property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Other assets include motor vehicles, office furniture and equipment, computer equipment and leasehold improvements.

Additions of telecommunications infrastructure and network equipment included interest of HK$5 million capitalised at a rate of 1.9% per annum for the year ended 31 December 2017.

During the year ended 31 December 2017, estimated useful lives for certain 2G and 3G mobile telecommunications infrastructure and network equipment were revised after the deployment of various network transformational initiatives, resulting in additional depreciation expense of HK$2,182 million.

14 Goodwill

	2018 HK$ millions	2017 HK$ millions
Gross carrying amount and net book value at 1 January	**2,155**	4,503
Disposal of subsidiaries	**-**	(2,348)
Gross carrying amount and net book value at 31 December	**2,155**	2,155
Accumulated impairment losses at 1 January and 31 December	**-**	-

Impairment test for goodwill

Goodwill is allocated to the Group's mobile telecommunications business according to the business segment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2023.

Key assumptions used for value-in-use calculations are:

(i) Projected EBITDA has been based on past performance of the Group's respective CGUs and its expectation for the market development. Management considers EBITDA a proxy for operating cash flow.

(ii) A long-term growth rate into perpetuity is not used to extrapolate cash flows beyond the forecast period. Instead, management uses EBITDA multiples with reference to market to determine the terminal value of the Group's respective CGUs.

(iii) The discount rate applied to cash flows of the Group's respective CGUs is based on discount rate and reflects the specific risks relating to the relevant segment. The post-tax and pre-tax discount rates applied in the value-in-use calculation are as follows:

	2018	2017
Post-tax discount rate	**5.2%**	3.4%
Pre-tax discount rate	**5.8%**	3.8%

The discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets.

In accordance with the Group's accounting policy on asset impairment (Note 2(n)), the carrying values of goodwill were tested for impairment at each reporting date. Note 4(b) contains information about the estimates and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2018 indicated no impairment charge was necessary (2017: Same).

15 Telecommunications Licences

	HK$ millions
At 1 January 2017	
Cost	3,473
Accumulated amortisation	(677)
Net book value	2,796
Year ended 31 December 2017	
Opening net book value	2,796
Amortisation for the year	(254)
Closing net book value	2,542
At 31 December 2017	
Cost	3,473
Accumulated amortisation	(931)
Net book value	2,542
Year ended 31 December 2018	
Opening net book value	**2,542**
Amortisation for the year	**(253)**
Closing net book value	**2,289**
At 31 December 2018	
Cost	**3,473**
Accumulated amortisation	**(1,184)**
Net book value	**2,289**

16 Customer Acquisition and Retention Costs

	HK$ millions
At 1 January 2017 and 31 December 2017	
Cost	–
Accumulated amortisation	–
	–
Year ended 31 December 2018	
Opening net book value	**-**
Changes in accounting policies (Note 2(c))	**151**
At 1 January 2018	**151**
Additions	**153**
Amortisation for the year	**(172)**
Closing net book value	**132**
At 31 December 2018	
Cost	**467**
Accumulated amortisation	**(335)**
Net book value	**132**

17 Contract Assets

	Non-current		Current		Total	
	31 December 2018 HK$ millions	1 January 2018 HK$ millions	**31 December 2018 HK$ millions**	1 January 2018 HK$ millions	**31 December 2018 HK$ millions**	1 January 2018 HK$ millions
Contract assets	**132**	160	**282**	184	**414**	344
Less: Provision for doubtful debts (Note 3(a)(iii))	**(2)**	(3)	**(6)**	(4)	**(8)**	(7)
Contract assets, net of provision	**130**	157	**276**	180	**406**	337

There is no concentration of credit risk with respect to contract assets, as the Group has a large number of customers.

18 Other Non-Current Assets

	2018 HK$ millions	2017 HK$ millions
Prepayments	**255**	162
Non-current deposits	**36**	37
Pension assets (Note 34(a))	**9**	15
	300	214

Non-current deposits are carried at amortised cost, which approximate their fair values at the reporting date.

19 Deferred Tax Assets

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 gross movement of the deferred tax (liabilities)/assets is as follows:

	Accelerated depreciation allowance HK$ millions	Tax losses HK$ millions	Total HK$ millions
At 1 January 2017	(1,054)	534	(520)
Net credit/(charge) to consolidated income statement for the year			
– Continuing operations (Note 10)	348	(60)	288
– Discontinued operations	1	(68)	(67)
Disposal of subsidiaries (Note 31(c))	729	(92)	637
At 31 December 2017	24	314	338
At 31 December 2017	**24**	**314**	**338**
Changes in accounting policies (Note 2(c))	**-**	**(24)**	**(24)**
At 1 January 2018	**24**	**290**	**314**
Net charge to consolidated income statement for the year (Note 10)	**(17)**	**(39)**	**(56)**
At 31 December 2018	**7**	**251**	**258**

19 Deferred Tax Assets (Continued)

The potential deferred tax assets which have not been recognised in the consolidated financial statements are as follows:

	2018 HK$ millions	2017 HK$ millions
Arising from unused tax losses	**1**	8
Arising from depreciation allowances	**-**	1
	1	9

The utilisation of unused tax losses depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

As at 31 December 2018, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$6 million (2017: HK$46 million) can be carried forward indefinitely.

20 Investment in a Joint Venture

	2018 HK$ millions	2017 HK$ millions
Loan to a joint venture	**433**	466
Share of undistributed post acquisition reserves	**(37)**	(32)
	396	434

As at 31 December 2018, the loan to a joint venture of HK$433 million (2017: HK$466 million) was unsecured, had no fixed term of repayment and bore interest at Hong Kong inter-bank offered rate plus 3% per annum (2017: Same).

Particulars of the principal joint venture are summarised as follows:

Name	**Place of incorporation**	**Principal activities**	**Interest held**
Genius Brand Limited	Hong Kong	Telecommunications business in Hong Kong	50%

20 Investment in a Joint Venture (Continued)

The Group's share of the result of its joint venture, which is unlisted, is as follows:

	2018 HK$ millions	2017 HK$ millions
Net loss and total comprehensive loss for the year	**(4)**	(6)
Proportionate interest in a joint venture's capital commitments		
Contracted but not provided for	**22**	37

As at 31 December 2018, there were no contingent liabilities related to the Group's interest in a joint venture (2017: Nil) and no contingent liabilities of joint venture itself (2017: Nil).

As at 31 December 2018, all the shares held by the Group in a joint venture were pledged as security in favour of another partner of the joint venture under a cross share pledge arrangement (2017: Same).

21 Cash and Cash Equivalents

	2018 HK$ millions	2017 HK$ millions
Cash at banks and in hand	**262**	134
Short-term bank deposits	**9,293**	13,583
	9,555	13,717

The effective interest rates on short-term bank deposits ranged from 0.26% to 2.05% per annum (2017: 0.04% to 0.88%).

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

22 Trade Receivables and Other Current Assets

	2018 HK$ millions	2017 HK$ millions
Trade receivables	299	620
Less: Provision for doubtful debts (Note 3(a)(iii))	(41)	(47)
Trade receivables, net of provision [(a)]	258	573
Other receivables [(b)]	175	253
Prepayments and deposits [(b)]	113	124
	546	950

(a) Trade receivables, net of provision

	2018 HK$ millions	2017 HK$ millions
The ageing analysis of trade receivables, by invoice date, net of provision for doubtful debts is as follows:		
0 - 30 days	150	480
31 - 60 days	44	35
61 - 90 days	18	10
Over 90 days	46	48
	258	573

The carrying values of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

(b) Other receivables, prepayments and deposits

The carrying values of other receivables and deposits approximate their fair values. Other receivables, prepayments and deposits do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

23 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2018, the amount of inventories carried at net realisable value was approximately HK$2 million (2017: HK$4 million).

24 Borrowings

	Maturity year	**2018 HK$ millions**	2017 HK$ millions
Unsecured bank loans	2019		
Repayable between 1 and 2 years		**-**	3,900

The Group's borrowings were denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2017 approximated their fair values which were based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.5% per annum and were within level 2 of the fair value hierarchy. These borrowings were fully repaid on 5 January 2018.

25 Trade and Other Payables

	2018 HK$ millions	2017 HK$ millions
Trade payables [(a)]	**314**	406
Other payables and accruals	**1,250**	1,537
Deferred revenue	**135**	305
Current portion of licence fees liabilities (Note 27)	**56**	56
	1,755	2,304

The carrying values of trade and other payables approximate their fair values.

(a) Trade payables

	2018 HK$ millions	2017 HK$ millions
The ageing analysis of trade payables is as follows:		
0 – 30 days	**244**	374
31 – 60 days	**6**	5
61 – 90 days	**4**	3
Over 90 days	**60**	24
	314	406

26 Contract Liabilities

	31 December 2018 HK$ millions	1 January 2018 HK$ millions
Contract liabilities		
– mobile telecommunications service contracts	132	162

Revenue in relation to mobile telecommunications service contracts, which was included in the contract liabilities balance at the beginning of the year amounting to HK$162 million, was recognised during the year ended 31 December 2018. No revenue is recognised from performance obligations satisfied in previous periods during the year ended 31 December 2018.

27 Licence Fees Liabilities and Other Non-Current Liabilities

	2018 HK$ millions	2017 HK$ millions
Non-current licence fees liabilities [(a)]	84	135
Accrued expenses	204	195
	288	330

(a) Licence fees liabilities

	2018 HK$ millions	2017 HK$ millions
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	58	57
After 1 year, but within 5 years	91	149
	149	206
Future finance charges on licence fees liabilities	(9)	(15)
Carrying amount of licence fees liabilities	140	191
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 25)	56	56
Non-current licence fees liabilities:		
After 1 year, but within 5 years	84	135
Total licence fees liabilities	140	191

28 Share Capital

(a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (2017: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ millions
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**4,818,896,208**	**1,205**

(c) Share options of the Company

The Company's share option scheme was approved on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to directors, non-executive directors or employees of the Group.

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	Weighted average exercise price per share HK$	Number of share options granted
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**1.00**	**200,000**

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). The fair value of share options determined using the Black-Scholes model was approximately HK$0.27 each. The significant inputs into the model were an expected volatility of 49%, an expected dividend yield of 5.9%, an expected option life up to 6 years and an annual risk-free interest rate of 1.65%.

As at 31 December 2018, 200,000 (2017: Same) share options were exercisable.

29 Reserves

	Share premium HK$ millions	Retained earnings/ (accumulated losses) HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
At 1 January 2017	11,185	(886)	(13)	28	(41)	10,273
Profit for the year	-	4,766	-	-	-	4,766
Remeasurements of defined benefit plans	-	-	-	105	-	105
Currency translation differences	-	-	4	-	-	4
Cumulative translation adjustments released upon disposal of subsidiaries (Note 31(c))	-	-	11	-	-	11
Disposal of subsidiaries	-	(50)	-	5	45	-
Dividend paid	-	(520)	-	-	-	(520)
At 31 December 2017	11,185	3,310	2	138	4	14,639
At 31 December 2017, previously reported	**11,185**	**3,310**	**2**	**138**	**4**	**14,639**
Changes in accounting policies (Note 2(c)(iii))	**-**	**96**	**-**	**-**	**-**	**96**
At 1 January 2018	**11,185**	**3,406**	**2**	**138**	**4**	**14,735**
Profit for the year	**-**	**404**	**-**	**-**	**-**	**404**
Remeasurements of defined benefit plans	**-**	**-**	**-**	**2**	**-**	**2**
Currency translation differences	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Dividend paid (Note 12)	**-**	**(368)**	**-**	**-**	**-**	**(368)**
At 31 December 2018	**11,185**	**3,442**	**-**	**140**	**4**	**14,771**

30 Cash Generated from Operations

	2018 HK$ millions	2017 HK$ millions
Cash flows from operating activities		
Profit before taxation including discontinued operations	**505**	4,137
Adjustments for:		
– Interest income	**(214)**	(47)
– Interest and other finance costs	**21**	125
– Depreciation and amortisation	**768**	3,583
– Capitalisation of customer acquisition and retention costs (Note 16)	**(153)**	–
– Loss on disposals of property, plant and equipment (Note 8)	**1**	1
– Share of result of a joint venture (Note 20)	**4**	6
– Net gain on disposal of subsidiaries (Note 31(c))	**-**	(5,614)
Changes in working capital		
– Increase in trade receivables and other assets	**(74)**	(167)
– Decrease in inventories	**18**	2
– (Decrease)/increase in trade and other payables	**(354)**	71
– Changes in retirement benefits	**8**	(21)
Cash generated from operations	**530**	2,076

Non-cash transactions from investing activities

During the year ended 31 December 2018, the principal non-cash transactions were the settlement of network access fee payable to a joint venture of HK$127 million (2017: HK$121 million) which was recorded as a decrease in investment in a joint venture, and others of HK$21 million (2017: HK$19 million) which was recorded as an increase in investment in a joint venture.

Non-cash transactions from financing activities

During the year ended 31 December 2017, the principal non-cash transaction was the other finance cost of HK$33 million, which was recorded as an increase in borrowings.

31 Discontinued Operations

Upon the completion of the Disposal, the Group continues to be engaged in the mobile telecommunications business in Hong Kong and Macau. As the business disposed of was considered as a separate major line of business, the corresponding operations had been presented as discontinued operations.

(a) Analysis of the results of discontinued operations is as follows:

	2017 HK$ millions
Discontinued operations	
Revenue	2,933
Staff costs	(298)
Expensed customer acquisition and retention costs	(77)
Depreciation and amortisation	(579)
Other operating expenses	(1,569)
	410
Interest and other finance costs, net	(18)
Profit before taxation from discontinued operations	392
Taxation	(71)
Profit after taxation from discontinued operations	321
Net gain on disposal of subsidiaries [(c)]	5,614
Profit for the year from discontinued operations	5,935

(b) Analysis of the cash flows of discontinued operations is as follows:

	2017 HK$ millions
Net cash inflow from operating activities	854
Net cash outflow from investing activities	(498)
Net cash outflow from financing activities	(332)
Net cash inflow from discontinued operations	24

31 Discontinued Operations (Continued)

(c) Assets and liabilities disposed of are as follows:

	2017 HK$ millions
Cash consideration	14,527
Net assets disposed of:	
Property, plant and equipment	(6,681)
Goodwill	(2,348)
Other non-current assets	(529)
Cash and cash equivalents	(283)
Trade receivables and other current assets	(1,118)
Amount due from the immediate holding company	(28)
Amounts due from fellow subsidiaries	(25)
Deferred tax liabilities	637
Loan from the immediate holding company – non-current	1,058
Other non-current liabilities	34
Trade and other payables	1,719
Current income tax liabilities	4
Loan from the immediate holding company – current	3,599
Amount due to the immediate holding company	136
Amounts due to fellow subsidiaries	18
Total net assets disposed of	(3,807)
Transfer of shareholder loan	(4,793)
Release of cumulative translation adjustments	(11)
Transaction costs	(302)
Net gain on disposal of subsidiaries	5,614

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK$ millions
Cash consideration	14,527
Cash and cash equivalents disposed of	(283)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	14,244

32 Contingent Liabilities

As at 31 December, the Group had contingent liabilities in respect of the following:

	2018 HK$ millions	2017 HK$ millions
Performance guarantees	**4**	4
Others	**1**	1
	5	5

33 Commitments

As at 31 December, outstanding commitments of the Group not provided for in the consolidated financial statements are as follows:

(a) Capital commitments

The Group had capital commitments contracted but not provided for as follows:

	2018 HK$ millions	2017 HK$ millions
Property, plant and equipment	**396**	444
Telecommunications licences	**2,040**	–
	2,436	444

On 10 September 2018, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 20 MHz spectrum at the 1800 MHz band (the "Re-assigned Spectrum") for a 15-year period commencing September 2021 at Spectrum Utilisation Fee ("SUF") of which was subsequently determined to be approximately HK$1,080 million. As at 31 December 2018, a standby letter of credit of HK$1,400 million was issued in favour of the Communications Authority of Hong Kong ("CA") in relation to the Re-assigned Spectrum, which was subsequently reduced to HK$1,080 million in January 2019.

On 18 December 2018, HTCL successfully bidded a block of 10 MHz spectrum at the 900 MHz band and a block of 10 MHz spectrum at the 1800 MHz band (together the "Bidded Spectrums") for a 15-year period commencing January 2021 and September 2021, respectively, at SUF of approximately HK$500 million and HK$460 million, respectively. As at 31 December 2018, a standby letter of credit of HK$760 million in aggregate was issued in favour of the CA in relation to the Bidded Spectrums.

SUF for the Re-assigned Spectrum and the Bidded Spectrums are payable either (i) in full as a lump sum payment upfront (by November 2020 for 900 MHz band and by July 2021 for 1800 MHz band); or (ii) annually in 15 instalments with the first instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%.

33 Commitments (Continued)

(a) Capital commitments (Continued)

The above amount included the following capital commitment with related parties:

	2018 HK$ millions	2017 HK$ millions
Property, plant and equipment	3	–

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Buildings	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	206	200
After 1 year, but within 5 years	59	134
	265	334

	Other assets	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	-	1

The above amount included the following future aggregate minimum lease payments to related parties:

	Buildings	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	1	1

(c) Telecommunications licence fees

A subsidiary of the Group acquired various blocks of spectrum bands for the provision of telecommunications services in Hong Kong, certain of which over various assignment periods up to year 2021. The variable licence fees for these spectrum bands was charged on 5% of the network revenue or the Appropriate Fee (as defined in the Unified Carrier Licence), whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fee liabilities.

34 Employee Retirement Benefits

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

(a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2018, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2017: Same).

	2018 HK$ millions	2017 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	(208)	(256)
Less: Fair value of plan assets	217	271
Pension assets recognised in the consolidated statement of financial position (Note 18)	9	15

The movements in the defined benefit obligations over the year are as follows:

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2018	(256)	271	15
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
– Current service cost	(21)	-	(21)
– Net interest (expense)/income	(4)	4	-
	(25)	4	(21)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Loss on plan assets, excluding amounts included in interest income	-	(20)	(20)
– Gain from change in financial assumptions	12	-	12
– Experience gains	10	-	10
	22	(20)	2
Contributions:			
– Employers	-	13	13
Actual benefits paid	39	(39)	-
Net transfer	12	(12)	-
At 31 December 2018	(208)	217	9

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2017	(428)	316	(112)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
– Current service cost	(37)	–	(37)
– Net interest (expense)/income	(4)	3	(1)
– Past service cost – curtailments	5	–	5
	(36)	3	(33)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Gain on plan assets, excluding amounts included in interest income	–	73	73
– Loss from change in demographic assumptions	(2)	–	(2)
– Gain from change in financial assumptions	28	–	28
– Experience gains	7	–	7
	33	73	106
Contributions:			
– Employers	–	22	22
– Employees	(1)	1	–
Actual benefits paid	148	(148)	–
Transfer to other liabilities	28	4	32
At 31 December 2017	(256)	271	15

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2018 HK$ millions	2017 HK$ millions
Equity instruments	**157**	191
Debt instruments	**49**	71
Other assets	**11**	9
	217	271

The principal actuarial assumptions and the sensitivity of the defined benefit obligations to changes in the principal assumptions are:

	2018		
	Assumption used	**Impact to the defined benefit obligations if rate increases by 0.25%**	**Impact to the defined benefit obligations if rate decreases by 0.25%**
Discount rate	**2.3% to 2.4%**	**-2.1%**	**+2.2%**
Future salary rate	**4.0%**	**+0.6%**	**-0.5%**

	2017		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	1.6% to 1.8%	-2.1%	+2.1%
Future salary rate	4.0%	+0.6%	-0.6%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied in calculating the pension liability recognised within the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change comparing to the previous period.

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2018	2017
Weighted average duration of defined benefit obligations	**9 years**	8 years

Expected contributions to defined benefit plans for the year ending 31 December 2019 are approximately HK$16 million.

Forfeited contributions totalling HK$3 million (2017: HK$5 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2018 (2017: HK$0.4 million) to reduce future years' contributions.

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the surplus/deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2018, vested benefits under this plan were fully funded in accordance with the ORSO funding requirements.

(b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$0.6 million (2017: HK$0.4 million) were used to reduce the current year's level of contributions during the year and no forfeited contribution was available as at 31 December 2018 (2017: insignificant amounts) to reduce future years' contributions.

35 Subsidiaries

Particulars of principal subsidiaries are set out on page 155.

The financial information for the subsidiary that has non-controlling interests that is material to the Group is as follows:

	HTCL	
	2018 HK$ millions	2017 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**9,545**	9,351
Current assets	**1,676**	1,693
	11,221	11,044
Liabilities		
Non-current liabilities	**(4,806)**	(8,753)
Current liabilities	**(5,782)**	(1,916)
	(10,588)	(10,669)
Net assets	**633**	375
Summarised income statement		
Revenue	**7,610**	6,347
Profit/(loss) for the year	**137**	(1,784)
Total profit/(loss) for the year attributable to non-controlling interests	**33**	(430)
Total comprehensive income/(loss)	**137**	(1,780)
Summarised cash flows		
Net cash generated from operating activities	**546**	512
Net cash used in investing activities	**(415)**	(429)
Net cash used in financing activities	**-**	(20)
Net increase in cash and cash equivalents	**131**	63
Cash and cash equivalents at 1 January	**83**	20
Cash and cash equivalents at 31 December	**214**	83

The amounts disclosed above are before inter-company eliminations.

36 Ultimate Holding Company

As at 31 December 2018 and 2017, approximately 66% of the issued share capital of the Company was owned by CK Hutchison Holdings Limited ("CKHH"). The directors regarded CKHH as the Company's ultimate holding company.

37 Related Party Transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

Related Party Group:

(1) CKHH Group – CKHH together with its direct and indirect subsidiaries and joint ventures

(2) Other shareholders of subsidiaries of the Group: NTT Group – Nippon Telegraph and Telephone Corporation together with its direct and indirect subsidiaries and joint ventures

(3) Joint venture of the Group

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the consolidated financial statements, transactions between the Group and other related parties during the year are summarised below.

(a) Key management personnel remuneration

No transaction has been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 7.

37 Related Party Transactions (Continued)

(b) Transactions with related parties

	2018 HK$ millions	2017 HK$ millions
CKHH Group		
Provision of mobile telecommunications services	21	20
Provision of fixed-line telecommunications services	-	265
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(6)	(79)
Purchase of telecommunications products	(3)	-
Rental expenses on lease arrangements	(6)	(5)
Dealership service expenses	(3)	(1)
Billing collection service expenses	(4)	(7)
Purchase of office supplies	(6)	(10)
Purchase of air tickets and hotel accommodation	(1)	(3)
Advertising and promotion expenses	(1)	(3)
Global procurement service arrangement expenses	(7)	(6)
Sharing of services arrangement expenses	(28)	(46)
Equipment maintenance expenses	-	(1)
Corporate guarantee expenses	(8)	(8)
Interest expenses	-	(5)
NTT Group		
Provision of mobile telecommunications services	11	13
Purchase of telecommunications services	(17)	(7)
Purchase of property, plant and equipment	(18)	-
Joint Venture of the Group		
Interest income	21	17
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(127)	(122)

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

38 Statement of Financial Position of the Company

At 31 December 2018	2018 HK$ millions	2017 HK$ millions
ASSETS		
Current assets		
Receivables from subsidiaries	**8,732**	4,848
Other current assets	**50**	30
Cash and cash equivalents	**9,200**	13,532
Total current assets	**17,982**	18,410
Current liabilities		
Other payables	**59**	228
Current income tax liabilities	**11**	–
Payables to subsidiaries	**-**	162
Total current liabilities	**70**	390
Net assets	**17,912**	18,020
CAPITAL AND RESERVES		
Share capital	**1,205**	1,205
Reserves [(a)]	**16,707**	16,815
Total equity	**17,912**	18,020

LUI Dennis Pok Man
Director

KOO Sing Fai
Director

38 Statement of Financial Position of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK$ millions	Retained earnings HK$ millions	Total HK$ millions
At 1 January 2017	11,185	359	11,544
Profit for the year	-	5,791	5,791
Dividend paid	-	(520)	(520)
At 31 December 2017	11,185	5,630	16,815
At 1 January 2018	**11,185**	**5,630**	**16,815**
Profit for the year	**-**	**260**	**260**
Dividend paid (Note 12)	**-**	**(368)**	**(368)**
At 31 December 2018	**11,185**	**5,522**	**16,707**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2018 amounted to HK$16,707 million (2017: HK$16,815 million).

39 Subsequent event

Save as disclosed in the notes to the consolidated financial statements, there was no other material subsequent event.

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Telecommunications (HK) Holdings Limited	The British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	-	-
Hutchison Telecom Finance Limited	Hong Kong, limited liability company	Treasury services in Hong Kong	HK$1	100%	-	-
Hutchison Telecommunications (Hong Kong) Limited	Hong Kong, limited liability company	Management and treasury services in Hong Kong	HK$5,000,020	-	100%	-
Hutchison Telecommunications Information Technology (Shenzhen) Limited *	The People's Republic of China (the "PRC"), limited liability company	Information technology services in the PRC	HK$10,000,000	-	100%	-
Hutchison Telecommunication Services Limited	Hong Kong, limited liability company	Telecommunications retail operations in Hong Kong	HK$20	-	100%	-
Hutchison Telephone Company Limited	Hong Kong, limited liability company	Mobile telecommunications business in Hong Kong	HK$2,730,684,340	-	75.9%	24.1%
Hutchison Telephone (Macau) Company Limited	Macau, limited liability company	Mobile telecommunications business in Macau	MOP10,000,000	-	75.9%	24.1%

* *Wholly owned foreign enterprise (WOFE) registered under the PRC law.*

Financial Summary

	2018 HK$ millions	2017 HK$ millions	2016 HK$ millions	2015 HK$ millions	2014 HK$ millions
RESULTS					
Revenue – continuing operations	**7,912**	6,752	8,332	18,477	12,632
Profit for the year	**433**	4,354	754	1,059	963
Non-controlling interests	**(29)**	412	(72)	(162)	(130)
Net profit attributable to shareholders of the Company	**404**	4,766	682	897	833
ASSETS					
Total non-current assets	**7,854**	7,700	19,512	18,194	18,305
Cash and cash equivalents	**9,555**	13,717	357	1,101	359
Other current assets	**929**	1,075	1,880	2,428	2,034
Total assets	**18,338**	22,492	21,749	21,723	20,698
LIABILITIES					
Short-term borrowings	**-**	3,900	–	–	–
Other current liabilities	**1,903**	2,307	4,134	4,731	3,974
Long-term borrowings	**-**	–	4,467	3,962	3,952
Other non-current liabilities	**288**	330	1,087	1,015	1,063
Total liabilities	**2,191**	6,537	9,688	9,708	8,989
Net assets	**16,147**	15,955	12,061	12,015	11,709
CAPITAL AND RESERVES					
Share capital	**1,205**	1,205	1,205	1,205	1,205
Reserves	**14,771**	14,639	10,273	10,241	10,088
Total shareholders' funds	**15,976**	15,844	11,478	11,446	11,293
Non-controlling interests	**171**	111	583	569	416
Total equity	**16,147**	15,955	12,061	12,015	11,709

Note: Details of the basis of preparation of the consolidated financial statements are set out in note 2 to the consolidated financial statements.

Glossary

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

Terms	Definitions
"4G LTE"	4G Long Term Evolution
"Articles of Association"	the Articles of Association of the Company as amended from time to time
"Board"	the Board of Directors of the Company
"CACs"	expensed customer acquisition and retention costs in the income statement
"CKHGI"	CK Hutchison Global Investments Limited
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"CKI"	CK Infrastructure Holdings Limited
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215) and whose American depositary shares are eligible for trading in the United Shares of America only in the over-the-counter market
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT but exclude one-off accelerated depreciation charges
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation as well as after capitalisation of certain incremental costs subsequent to adoption of IFRS 15, adjusted to include the Group's proportionate share of joint venture's EBITDA
"ESG"	Environmental, Social and Governance
"FinTech"	Financial Technology
"fixed-line business"	fixed-line telecommunications business

Terms	Definitions
"gain on disposal of subsidiaries and other items"	gain on disposal of subsidiaries and other items in 2017 included disposal gain of the fixed-line business, one-off after tax and non-controlling interests accelerated depreciation charges for certain 2G and 3G mobile telecommunications fixed assets, and profit after taxation from the discontinued operations
"Group"	the Company and its subsidiaries
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HPHM"	Hutchison Port Holdings Management Pte. Limited
"HTAL"	Hutchison Telecommunications (Australia) Limited
"HTHK"	Hutchison Telecommunications (Hong Kong) Limited
"HTHL"	Hutchison Telecommunications Holdings Limited
"HTIHL"	Hutchison Telecommunications Investment Holdings Limited
"HTIL"	Hutchison Telecommunications International Limited
"HWL"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares were previously listed on the Main Board of the Stock Exchange (Stock Code: 13) and was privatised by way of a scheme of arrangement on 3 June 2015; the then substantial shareholder of the Company
"HWL Group"	HWL and its subsidiaries
"IFRS"	International Financial Reporting Standards
"IoT"	Internet-of-Things
"IT"	Information Technology
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"mobile"	mobile telecommunications business
"NB-IoT"	Narrowband Internet-of-Things

Terms	Definitions
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"PwC"	PricewaterhouseCoopers
"service EBITDA"	EBITDA excluding standalone handset sales margin
"SFO"	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	the United States of America

Information for Shareholders

Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its American depositary shares (ADSs) are eligible for trading in the United States of America only in the over-the-counter market.

Stock Code

215

Public Float Capitalisation

As at 31 December 2018:
Approximately HK$3,545 million (approximately 25.19% of the issued share capital of the Company)

Financial Calendar

Payment of 2018 Interim Dividend:	3 September 2018
2018 Final Results Announcement:	28 February 2019
Closure of Register of Members:	3 May 2019 to 8 May 2019
Annual General Meeting:	8 May 2019
Record Date for 2018 Special Interim Dividend and Final Dividend:	15 May 2019
Payment of 2018 Special Interim Dividend and Final Dividend:	24 May 2019
2019 Interim Results Announcement:	July 2019

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Investor Information

Corporate press releases, financial reports and other investor information are available online at the website of the Company.

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