Hutchison Telecom
Hong Kong Holdings

2019 Annual Report

More Innovation More Diversity

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, FCG (CS, CGP), FCS (CS, CGP) (PE)

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

Independent Non-executive Directors

CHEONG Ying Chew, Henry (1), BSc, MSc
(also Alternate to WONG Yick Ming, Rosanna (1))

IP Yuk Keung (2), BSc, MSc, MSc

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry (1) *(Chairman)*

IP Yuk Keung (2) *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry (1)

IP Yuk Keung (2)

NOMINATION COMMITTEE

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 (1)

IP Yuk Keung (2)

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCG (CS, CGP), FCS (CS, CGP) (PE)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

Financial Highlights

	Post-IFRS 16 Basis [1]		
	2019 HK$ million	2018 HK$ million	**Change**
Service revenue	**3,613**	3,662	**-1%**
Service EBITDA	**1,634**	1,108	**+47%**
Total EBITDA	**1,662**	1,157	**+44%**
Total EBIT	**409**	339	**+21%**
Profit attributable to shareholders	**429**	404	**+6%**
Earnings per share (in HK cents)	**8.90**	8.38	**+6%**
Final dividend per share (in HK cents)	**3.75**	3.20	**+17%**
Full year dividend per share [2] (in HK cents)	**6.68**	6.30	**+6%**

	Pre-IFRS 16 Basis [1]		
	2019 HK$ million	2018 HK$ million	**Change**
Service revenue	**3,613**	3,662	**-1%**
Service EBITDA	**1,173**	1,108	**+6%**
Total EBITDA	**1,201**	1,157	**+4%**
Total EBIT	**393**	339	**+16%**
Profit attributable to shareholders	**428**	404	**+6%**

Notes:

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

(2) The full year dividend per share is before one-off special interim dividend.

Corporate Profile and Awards

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


IoT

Corporate Profile

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 of industry experience.

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, SCHK HK Companies Index, SCHK ex-AH Companies Index, Stock Connect HK Index, Stock Connect HK MidCap & SmallCap Index, Stock Connect HK Composite Index, Stock Connect Greater Bay Area Composite Index and Stock Connect Greater Bay Area HK Index.

• 3 Hong Kong has revamped the 3Supreme service brand to include unique digital lifestyle offerings for high-end customers.

The Group is primarily engaged in provision of advanced mobile services in Hong Kong and Macau under the **3** brand. In 2019, **3** Hong Kong is the only local operator to own blocks of spectrum across the 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2600 MHz and 3300 MHz bands. **3** Hong Kong provides cutting-edge data, voice and roaming services and is planning to launch 5G services in April 2020.

• The Group is transforming into a digitally-enabled operator to offer more diversified solutions.

• The new era of 5G is just around the corner.

The Group draws on a worldwide ecosystem to build platforms for homes, cities and industries, while helping them build their own applications. Close ties between **3** entities and the CKHH Group, as well as relationships with other global carriers, help the Group 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

10th Asia's Best Employer Brand Awards
Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress and Stars of the Industry Group

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

Eco-Healthy Workplace Awards Labelling Scheme
World Green Organisation

Hong Kong Green Organisation Certification
Wastewi$e Certificate – Basic Level
Environmental Campaign Committee

The 7th Top 100 Hong Kong Listed Companies Selection
Ranked 3rd in the Top 10 of Net Profit after Tax Growth
Top 100 Hong Kong Listed Companies Research Centre

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

Mobile business

Asia e-Commerce Awards
Best CRM Campaign – Bronze Award
3Mall
Marketing magazine

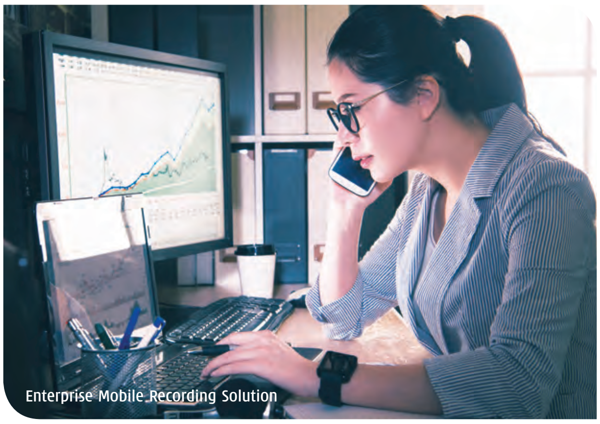
Asia e-Commerce Awards
- Best e-Commerce – Telecommunication Silver Award
- Best Mobile/App e-Commerce Bronze Award
  Mobile Online

Marketing magazine

Asia's Best E-Tailing Awards
Startups Silver Award
Mobile Online
The Best Practice of eCommerce Alliance

Asia-Pacific Stevie Awards
- Award for Innovation in Entertainment Events – Silver Award
- Award for Innovation in Consumer Products and Services – Bronze Award
  3 Hong Kong's 3GAMER Campaign

The Stevies


Enterprise Mobile Recording Solution

Asia-Pacific Stevie Awards
- Award for Innovation in Product Design and Development - Silver Award
  3 Hong Kong's Enterprise Mobile Recording
- Award for Innovation in Consumer Products & Services - Bronze Award
  3 Hong Kong's Fun Sharing Data Campaign
- Award for Innovation in Customer Service Management, Planning & Practice Telecommunications Industries - Silver Award
  3 Hong Kong's Service Upgrade with Less Cost
- Award for Innovation Use of Technology in Customer Service Telecommunications Industries - Bronze Award
  Innovative Technology at **3** Hong Kong

The Stevies

Best .hk Website Awards
Commercial Corporate Stream - Silver Award
Hong Kong Internet Registration Corporation Limited

CAHK STAR Awards
Best Enterprise Service - Gold Award
Communications Association of Hong Kong

Charter on External Lighting
Platinum Award
Environment Bureau

Digital Ex Awards
Brilliance in Digital and Social Media Strategy
Metro Finance

e-brand Awards
- The Best of Mobile Broadband Service
- The Best of Mobile Gaming Telecom Operator

e-zone

Hong Kong Awards for Industries
Smart Productivity - Certificate of Merit
3 Hong Kong's Enterprise Mobile Recording and Instant Messaging Archiving
Hong Kong Productivity Council

Hong Kong Best Brand Awards
World Federation of Marketing Professionals

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 Telecom Products and Services
Metro Daily and *Metro Prosperity*

Metro Awards for Service Excellence
Excellence in Telecom Products and Services
Metro Daily

Mob-Ex Awards
Best E-commerce Solution - Gold Award
Mobile Online
Marketing magazine

Mobile Business Excellence Award
China Unicom Global Limited

Stevie Awards
The International Business Awards
- Marketing Campaign of the Year - Specialty Category
  Branded Utility of the Year - Gold Award
- New Products and Product Management - Telecommunications Service - Silver Award
  3 Hong Kong's "**3**.OneWorld" Getaway Travel Service Campaign

The Stevies

Telecom Asia Awards
Winner of the Most Innovative Approach to Customer Experience
3 Hong Kong's Fun Sharing Data Campaign
Telecom Asia and Questex

Top 10 Parents Favourite Brand
Mobile Telecom Service
Parenting Headline Group

Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are pleased to announce the annual results for 2019. The intense competition in the mobile telecommunications market, which dampened the Group's service margin and profitability in the first half, remained unabated in the second half of the year. Nevertheless, the Group demonstrated resilience in this challenging operating environment and delivered a set of solid financial results with satisfactory earnings growth for the full year. This was mainly attributable to the customer segmentation strategy which deepened customer engagement and experience, commitment to drive further operational efficiency through disciplined cost controls, as well as continued focus on exploring new and innovative revenue initiatives.

Service revenue marginally decreased by 1% to HK$3,613 million, mainly due to pricing pressure on local data tariffs, partly offset by strong growth in roaming data revenue as well as higher contribution from corporate solutions. Service EBITDA (Pre-IFRS 16 basis) increased by 6% primarily driven by stringent spending controls to improve operational efficiency. The Group continued to report a healthy service EBITDA margin (Pre-IFRS 16 basis) of 32%, a 2%-point growth compared with last year.

On a Pre-IFRS 16 basis, the Group's total EBITDA and EBIT increased by 4% and 16% to HK$1,201 million and HK$393 million respectively against last year.

On a Post-IFRS 16 basis, the Group's total EBITDA and EBIT increased by 44% and 21% respectively against last year. Profit attributable to shareholders increased by 6% to HK$429 million in 2019. Earnings per share were HK$8.90 for 2019, an increase of 6% compared with last year.

As of 31 December 2019, the Group's total number of customers in Hong Kong and Macau was approximately 3.7 million, a 12% increase from 3.3 million as of 31 December 2018. The increase was mainly driven by growing subscriptions in the prepaid segment. Postpaid customers accounted for 40% (31 December 2018: 46%) of the total customer base. Postpaid churn rate improved to 1.2% (2018: 1.3%), reflecting the effectiveness of the Group's retention programme. Postpaid gross ARPU decreased by 6% to HK$205 in 2019 (2018: HK$219), mainly due to keen market competition, despite rapid growth in data demand.

Dividend

The Board recommends payment of a final dividend of 3.75 HK cents (2018 final dividend: 3.20 HK cents) per share, payable on Wednesday, 27 May 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 18 May 2020, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 2.93 HK cents per share, the full year dividend amounts to 6.68 HK cents per share (2018 full year dividend: 6.30 HK cents before one-off special interim dividend, and 86.30 HK cents after). The Board expects the total full year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

Outlook

The Hong Kong economy faced significant downward pressure during 2019. This economic downswing, together with the recent outbreak of coronavirus disease ("COVID-19"), cumulate in additional uncertainties in the Group's operating environment going forward. Domestic demands and local sentiments are expected to stay sluggish and soften further in the near term.

Against this challenging backdrop, the Group will continue to focus on simplification of operating processes and optimisation of resources for generating better efficiency and returns. While maintaining a prudent stance on spending, the Group will continue to focus on digital transformations to further enhance customer experience and engagement. The Group will also continue collaborations with the members of the CKHH Group as well as other partners, to unleash new digital services and Internet-of-Things solutions to facilitate market demands and sustain its competitiveness.

The Group is currently devoting resources in developing 5G infrastructure as part of the Group's long-term plan to revolutionise its network infrastructure, in particular to expand and improve the coverage of its services to customers while at the same time maintaining its competitive telecommunications service offerings to customers. The Group contemplates to deploy advanced 5G technology and develop high quality 5G network services to stay competitive as the telecommunications industry progresses towards the new 5G era.

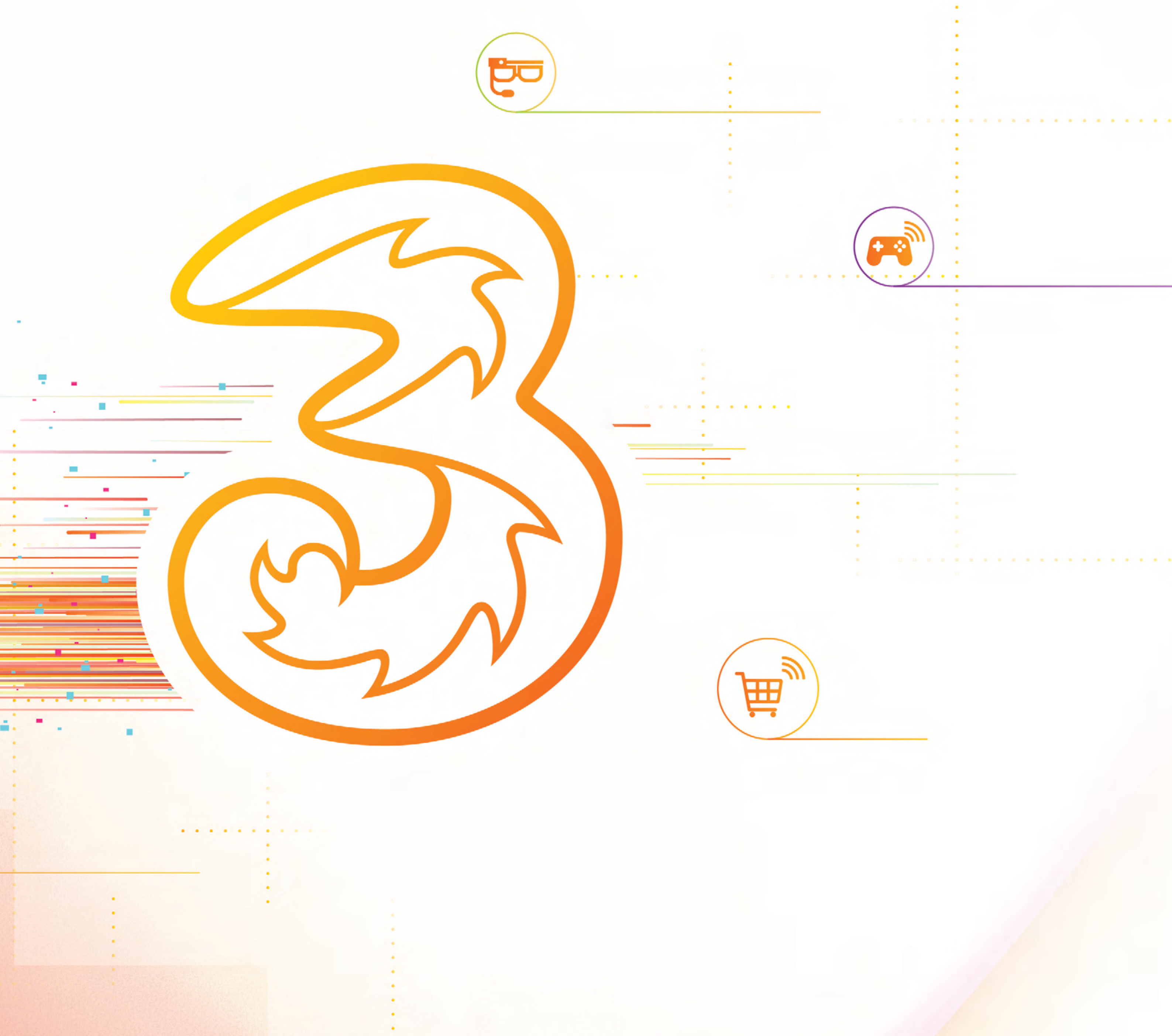
The Group is taking precautions to safeguard its employees and business operations in light of the COVID-19 outbreak and will continue to monitor the development, ensuring appropriate steps are taken to manage the risks. Finally, I would like to thank the Board of Directors and all staff members for their dedication, professionalism and contributions to the Group.

FOK Kin Ning, Canning
Chairman

Hong Kong, 28 February 2020

Operations Review

The Group is transforming into a digitally-enabled operator offering more diversified solutions to enhance overall customer experience in both the mass and corporate markets.



More Innovation, More Diversity

With the new 5G communications era on the horizon, the Group is committed to offering more innovative products and services to facilitate its customer's ever-growing needs. The Group is transforming into a digitally-enabled operator offering more diversified solutions to enhance overall customer experience in both the mass and corporate markets while driving revenue and profit growth.

A Passion for Customer Service

A series of campaigns and initiatives were launched in 2019 to promote **3** Hong Kong's premium mobile experience. "**3**.OneWorld", our main theme for 2019, illustrated our focus and strategy to support customers' international

digital lifestyles. **3** Hong Kong also offered travellers a genuinely hassle-free and travel-whenever-you-like mobile experience by drawing on CKHH Group's global telecommunications operations, as well as **3** Group's collaborative efforts with first class telecoms, Internet and technology partners.

In 2019, **3** Hong Kong introduced handset vouchers for bundled tariff plans. Customers can enjoy peace-of-mind handset selection and priority in ordering popular and new smartphones especially 5G handsets. **3** Hong Kong also launched handset switch service for its customers who want to change new handsets for any reason. By paying a fixed monthly fee, customers can get faster access to enjoyment of new smartphones and are entitled to change their handsets for two times during the contract period.

3 Hong Kong has also revamped the 3Supreme service brand with unique digital lifestyle offerings available to high-end customers. Some of our retail shops have been refurbished as 3Supreme shops with well-trained service representatives assigned to provide advice and superior customer services to valuable customers. The Group aims to improve customer loyalty by offering unique privileges such as selected premium activities and functions ranging from finance, insurance, health and beauty, music, and entertainment.

In addition to the 3Supreme brand for high-tier spending customers, **3** Hong Kong continued utilising its well-recognised **3** brand to serve mid-tier customers. Meanwhile, the MO+ brand targets young adults and casual users. This well-defined customer segmentation strategy helps us better serve our customers with various needs.

The My3 application was revamped with enhanced functionality in 2019. The enhanced features allow customers to locate latest service information and membership benefits with the utmost ease. Other new features include various self-service functions, for example customer can easily renew the existing contracts or make value-added services subscriptions.

• The outdoor advertising in Central highlights the Group's effort in network enhancement focusing on "speed, coverage and responsiveness".

• 3 Hong Kong's well-defined customer segmentation strategy helps us better serve our customers.

In 2019, **3** Hong Kong launched Net+ service to customers who are looking for superior network speed. Customers subscribing to this service are prioritised on our network with more resources allocated, and can enjoy a seamless experience even in congested areas.

Tailored Roaming Packages

The Group's collaborations with telecommunications operators of the CKHH Group, as well as other global carriers, enable **3** Hong Kong to develop value-for-money roaming packages with extensive overseas network coverage.

To provide the ultimate flexibility for customers with a passion for travel, **3** Hong Kong introduced the "**3** Getaway" value-added travel service. Customers can enjoy care-free data and voice call in over a hundred countries and regions.

- A 3Supreme shop with well-trained service representatives assigned to give mobile advice and application consultation.

Injecting Solutions in a Digital Economy Ecosystem

3 Hong Kong promotes Hong Kong as a smart city in preparation for the 5G era and a new digital internet economy. **3** Hong Kong launched the 3Innocity programme to support start-ups, industry leaders and scientific research talent to build a digital economy ecosystem.

3 Hong Kong collaborates with these start-ups and other sources of talent to develop and promote enterprise solutions. Riding on the success of the 3Innocity programme to accelerate development of commercial and corporate solutions, **3** Hong Kong established a corporate sales force to promote its digital solution offerings including Enterprise and IT mobility, smartcity, IoT and big data. It helps to meet customer adoption to forefront communication technology, enhances productivity and communications, as well as meeting compliance and security requirements.

One key example of these solution offerings was the collaboration with a technology giant on a one-stop-shop solution for device management. This simple, fast and automated deployment solution enables corporate customers to pre-configure settings and manage applications for various departments, which reduces the dependency on IT support and simplifies the delivery and activation process.

- The 3Innocity programme supports start-ups, industry leaders and scientific research talent to build a digital economy ecosystem.

- Customers subscribing to Net+ service are prioritised on 3 Hong Kong's network with more resources.

In January 2020, **3** Hong Kong collaborated with CK Asset Holdings Limited ("CK Asset") to build CK Asset's first 5G-enabled shopping mall in Tsuen Wan. **3** Hong Kong plans to extend collaborations to other industries with the latest IoT applications, for example, data analytics and smart parking, to bring advanced user experience to corporate and mass customers.

Network Excellence

In 2019, the Group acquired 5G spectrum resources in the 3300MHz band and 3500MHz band for a total spectrum utilisation fee of HK$401.5 million. This acquisition represented the Group's effort in network infrastructure enhancement, while ensuring customers to enjoy advanced mobile service despite surging data usage and demands. This deployment fits well with its plans to integrate the Group's existing network, re-farm some of the existing spectrum to facilitate provision of 5G services, and unleash new business opportunities.

As the industry moves steadily towards 5G and the era of IoT, **3** Hong Kong continues to enhance the existing network infrastructure. In agreement with a well-known professional event management and operating company, the Group works as lead operator to install an integrated 5G radio system and develop a platform with the latest smart technologies.

The Group continues to invest in network performance, service reliability and network security, and its enhanced 4G LTE coverage for new development areas. In addition, the Group has implemented various mobile and IT system projects to strengthen security control and safeguard personal data and other sensitive information.

Digital Transformation

A digital transformation project has been designed to streamline and automate internal business processes. This transformational journey will enable **3** Hong Kong to respond swiftly to market demands and to provide more lifestyle-enhancing services. Advancements in analytics will provide **3** Hong Kong with real-time, predictive capabilities. Furthermore, it will transform **3** Hong Kong's business operations to achieve an even greater degree of interaction with customers, enabling the Group to demonstrate agility when responding to dynamic customer needs.

Macau Development

3 Macau continues to launch innovative data products, including tri-city (Macau-Hong Kong-Mainland China) pool sharing plans, as well as appealing roaming solutions to attract more high-value smartphone users.

• **3** Hong Kong is committed to deploying a 5G network and developing more innovative services to provide customers with a revolutionary mobile experience.

2019 saw continued enhancement of 4G LTE coverage serving all major hotels, casinos, business districts and other busy locations including the Lotus Bridge Cotai Frontier Post.

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

• **3** Hong Kong helps CK Asset build its first 5G-enabled shopping mall, OP Mall, in Tsuen Wan.

Financial Performance Summary - Pre-IFRS 16 basis [1]

	2019 HK$ million	2018 HK$ million	Change
Revenue	5,582	7,912	-29%
- Net customer service revenue	3,613	3,662	-1%
• Local service revenue	2,875	2,980	-4%
• Roaming service revenue	738	682	+8%
- Data	517	427	+21%
- Non-data	221	255	-13%
- Hardware revenue	1,969	4,250	-54%
• Bundled sales revenue	472	667	-29%
• Standalone handset sales revenue	1,497	3,583	-58%
Net customer service margin	3,266	3,318	-2%
Net customer service margin %	*90%*	*91%*	*-1% point*
Standalone handset sales margin	28	49	-43%
Total margin	3,294	3,367	-2%
CACs	(797)	(959)	+17%
Less: Bundled sales revenue	472	667	-29%
CACs (net of hardware revenue)	(325)	(292)	-11%
Operating expenses	(1,837)	(1,991)	+8%
Operating expenses as a % of net customer service margin	*56%*	*60%*	*+4% points*
Share of EBITDA of a joint venture	69	73	-5%
EBITDA	1,201	1,157	+4%
Service EBITDA	1,173	1,108	+6%
Service EBITDA margin %	*32%*	*30%*	*+2% points*
CAPEX (excluding telecommunications licences)	(503)	(522)	+4%
EBITDA less CAPEX	698	635	+10%
Depreciation and amortisation [2]	(808)	(818)	+1%
EBIT	393	339	+16%
Service EBIT	365	290	+26%
Net interest and other finance income [2]	147	171	-14%
Profit before tax	540	510	+6%
Tax [2]	(104)	(77)	-35%
Profit attributable to non-controlling interests	(8)	(29)	+72%
Profit attributable to shareholders	428	404	+6%

Notes:

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

(2) Depreciation and amortisation, net interest and other finance income and tax include the Group's share of joint venture's respective items.

Financial Performance Summary – Post-IFRS 16 basis [(1)]

	2019 HK$ million	2018 HK$ million	Change
Revenue	5,582	7,912	-29%
– Net customer service revenue	3,613	3,662	-1%
• Local service revenue	2,875	2,980	-4%
• Roaming service revenue	738	682	+8%
– Data	517	427	+21%
– Non-data	221	255	-13%
– Hardware revenue	1,969	4,250	-54%
• Bundled sales revenue	472	667	-29%
• Standalone handset sales revenue	1,497	3,583	-58%
Net customer service margin	3,266	3,318	-2%
Net customer service margin %	*90%*	*91%*	*-1% point*
Standalone handset sales margin	28	49	-43%
Total margin	3,294	3,367	-2%
CACs	(744)	(959)	+22%
Less: Bundled sales revenue	472	667	-29%
CACs (net of hardware revenue)	(272)	(292)	+7%
Operating expenses	(1,429)	(1,991)	+28%
Operating expenses as a % of net customer service margin	*44%*	*60%*	*+16% points*
Share of EBITDA of a joint venture	69	73	-5%
EBITDA	1,662	1,157	+44%
Service EBITDA	1,634	1,108	+47%
Service EBITDA margin %	*45%*	*30%*	*+15% points*
CAPEX (excluding telecommunications licences)	(503)	(522)	+4%
EBITDA less CAPEX	1,159	635	+83%
Depreciation and amortisation [(2)]	(1,253)	(818)	-53%
EBIT	409	339	+21%
Service EBIT	381	290	+31%
Net interest and other finance income [(2)]	132	171	-23%
Profit before tax	541	510	+6%
Tax [(2)]	(104)	(77)	-35%
Profit attributable to non-controlling interests	(8)	(29)	+72%
Profit attributable to shareholders	429	404	+6%

Notes:

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

(2) Depreciation and amortisation, net interest and other finance income and tax include the Group's share of joint venture's respective items.

Review of Financial Results

The Group's total revenue decreased by 29% to HK$5,582 million (2018: HK$7,912 million).

Service revenue slightly dropped by 1% to HK$3,613 million, primarily due to a 4% decrease in local service revenue from stiffening market competition in local data tariffs, largely offset by the improvement in roaming service revenue and higher contribution from corporate solutions.

Roaming service revenue, which accounted for 20% of the Group's service revenue (2018: 19%), reported an 8% increase to HK$738 million, underpinned by a 21% strong growth in data roaming revenue, reflecting the increasing popularity of our innovative roaming products and packages for frequent and leisure travellers.

Hardware revenue of HK$1,969 million was 54% lower than last year, mainly due to softer demand for new smartphones as the handset replacement cycle lengthened.

During the year, the Group continued to adhere to its strict cost discipline, fostering a low cost high efficiency operational environment. Key costs (Pre-IFRS 16 basis), comprising CACs, staff costs and other operating expenses, decreased by 4% to HK$2,509 million mainly due to operating expense savings from the implementation of various efficiency measures and initiatives.

On a Pre-IFRS 16 basis, the Group's total EBITDA increased by 4% to HK$1,201 million (2018: HK$1,157 million).

Service EBITDA (Pre-IFRS 16 basis) grew 6% to HK$1,173 million, benefiting from the aforementioned savings in key costs, partly offset by lower service margins from keen market competition. Service EBITDA margin (Pre-IFRS 16 basis) improved to 32% from 30% in 2018.

On a Pre-IFRS 16 basis, the Group's total EBIT increased by 16% to HK$393 million (2018: HK$339 million) and profit attributable to shareholders increased by 6% to HK$428 million (2018: HK$404 million), mainly due to the same factors noted above in respect of EBITDA.

On a Post-IFRS 16 basis, total EBITDA grew by 44% to HK$1,662 million. Taking into account the additional amortisation charges of HK$445 million from the recognition of right-of-use assets under IFRS 16, total EBIT increased by 21% to HK$409 million and profit attributable to shareholders increased by 6% to HK$429 million.

Key performance indicators

	2019	2018	Change
Number of postpaid customers ('000)	**1,475**	1,499	**-2%**
Number of prepaid customers ('000)	**2,180**	1,777	**+23%**
Total customers ('000)	**3,655**	3,276	**+12%**
Postpaid customers to the total customer base (%)	**40%**	46%	**-6% points**
Postpaid customers' contribution to the net customer service revenue (%)	**87%**	90%	**-3% points**
Monthly churn rate of postpaid customers (%)	**1.2%**	1.3%	**+0.1% point**
Postpaid gross ARPU (HK$)	**205**	219	**-6%**
Postpaid net ARPU (HK$)	**176**	186	**-5%**
Postpaid net AMPU (HK$)	**161**	169	**-5%**

As of 31 December 2019, the total number of customers in Hong Kong and Macau was approximately 3.7 million (31 December 2018: approximately 3.3 million). The increase was mainly due to growing subscriptions in the prepaid segment, which accounted for 60% of the total customer base (31 December 2018: 54%), as a result of increasing popularity of prepaid roaming cards for travellers.

During the year, as the Group continued to focus on enhancing its customer retention programmes, monthly postpaid churn rate improved to 1.2% (2018: 1.3%). Postpaid gross ARPU decreased by 6% to HK$205 in 2019 (2018: HK$219), reflecting tariff pricing pressure from keen market competition, despite rapid growth in data demand.

Net interest and other finance income

Net interest and other finance income (Post-IFRS 16 basis, with share of a joint venture) amounted to HK$132 million in 2019, compared with HK$171 million in 2018, mainly due to lower net cash balance subsequent to the distribution of special interim dividend in May 2019.

The Group continues to maintain a healthy financial position, despite a 43% decrease in net cash from HK$9,555 million at 31 December 2018 to HK$5,416 million at 31 December 2019. The lower net cash position was mainly due to the distribution of 2018 special interim dividend and final dividend as well as 2019 interim dividend totalling HK$4,150 million, and the acquisition of non-controlling interests in key subsidiaries of the Group during the year.

Acquisition of non-controlling interests

On 31 May 2019, the Group completed the acquisition of non-controlling interests in its key subsidiaries at a consideration of US$60 million (approximately HK$471 million). Post the acquisition, the Group now has 100% interest in its mobile business.

Capital expenditure

Capital expenditure on property, plant and equipment, which accounted for 14% (2018: 14%) of the Group's service revenue, reduced by 4% to HK$503 million. The decrease was mainly attributable to stringent control on capital expenditure and rescheduling of projects to better match future benefits. The Group continues to scrutinise capital expenditure with care and prudence, ensuring adequate resources are made available in accordance with operational and technological needs.

Spectrum investment

In October 2019, the Group acquired 40 MHz in the 3500 MHz band for 15 years from 2020 for a spectrum utilisation fee of HK$202 million through auction. In November 2019, the Group further acquired 30 MHz in the 3300 MHz band for a spectrum utilisation fee of HK$199.5 million for 15 years from 2019 through another auction.

Summary of spectrum investment

as of 31 December 2019

	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
	3300 MHz	30 MHz	2034
Macau	900 MHz	10 MHz	2023
	1800 MHz	20 MHz	2023
	2100 MHz	10 MHz	2023

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

* *The spectrum band was shared under 50/50 joint venture — Genius Brand Limited.*

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 Cash

As at 31 December 2019, the Group recorded share capital of HK$1,205 million and total equity of HK$11,963 million.

As at 31 December 2019, the net cash of the Group was HK$5,416 million (2018: HK$9,555 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies. The reduction in net cash balance was mainly due to the settlement of special interim dividend, final dividend and interim dividend of HK$4,150 million in total and the acquisition of non-controlling interests of the key subsidiaries of the Group for US$60 million (approximately HK$471 million) in May 2019.

Charges on Group Assets

As at 31 December 2019, 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 2019 (2018: Nil).

Radio Spectrum

During the year ended 31 December 2019, Hutchison Telephone Company Limited, a subsidiary of the Group, acquired 40 MHz in the 3500 MHz band (for a 15-year period commencing April 2020) and 30 MHz in the 3300 MHz band (for a 15-year period commencing December 2019) for an aggregate of spectrum utilisation fees of HK$402 million through auctions.

Contingent Liabilities

As at 31 December 2019, the Group provided performance, financial and other guarantees of HK$106 million (2018: HK$5 million).

Commitments

As at 31 December 2019, the Group had capital commitments of property, plant and equipment of HK$271 million (2018: HK$396 million) and telecommunications licences of HK$2,242 million (2018: HK$2,040 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/periods up to year 2021. The variable 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 the local market or economy. Any significant or protracted worsening of the financial and economic climate in Hong Kong could result in an adverse change to customer sentiment or service usage behaviour, and therefore, could adversely affect the Group's financial condition and results of operations.

Industry Trends and Interest Rates

The Group's results are affected by trends in the telecommunications markets in which it operates. While the Group believes that its extensive customer base reduce its exposure to the industry cycles, its results have in the past been adversely affected by industry trends and volatility in interest rate. There can be no assurance that the combination of industry trends and interest rates experienced by the Group in the future will not adversely affect its financial condition and results of operations.

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

Highly Competitive Market

The Group faces significant competition in markets which it operates. 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 and 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 in the future could adversely affect the financial performance and growth prospects of the Group.

Strategic Partners

The Group conducts some of its businesses through a joint venture, 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 joint venture and the markets in which they operate. Furthermore, other investors in the joint venture may undergo a change of control or financial difficulties, which may negatively impact the Group's financial condition and results of operations.

Impact of Law and Regulatory Requirements

The Group is exposed to local business risk, which could have a material adverse effect on its financial condition and results of operations. The Group is also exposed to changes in government policies, political, social, legal and regulatory requirements, these include:

- changes in taxation regulations and interpretations;
- competition law applicable to the telecommunications industry;
- changes in the process of obtaining or maintaining licences, permits and governmental approvals necessary for operations;
- telecommunications regulations; and
- environmental and safety laws, rules and regulations.

The Group is permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities. 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 upon renewal. All these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct its business, as well as 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 with respect to the granting, amendment or renewal of licences the Group or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band) could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

Accounting

The International Accounting Standards Board has issued and may in the future issue more new and revised standards, amendments 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 Group's financial condition and results of operations.

Impact of Regulatory Reviews

The Group is listed on the Stock Exchange and is subject to regulatory reviews of various filings by the Stock Exchange's regulatory bodies and/or other regulatory authorities. While the Group endeavour to comply with all regulatory requirements of the Stock Exchange, and obtain independent professional advice as appropriate, there can be no assurance that the regulatory bodies' review will not result in a disagreement with the Group's interpretations and judgements and that any required actions mandated by the authorities will not have adverse impact on the Group's financial position and results of operations.

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 under development, 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 costs and risks. The technologies employed may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any assets could adversely affect the Group's financial condition and results of operations. 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 therefore adversely affect the Group's financial conditions and results of operations.

Network Performance

Some elements of the Group's networks, 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.

Outbreak of Highly Contagious Disease

There was an outbreak of Severe Acute Respiratory Syndrome in 2003 and there has been an outbreak of coronavirus disease since early 2020 in Hong Kong. The outbreak of the diseases had significant adverse impacts on the economies of Hong Kong. There can be no assurance that there will not be another significant outbreak of a severe communicable disease and if any highly contagious diseases spread, or are not satisfactorily contained, the Group's operations could be interrupted, which could have a material adverse effect on the Group's financial condition and results of operations.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from floods, typhoons 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 materially and adversely affect the Group's financial condition and results of operations.

Social Unrest

The Group has presence in Hong Kong and Macau. There can be no assurance that these two cities will remain socially stable, and social unrest in any of these cities may pose an adverse impact on the Group's financial condition and results of operations.

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

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

Cyber Security Risks

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

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

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group collect, store and use data that is protected by data protection laws. As regulatory focus on privacy issues continues to increase and laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within the Group's business are expected to intensify.

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

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 discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained within this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

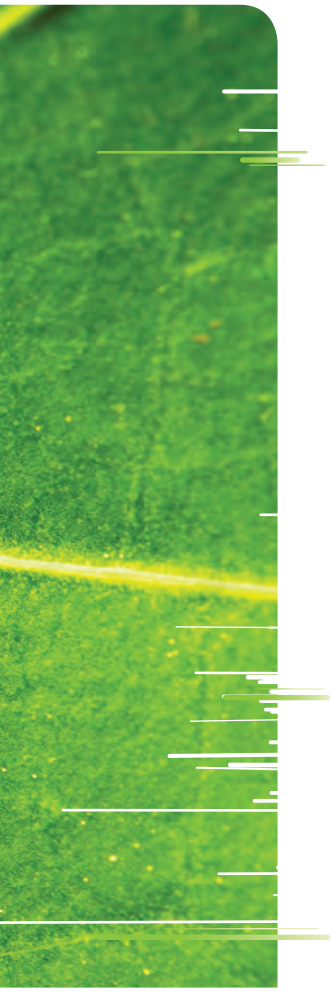
Environmental, Social and Governance Report

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.

About this Report

This Environmental, Social and Governance Report provides an overview of the sustainability performance and key initiatives of the Group for the year ended 31 December 2019, and is prepared in accordance with Appendix 27 of the Main Board Listing Rules and the ESG Reporting Guide issued by the Stock Exchange in 2015.

This report includes material quantitative data, detailed ESG requirements, as well as policies and programmes to illustrate the key initiatives implemented by the Group. The six sections set out in this report summarise the Group's commitments to Employees, Customers, Supply Chain, Anti-corruption, the Environment and the Community. Key initiatives and activities have been included in each section to exhibit our efforts in generating sustainable long-term value for the Group's stakeholders.



Approach to ESG Strategy, Reporting Principles and Boundary

The Group's ESG philosophy is to create long-term value for its stakeholders that aligns with the strategic development and sustainability of its business. The Group attests that transparency and accountability underpin the success in building trust with its stakeholders.

As one of the leading mobile telecommunications operators in Hong Kong and Macau, the Group acknowledges the significance of sound ESG practices and the importance of integrating ESG considerations in its daily operations. The Board and senior management oversee the direction of the Group's ESG practices through formulation of policies and objectives. An ESG working group was formed with managers and team leaders responsible for the translation of policies into actions. Team leaders set up and execute ESG initiatives, regularly review and evaluate their performance in order to identify opportunities for improvement and create sustainable values for the Group's stakeholders.

Based on the associated risks to the Group's business and their related impacts on the stakeholders, the Group has identified key ESG topics as disclosed further in this report. All relevant entities and operations of which the Group has exercised control with ESG significance are included in this report. The Group will revisit the reporting principles and boundary on a periodic basis. Further disclosure would be made on relevant changes if applicable.

Stakeholder Engagement and Materiality Assessment

The Group maintains open and transparent dialogue with its key stakeholders, including employees, shareholders and investors, customers, business partners, suppliers, professional institutions, non-government organisations, authorities and media partners. The Group engages its stakeholders periodically through ongoing communications and collects their views on the aspects of ESG which they regard as important and relevant through various channels such as meetings, workshops, surveys and feedback programmes.

ESG compliance and how it is leveraged with the Group's operation to benefit the community are among the key interests of the Group's stakeholders. Key ESG topics range from GHG emissions to customer privacy and data security, as well as community investment. Material aspects identified are reviewed periodically by the Board and senior management and are updated as appropriate.

• As 5G arrives, staff members share innovative ideas to reshape the future in a workshop.

Commitment to Our People

With 986 employees in Hong Kong and Macau as at 31 December 2019, the Group believes its people are the foundation of consistent delivery of reliable products and quality services to its customers. Effective talent management is fundamental for the Group to remain ahead of competition, whilst sustaining long-term success. The Group aspires to be an employer-of-choice through effective pursuit of best talents, ongoing skill development and training, and provision of an inclusive working environment.

Recruitment, engagement and retention

Our business performance and our customers' experience depend on our ability to attract, retain and develop suitable talent in competitive labour markets. The Group works closely with educational institutions to recruit young talent that can support its growth. The Group also offers internship opportunities to university students who are interested in pursuing a career in the telecommunications industry.

The Group adheres to fair employment practices and promotes diversity and equal opportunity in its recruitment and promotion process. Employees are hired and selected based on their skill set and abilities, regardless of their race, colour, gender or religious beliefs. The Group is devoted to providing a positive, respectful and safe working environment to all employees. The Group will not tolerate any form of discrimination and has zero tolerance to any kind of harassment that consists of unwelcome and offensive conduct (whether verbal, physical or visual) which is based upon a person's sex, marital status, disability or otherwise.

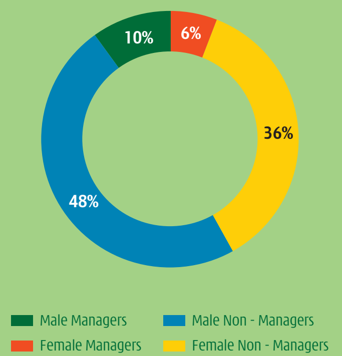
The Group upholds labour standards and complies with applicable employment guidelines and regulations, as well as labour-related legislation that are relevant to where it operates, for example the Hong Kong Employment Ordinance. Its policies strictly prohibit the use of child and/or forced labour, and rigorous measures and audits are taken to prevent such unethical practices in the operations.

In light of the fast pace of change in technology and growing demands for sophisticated services, the Group is committed to acting swiftly in response to this changing world to grasp new opportunities and remain sustainable. Over the past years, the Group has implemented various organisational initiatives to support its strategy and operating business models, and to enhance efficiency and synergies between teams.

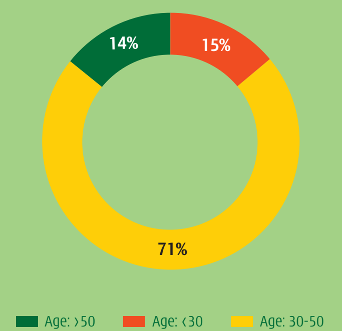
Valuing employees

The Group respects the rights of employees in expressing their views and has established various communication channels. These include seminars and workshops which are designed to facilitate open dialogues with employees and where they can exchange viewpoints and collect ideas. Feedback from employees through the many channels help improve and enhance its talent management practices. The Group also regularly shares with its employees up-to-date business developments via emails and newsletters with its employees.

Total employees by employment category



Total number of employees by age group



The Group was granted awards in recognition of its achievements in various areas of employment practice. The Group was recognised as one of the "Asia's Best Employer Brands" in the 10th Asia's Best Employer Brand Awards in 2019. This demonstrates its commitment to talent retention and motivation to have employees build their careers within the Group.

Investing in training and development

The Group believes in talent investment and endeavours to realise the potential of employees through learning and development programmes. Employees are inspired to pursue further knowledge and are encouraged to consistently develop themselves. Training programmes are developed to meet specific business needs and support day-to-day job functions. Such training programmes take many forms, from structured learning and formal training (including orientations, sharing sessions, seminars, workshops and internal-external courses), to personal coaching and mentoring. Employees are also entitled to various subsidies and sponsorships for job-related training courses which encourages lifelong learning.

• The Group endeavours to realise the potential of employees through learning and development programmes.

In 2019, the Group organised leadership workshops in Hong Kong and Macau, providing managers and team leaders with the opportunity to learn agile and effective ways to lead in a digital environment. Participants were encouraged to share their innovative ideas on how the Group can respond swiftly to the rapidly changing market environments and the increasing demands from its customers.

Building our employees' skills through continuous development programmes is essential in driving business performance and remaining sustainable. To support network evolution, prepare for the 5G rollout and take advantage of new opportunities and challenges, the Group organised various sharing sessions and workshops throughout the year. The focus of these sharing sessions was on the development of digital skills, as well as cyber security and 5G technology knowledge, including IoT technology, software design and cloud platform.

Promoting well-being, health and safety

The Group considers the well-being of its people to have a fundamental impact on the level of employee engagement and productivity. The Group upholds relevant guidelines and regulations including the Hong Kong Occupational Safety and Health Ordinance. The Group is committed to maintaining and updating the welfare programmes offered to its people; promoting work-life balance; and providing a range of paid leave entitlements to employees, where operational needs allow.

• Employees are encouraged to take part in well-being activities such as the "2019 Walking Challenge".

Employees are encouraged to take part in various well-being activities, including outings, sports events and volunteering activities. During the year, the Group organised the "2019 Walking Challenge" event to promote walking for health. Employees were invited to participate in a challenge – "10,000 steps a day". Participants achieving a large number of steps during the seven-day challenge were awarded with special prizes.

Apart from promoting health and well-being of our employees, this event successfully raised awareness about reducing energy uses and it encouraged changes in behaviour that, collectively, could have a significant impact.

This event was also a meaningful charity campaign as the total number of steps achieved by participating staff members were converted into a cash donation. A total of HK$45,000 was donated to HOPE Worldwide Centre for Kids, Christian Action SHINE and Cha Duk Chang Children's Cantonese Opera Association.

Creating a safe and healthy working environment is of the utmost importance for ensuring quality of life at the workplace for our employees. It contributes to productivity and creates an optimal well-being and attractive environment for our people. The Group has implemented health and safety management programmes, and training is provided to all employees based on the nature of work and safety standards that are applied throughout the workplace.

Employees can access the latest health and safety information via our intranet. The Group also provides periodic refresher courses to its employees, ensuring that the importance of following the safety guidelines is truly ingrained into its operational culture.

Regulatory compliance

The Group is committed to complying with applicable local laws, rules and regulations that are relevant to where it operates. Regulatory frameworks within which the Group operates are analysed and monitored, and internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary, in order to strengthen the awareness and understanding of the Group's internal controls and compliance procedures. In addition, its Code of Ethics requires staff to comply with applicable government and regulatory laws, rules, codes and regulations.

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

Commitment to Our Customers

The Group focuses on providing quality products and services to bring excellent customer experience. In recognition of its high product quality and excellent customer service within the telecommunications industry, the Group has been granted various awards during the year.

Building trust through reliability and quality

The Group endeavours to create better everyday life and deliver sustainable value to its customers. This joint vision is being delivered through its commitment to the provision of reliable, safe and high-quality products and services.

• Enhancement of the My3 and 3Care mobile apps helps us increase customer engagement.

Delivering reliable and quality services

The Group embraces a service-oriented culture and is committed to delivering service quality and customer satisfaction at the highest possible levels through its reliable and extensive network. The Group's network reach covers more than 99% of the population, and the availability of core network maintains at over 99% during the year. The Group will continue to strive for better connectivity in terms of coverage and quality.

Furthermore, the Group's continuous efforts to increase customer engagement and to stay connected with customers' digital lifestyle is well supported by the enhancement in its online platforms and mobile applications (such as the website three.com.hk and the My3 application). Other than providing products and services information, customers can also gain access to other information relating to the service provided, charges invoiced, data usage, and even top-up their accounts through the self-service function. Online contract renewal, roaming data top-up, and online sales of handsets and accessories were also made available to enhance customer experience.

Enabling sustainable options

To ensure delivery of sustainable value to its stakeholders, the Group continues to invest strategically in advanced digital technologies. This allows the Group to provide innovative digital services and solutions, enabling customers to make environmentally responsible choices in how they live and work. For example, our customers are offered e-billing and electronic payment options to reduce paper waste.

- Various workshops and events are held at 3Shops to increase interactions with customers and improve the customer experience.

Enhancing the customer experience

The Group offers a range of communication channels such as customer service centres, social networking pages, focus group studies, websites and mobile applications, providing customers with ample opportunities for feedback. The Group collects and acts on feedback with due care and in a timely manner. Guidelines have been established to handle customer enquiries and complaints, and our representatives are trained to professionally address customer concerns. Complaints received are acknowledged, investigated and duly followed up. Reviews and analyses of complaints received are conducted periodically for continuous improvement.

The Group also fosters a culture of continuous improvement by benchmarking and publishing its service performance targets and actual performance details on areas, such as hotline performance and complaint handling, on its website at three.com.hk. During the year, the Group has been granted various awards that attest to its exemplary network performance and service excellence.

Protecting customers

The Group provides transparent products and services information that enable its customers to make informed purchasing decisions through different online and offline channels.

Our commitment to privacy and security is an imperative part of our responsibility to our customers. The Group safeguards customers' personal data and respects their privacy to build and maintain their trust in its business. The policies on personal data privacy and customer data protection underpin our approach and govern how we collect, use, access, secure, and retain customers' personal data. These policies set out the resources and control processes that are in place to ensure compliance with applicable local data protection and privacy laws and regulations in which the Group operates. These policies are reviewed and updated periodically by finance department with inputs collected from relevant business units.

The Group is committed to ensure effective customer data management and that personal data is handled with due care.

(1) Data collection – the Group only collects necessary and relevant personal data for the specific purposes in which it was collected.

(2) Use of personal data – the Group provides a clear, transparent, easy to understand and updated "Personal Information Collection Statement" to reflect the way the Group handles customers' personal data, whilst addresses the requirements under applicable laws and regulations.

(3) Data access – customers can exercise their rights to access and/or correct the personal data which they provided via application form, Internet or other means.

(4) Securing customers' data – use of various encryption techniques to retain, use and transmit customers' personal data. Stringent and adequate security measures are maintained to protect all personal data collected via our websites and retained in our system from unauthorised access.

(5) Data retention – customers' personal data obtained during the service subscription period will be retained for a reasonable period of 2 years after termination of subscription and settlement of outstanding bill. Any unnecessary personal data are erased from the system in accordance with internal policy.

(6) Internal guidelines and awareness campaigns – employees are required to adhere strictly to "Internal Guidelines on Record Retention and Access to Personal Data" policy. Access to physical or computer records containing personal data is strictly controlled and requires management approval, and such approvals are granted only on a "need to know" basis. The Group also develops an internal platform with operational guidelines and handbooks, issues periodic internal communication, and conducts workshops for customer-facing employees to reinforce the importance of customer data protection.

Commitment to privacy and security is an imperative part of the Group's responsibility to its customers.

The Group also has an internal policy on cyber security to safeguard and to ensure proper controls are in place to manage the related risks. Periodic trainings and workshops are organised to keep its employees up-to-date with the latest requirements and development of the relevant rules and regulations.

Regulatory compliance

The Group is committed to complying with the requirements under the Personal Data (Privacy) Ordinance, the relevant code of practice and guidance issued by the Office of the Privacy Commissioner for Personal Data in Hong Kong, and applicable rules and regulations that are relevant to areas in which it operates. Regulatory frameworks within which the Group operates are analysed and monitored, and internal policies are prepared and updated accordingly. Workshops are also conducted where necessary to strengthen the awareness and understanding of the Group's internal controls and compliance procedures.

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

Supply Chain Management

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

Sourcing responsibly and engaging suppliers

The Group addresses supply chain challenges through risk management, responsible sourcing, supplier engagement and oversight. In order to ensure integrity in its supply chains, the Group requires its partners to meet certain criteria and standards in terms of quality, environmental performance, social, ethical, health and safety, and regulatory compliance.

Approach to supply chain management

The Group adopts international best practices and follows a set of fair, unbiased and transparent tendering process. Tenderers are required to declare any conflict of interest and take a firm stance against fraud and misconduct. Supplier relationships will be suspended or terminated if contravention is discovered.

The Group strives to bring a positive influence to the business community by setting expectations in environmental, social and governance related matters with key suppliers. The Group expects suppliers to observe similar environmental, social, health and safety and governance considerations when carrying out their own operating practices. The Group sets out policies including purchasing policy, business partner evaluation policy and anti-corruption policy. These are in conjunction with various controls and procedures, which provide direction and guidelines on evaluation and engagement with major business partners. Its procurement teams are trained to apply these policies and procedures with due care and diligence when engaging suppliers.

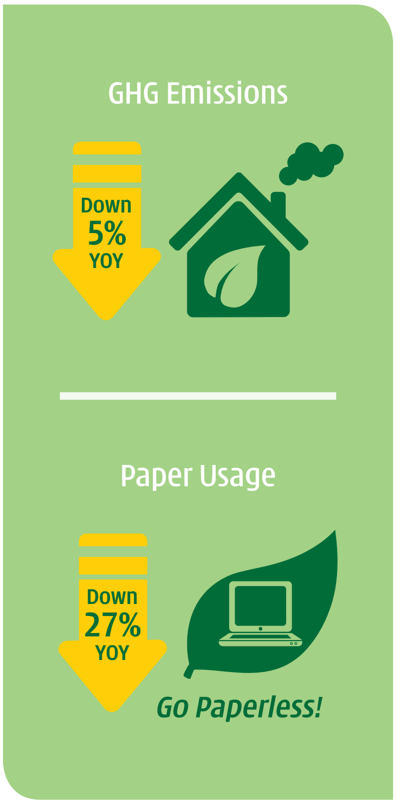
Anti-corruption

The Group values and upholds integrity, fairness, transparency and accountability. The Group has zero-tolerance to any forms of bribery, corruption and/or fraud. Anti-bribery and anti-corruption policy standards are important parts of its policies and operating practices which are reinforced by the Group's employees and communicated to relevant stakeholders who have dealings with the Group. Monitoring measures and procedures are developed to detect bribery, fraud or other malpractice activities. Its employees are required to conduct operations with high standards of ethics, honesty, objectivity and integrity, and in compliance with the Group's Code of Ethics and applicable laws and regulations.

Furthermore, employees and all other stakeholders engaging in dealings with the Group (including shareholders, customers and suppliers) are encouraged to report on suspected misconduct, malpractice or fraudulent activities through the Group's whistle-blowing mechanisms. Whistle-blowing policies apply to all stakeholders. Cases will be followed up independently; and all cases will be reported by the Group's internal audit function to the Audit Committee and senior management.

Regulatory compliance

The Group is committed to ensuring its businesses are operated in compliance with applicable local laws, rules and regulations in which it operates. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly.



Where necessary, workshops are also conducted to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group.

The Group is not aware of any breach of laws and/or regulations that have had a significant impact on the Group relating to anti-corruption during the year.

Commitment to Our Environment

The Group's environment-protection policy sets out its commitment to reduce any negative environmental impacts that are generated by its business activities. The Group also promotes environmental protection initiatives.

Managing emissions

As a telecommunications operator, our operating activities are based on the use of network infrastructures which require a continuous power supply, for example, air conditioning to keep machinery within a constant temperature range. Energy needs to increase in line with the growing number of connected devices and with further gigabyte of data transmitted. The telecommunications industry is facing a growing GHG emissions challenge while carbon and energy footprint increases.

Through the IoT, replacement of certain equipment with low energy efficiency and the reduction of premises locations form part of our efficiency enhancement initiatives, the Group's electricity consumption reduced from 111,277,682 kwh in 2018 to 110,157,880 kwh in 2019. These demonstrated our ongoing efforts in addressing the GHG emissions issues while at the same time maintaining high level infrastructure performance.

Optimising resource use

The Group continues to reduce its carbon and energy footprint from daily operations. Such efforts include encouraging electronic workflow, recycling and waste reduction in workplaces and improving the efficiency of its buildings and network switching centres. Aside from managing its own footprint, the Group supports its customers to live more sustainable lifestyles. The Group has run the "Recycling of Handsets and Accessories" programme since 2012, which encourages everyone to help protect the environment by placing their old or unwanted handsets and accessories (such as batteries, chargers,

• The Group reduces carbon emissions through making changes to the way it operates.

headphones, earpieces, USB cables and stylus pens) in the recycling boxes located at certain 3Shops. Handsets and accessories collected under this programme were passed to the "Computer and Communication Products Recycling" programme run by the government, industry and green groups, and other voluntary organisations for recycle or reuse.

In addition, the Group provides innovative digital services and solutions that enable its customers to make environmentally responsible choices relating to how they live and work. For example, as part of its long-term commitment in reducing paper consumption, its customers are encouraged to opt for electronic billing via email or SMS. Its customers can also choose to review their billing through the enhanced My3 application.

The Group participated in a Computer and Communication Products Recycling Programme. This programme enables the Group to manage its used computer equipment and communication products in an environmentally sound manner. Used computers and computer parts were collected for refurbishment and recycling. Refurbished items that are still in working condition were donated to people in need.

The Group has been awarded the Energywi$e and Wastewi$e Certificates from the Hong Kong Green Organisation Certification by Environmental Campaign Committee for many consecutive years. This was in recognition of its efforts in adopting measures to reduce the amount of waste generated and to save energy. Excellence Level and Basic Level were obtained for Energywi$e and for Wastewi$e Certificates respectively in the recent assessment period.

Safeguarding environmental and natural resources

As one of the leading telecommunications operators in Hong Kong, the Group aspires to be a positive role model for its stakeholders in protecting the environment and the ecosystems. The group policies ensure caution and discipline is applied that may impact natural resources. In addition, because of the nature of the telecommunications business, the Group does not produce significant hazardous waste.

Regulatory compliance

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

The Group is not aware of any non-compliance of laws and regulations that have had 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.

Commitment to the Community

The Group is dedicated to making the community a better place and providing long lasting benefits to stakeholders. In line with sound corporate governance practice, donations and contributions are subject to internal compliance guidelines and controls in order to safeguard stakeholder interests. In 2019, the Group was engaged in a range of community activities that had a focus on youth empowerment, supporting those in need and environmental conservation.

- HTHKH volunteers hand out new handsets which come with a service fee waiver to members of an elderly centre.

- The Group supports the Business-School Partnership Programme for the third consecutive year.

In order to have a positive impact on society, our volunteer team actively supported and participated in community activities during the year.

Cash and in-kind donations to charitable organisations benefitting community projects in Hong Kong and Macau under the subject headings of community, education, youth and the elderly during 2019 amounted to approximately HK$3.7 million.

The Group was granted the "Caring Company" status for many consecutive years by the Hong Kong Council of Social Service. This was in recognition of the Group's achievement in incorporating social responsibilities and environmental protection into its business operations while helping to build a society of sustainable development.

Empowering the Youth

The Group created opportunities for youth through its sponsorship of the "JUMPSTARTER 2019", a not-for-profit platform that supports young people in jump starting their dreams. The Group's management shared their insights on how to embrace disruptive ideas and new technologies, advocate for changes and stand out against competitors in the market with innovation during the event. The Group also hosted a sharing session on corporate innovation with members from 3InnoCity. The collaboration between the Group and young talents shared insight into how their enterprise IoT solutions helped to solve legacy building and fleet management problems, making building facilities and vehicles smarter.

The Group continued to nurture students' interest in the telecommunications industry and imparted knowledge of mobile technologies by supporting the Business-School Partnership Programme of the Hong Kong General Chamber of Commerce for the third consecutive year. Secondary school teachers and students visited its headquarters and Network Operations Centre, and its Senior Executives shared the latest network developments as well as their experiences in engineering and digital marketing in order to enhance students' understanding of the trends and career opportunities in the industry.

Furthermore, the Group participated in the "U-Lead", a work placement programme, for members of the Hong Kong Federation of Business Students. This enables students to gain experience and elevate their strengths from working with a leading mobile operator.

The Group contributes to the growth and development of young athletes in Hong Kong through its sponsorship to the Mantas Invitational Swim Meet, which is organised by Harry Wright International and the Mantas Swimming Club.

Supporting those in Need

Bridging the digital divide

In order to bridge the digital divide and foster inter-generational harmony, alongside responding to World Telecommunication and Information Society Day – Hong Kong, the Group has taken on title sponsorship of the "**3** Hong Kong Smarter Senior Programme", which is hosted by the Communications Association of Hong Kong. The programme aims to promote use of mobile devices among senior citizens and encourage them to learn about new technology via smartphone workshop. In April 2019, some 100 students from six secondary schools visited four elderly centres in Hong Kong, helping the elderly to understand basic mobile device functionality in a one-on-one daily interaction.

- HTHKH volunteers visit a centre for kids and hand out festive gift packs.

Serving the Community

Leveraging **3** Hong Kong's strength of network and extensive customer base, the Group supports a broad range of charitable activities such as disseminating free text messages for charitable organisations to mobile users. Benefitted charitable organisations included Sheng Kung Hui St Christopher's Home, Hong Kong Single Parents Association, Christian Action, Children's Heart Foundation, Youth Outreach, The Samaritan Befrienders Hong Kong and The Hong Kong Council of Social Service.

The Group also actively participates in various events to share its technology expertise. During the year, its senior executives imparted knowledge of 5G technology and the latest corporate mobile solutions in a 5G seminar for professionals in the financial sector, all of which was organised by the Institute of Financial Technologists of Asia.

The Group supports, encourages and facilitates events for employees to engage in volunteerism and benefit the community. Since the programme launched in 2010, the Group has continuously supported the Lo-Yau-Kee Monthly Service Plans Sponsorship. During the year, its volunteers visited Harmony Garden Lutheran Centre for the Elderly and handed out new handsets which came with a service fee waiver to members of the centre. Its volunteers also visited HOPE worldwide Centre for Kids and Christian Action's Woo Sung Street Service Centre, which inspires children in need through group activities.

In Macau, the Group has been a supporter of the charitable events organised by the Charity Fund from the Readers of *Macao Daily News*. Apart from cash donations, **3** Macau offered free donation platforms, which encourages its customers to make contributions to the charity fund. For the 10th consecutive years, its employees also actively took part in the annual major charity event "Walk for a Million", raising funds for the underprivileged. The Group also continued sponsoring the Mobile Application Software Technologies Training Plan which focuses on keeping young adults up-to-date with the latest smart city-related mobile application technology.

Environmental Key Performance Indicators

	Unit	2019	2018
Emissions			
Total GHG emissions (mainly from use of electricity under Scope 2)	tonnes Co_2e	57,822	61,008
Total GHG emissions intensity	tonne Co_2e/revenue HK$'000	0.010	0.008
Energy			
Electricity	kWh	110,157,880	111,277,682
Gasoline and Diesel	kWh	156,074	177,248
Total energy consumption intensity	kwh/revenue HK$'000	19.8	14.1
Paper			
Paper	tonne	44	60
Paper recycled	tonne	12	40
Water			
Water	m^3	4,384	6,791
Water consumption intensity	m^3/revenue HK$'000	0.001	0.001
Waste management			
General office waste	tonne	59	62
Computer and network equipment	piece	914	3,170

Information on Directors

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 68, has been Chairman and a Non-executive Director of the Company since March 2009. He has also been Chairman of the Nomination Committee since January 2019 and Remuneration Committee member since January 2012. 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. 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 ("Power Assets"), 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, Mr Fok is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by 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 oversees the management. 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 68, 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 in August 2018, and has been Nomination Committee member since January 2019. 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 assists to oversee telecommunications operations in Europe 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 Mainland 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 substantial shareholders (within the meaning of the SFO) of the Company. Mr Lui holds a Bachelor of Science degree.

WOO Chiu Man, Cliff

Co-Deputy Chairman and Non-executive Director

Woo Chiu Man, Cliff, aged 66, 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 in August 2018, and has been Nomination Committee member since January 2019. He is also 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 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. Further, Mr Woo is also a director of certain companies controlled by substantial shareholders (within the meaning of the SFO) 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 47, has been Executive Director and Chief Executive Officer of the Company since August 2018, and Nomination Committee member since January 2019. 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 24 years of experience in the telecommunications industry.

LAI Kai Ming, Dominic

Non-executive Director

Lai Kai Ming, Dominic, aged 66, 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, and Ms Edith Shih, a Non-executive Director and Company Secretary since January 2017. He is also Nomination Committee member since January 2019. 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 certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by 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 oversees the management. 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 68, has been a Non-executive Director of the Company since January 2017, Company Secretary since November 2007 and Nomination Committee member since January 2019. Ms Shih is also an executive director and Company Secretary of CKHH. She has been with the Cheung Kong (Holdings) group since 1989 and with HWL from 1991 to 2015. Both of Cheung Kong (Holdings) and HWL have become wholly owned subsidiaries of CKHH in 2015. She has acted in various capacities within the HWL Group, including head group general counsel and company secretary of HWL and director and company secretary of HWL 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, Ms Shih is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by 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 oversees the management. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is currently the International President and Executive Committee Chairman of The Chartered Governance Institute ("CGI", formerly known as the Institute of Chartered Secretaries and Administrators) as well as a past President and current chairperson of various committees and panels of the Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also the Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants, a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel 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 CGI 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.

IP Yuk Keung

Independent Non-executive Director

Ip Yuk Keung, aged 67, has been an Independent Non-executive Director of the Company, Chairman of the Audit Committee, Remuneration Committee member and Nomination Committee member since 31 December 2019. Mr Ip is an international banking and finance professional with over 30 years of experience in the United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments of Merrill Lynch (Asia Pacific). Mr Ip is currently a non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust), and an independent non-executive director of Power Assets, TOM, Lifestyle International Holdings Limited and New World Development Company Limited. He was previously an executive director and the chief executive officer of LHIL Manager Limited (as trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited, and an independent non-executive director of Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) and Hopewell Holdings Limited (which had withdrawn its listing from the Main Board of the Stock Exchange on 3 May 2019). Mr Ip is an Adjunct Professor of and an advisor to various universities in Hong Kong and Macau. He is an Honorary Fellow of Vocational Training Council, a Council Member of The Hong Kong University of Science and Technology ("HKUST"), a Trustee of the Board of Trustees of Washington University in St. Louis and a Beta Gamma Sigma Honoree at City University of Hong Kong and HKUST. Mr Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science degree in Applied Mathematics and a Master of Science degree in Accounting and Finance. He is the Vice-chairman of World Green Organisation Limited.

LAN Hong Tsung, David, GBS, ISO, JP

Independent Non-executive Director

Lan Hong Tsung, David, aged 79, has been an Independent Non-executive Director of the Company since April 2009. He has been Remuneration Committee member since April 2009 and was appointed as its Chairman since January 2012. He is also Audit Committee member since April 2009 and Nomination Committee member since January 2019. He is currently chairman of David H T Lan Consultants Limited and a director of International Probono Legal Services Association Limited. He is an independent non-executive director of CKI and ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT")). He is also a consultant to the board of directors of SJM Holdings Limited ("SJM"), supervisor of Nanyang Commercial Bank (China), Limited and an independent non-executive director of Nanyang Commercial Bank, Limited and Cinda Financial Holdings Co., Limited. He was previously an independent non-executive director of SJM, president of The International Institute of Management Limited and senior advisor of Mitsui & Company (Hong Kong) 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 CGI 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 67, has been an Independent Non-executive Director of the Company since April 2009. She has been Audit Committee member since April 2009 and Nomination Committee member since January 2019. She is an independent non-executive director of CKHH, a substantial shareholder (within the meaning of the SFO) of the Company. 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, chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority and chairman of Asia International School Limited. In addition, she is a member of the 13th session of the National Committee of the CPPCC of the People's Republic of China. 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, an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited, chairman of the Advisory Board of the California Center Early Learning School, Shanghai and a member of HKUST Business School Advisory Council. 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 52, 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 (within the meaning of the SFO) of the Company. He has over 30 years of management experience in different industries. 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 2019 Interim Report or the date of announcement on appointment of Director are set out below:

Directors	Details of changes
Ip Yuk Keung	Ceased to act as a Member of the Committee on Certification for Principalship (CCFP) of the Education Bureau of Hong Kong on 31 December 2019
Wong Yick Ming, Rosanna	Will cease to serve as: – chairman and a member of the Consultation Panel of the West Kowloon Cultural District Authority on 1 March 2020 – a global advisor to Mars, Incorporated on 1 April 2020

In respect of the change in emoluments of Directors, please refer to note 7(a) to the consolidated financial statements on pages 129 to 130.

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

As at 31 December 2019, 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)	0.0249%
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 2019, the following interests:

(i) corporate interests in 5,711,438 ordinary shares, representing approximately 0.14% of the issued voting shares, in CKHH; and

(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.

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 2019, 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 2019, 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 2019, the following interests:

(i) 92,187 ordinary shares, representing approximately 0.0023% of the issued voting shares, in CKHH, comprising personal interests in 87,125 ordinary shares held in her capacity as a beneficial owner and family interests in 5,062 ordinary shares held by her spouse; and

(ii) personal interests in 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 2019, 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 2019, 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 2019, 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 45, 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 22 years of experience in accounting and finance for corporate and banking sectors.

CHUNG Yiu Man, Daniel
Chief Technology Officer

Chung Yiu Man, Daniel, aged 52, 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 29 years of experience in telecommunications.

HO Wai Ming
Chief Executive Officer – Macau

Ho Wai Ming, aged 66, 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 38 years of experience in telecommunications.

WONG King Yee, Dennis
Corporate & International Business Director

Wong King Yee, Dennis, aged 47, 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 23 years of experience in ICT sales and marketing.

NG May Yuk, Frances
General Manager, Corporate Affairs

Ng May Yuk, Frances, aged 59, 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 35 years of experience in public relations.

Christopher John SANDERSON
Director of Legal Services & Regulatory

Christopher John Sanderson, aged 55, 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 32 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 56, 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 30 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 2019.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 160.

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 2019, 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" and "Group Capital Resources and Liquidity" on pages 10 to 24.
- "Risk Factors" on pages 25 to 29.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 119 to 126.
- 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 30 to 42.
- "Corporate Governance Report" on pages 64 to 85.

All such discussions form part of this report.

Group Profit

The consolidated income statement is set out on page 91 and shows the profit of the Group for the year ended 31 December 2019.

Dividend

An interim dividend of 2.93 HK cents per share was paid to shareholders on 6 September 2019.

The Directors also recommended the declaration of a final dividend of 3.75 HK cents per share, to be payable on Wednesday, 27 May 2020 to those persons registered as shareholders of the Company at close of business on Monday, 18 May 2020, 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 30 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$3.7 million (2018: HK$1.3 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
Mr WOO Chiu Man, Cliff

Executive Director
Mr KOO Sing Fai (Chief Executive Officer)

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 IP Yuk Keung
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna

During the year ended 31 December 2019 and the period up to the date of this report, the following changes to the Board composition took place on 31 December 2019:

- Mr Cheong Ying Chew, Henry resigned as Independent Non-executive Director, and concurrently ceased acting as Alternate Director to Dr Wong Yick Ming, Rosanna, Independent Non-executive Director; and

- Mr Ip Yuk Keung was appointed as Independent Non-executive Director.

Mr Cheong Ying Chew, Henry has confirmed that he has no disagreement with the Board and he is not aware of any matters relating to his resignation that need to be brought to the attention of the shareholders of the Company.

In accordance with Article 83(3) of the Articles of Association, Mr Ip Yuk Keung, who has been appointed to fill the causal vacancy arising from the resignation of Mr Cheong Ying Chew, Henry, will retire at the next following general meeting (i.e. the forthcoming annual general meeting) and, being eligible, will offer himself for re-election.

In accordance with Article 84 of the Articles of Association, Mr Woo Chiu Man, Cliff, Mr Lai Kai Ming, Dominic and Dr Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details regarding the re-election are set out in the circular to shareholders together with this annual 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 annual 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 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 for the Directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the Directors. The relevant provisions in the Articles of Association and the Directors' liability insurance were in force during the financial year ended 31 December 2019 and as of the date of this report.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or a subsidiary, fellow subsidiary or parent company of the Company was a party and in which a person who at any time in 2019 was a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of 2019 or at any time during 2019.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2019.

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 two years ended 31 December 2018 and 2019, and for the year 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 2019 as stated in the Announcement and the corresponding aggregate transaction amounts for the year are set out below:

	2019 annual cap (HK$ million)	Aggregate transaction amount (HK$ million)
Provision of the Group Telecommunications Supplies to the CKHH Group	116	22
Purchase of the CKHH Telecommunications Supplies by the Group	19	6
Purchase of the Business Related Supplies by the Group	43	14

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2019 and key internal control procedures in respect of the negotiation, review, approval, agreement management, reporting, consolidation and monitoring processes of these transactions, and is of the view that the controls over the Continuing Connected Transactions for 2019 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 2019 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 2019 (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 2019 as disclosed in the Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2019 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 2019.

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 2019, 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	Total	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Interest of a controlled corporation	23,689,889 [(1)]		
	Beneficial owner	3,161,292,951 [(2)]	3,184,982,840	66.09%
Gensis Lake Limited ("GLL")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
Dynamic Zamia Limited ("DZL")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
CK Hutchison Group Telecom Holdings Limited ("CKHGT")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
Barusley Limited ("BL")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
Askern Peak Limited ("APL")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	66.09%
CKHH	Interest of controlled corporations	3,184,982,840 [(1)(2)]	3,184,982,840	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		Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	153,280 [(3)]	)		
	Interest of controlled corporations	403,979,499 [(4)(5)(6)]	)	404,132,779	8.38%
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	153,280 [(3)]	)		
	Interest of controlled corporations	353,292,749 [(4)(5)(7)]	)		
	Interest of child	192,000 [(8)]	)	353,638,029	7.33%
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 [(5)]		350,527,953	7.27%

Notes:

(1) *Cheung Kong Enterprises Limited ("Cheung Kong Enterprises", a direct wholly owned subsidiary of HTIHL) holds 23,689,889 shares of the Company. By virtue of the SFO, HTIHL was deemed to be interested in the 23,689,889 shares of the Company held by Cheung Kong Enterprises.*

(2) *HTIHL is a direct wholly owned subsidiary of GLL. GLL in turn is a direct wholly owned subsidiary of DZL. DZL in turn is a direct wholly owned subsidiary of CKHGT. CKHGT in turn is a direct wholly owned subsidiary of BL. BL in turn is a direct wholly owned subsidiary of APL. APL in turn is a direct wholly owned subsidiary of CKHGI. CKHGI in turn is a direct wholly owned subsidiary of CKHH. By virtue of the SFO, each of CKHH, CKHGI, APL, BL, CKHGT, DZL and GLL was deemed to be interested in the 3,161,292,951 shares of the Company held by HTIHL and the 23,689,889 shares of the Company held by Cheung Kong Enterprises.*

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

(4) Among those shares, 245,546 shares are held by Li Ka Shing (Global) Foundation ("LKSGF", formerly known as Li Ka Shing (Overseas) Foundation). By virtue of the terms of the constituent documents of LKSGF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.

(5) Among those shares, 350,527,953 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.

(6) Among those shares, 53,206,000 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(7) Among those shares, 2,519,250 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.

(8) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 31 December 2019, 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 was valid and effective during the period from 21 May 2009 to 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. After 20 May 2019, no further share options could be granted under the Share Option Scheme. 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 (the "General Scheme Limit"), as at 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange. 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;

(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 2019 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 2019	Granted during 2019	Exercised during 2019	Lapsed/ cancelled during 2019	Number of share options held as at 31 December 2019	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 [(4)] 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	3.32
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 was 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.*

(4) *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 exercise of the share options.*

As at the date of this report, there are no share options outstanding under the Share Option Scheme.

No share option was granted under the Share Option Scheme during the year ended 31 December 2019.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries or its parent company or a subsidiary of its parent company a party to any arrangements which 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.

Share Capital

Details of the shares movement during the year are set out in note 29 to the consolidated financial statements on page 147.

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	48%
Five largest suppliers combined	72%

As at 31 December 2019, 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 2019 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2020 annual general meeting.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2020

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 control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2019 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 composition of the nomination committee as explained below in this report.

The Board

Corporate strategy

The principal objective of the Company is to enhance long-term total return for its shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group, the basis on which the Group generates and preserves value in the longer term and delivers 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. 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 with due regard to sustainability considerations.

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 2019 and up to the date of this report, the following changes to the Board composition took place on 31 December 2019:

(a) Mr Cheong Ying Chew, Henry resigned as Independent Non-executive Director, as well as Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee;

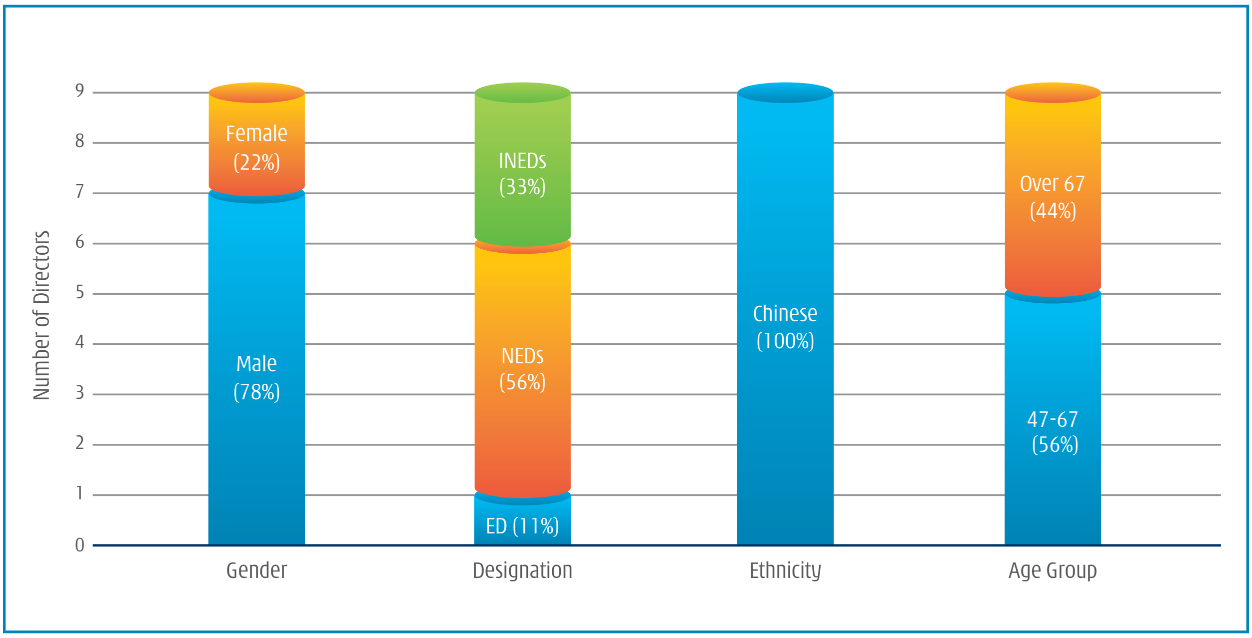
(b) Mr Cheong concurrently ceased acting as Alternate Director to Dr Wong Yick Ming, Rosanna, Independent Non-executive Director; and

(c) Mr Ip Yuk Keung was appointed as Independent Non-executive Director, as well as Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee.

As at 31 December 2019 and up to the date of this report, the Board comprised nine Directors, including the Chairman (Non-executive), two Co-Deputy Chairmen (Non-executive), an Executive Director and 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 2019 are set out in the section "Report of the Directors" on pages 52 to 53.

The Nomination Committee comprising 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. It is also responsible for the selection and appointment of Directors and succession planning of Directors and senior management. 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, along with the results of the review of the Board composition, nomination and independence of Independent Non-executive Directors are set out in the section "Nomination of Directors" below.

The following chart shows the diversity profile of the Board as at 31 December 2019:



Notes:

ED: *Executive Director*

NED: *Non-Executive Director*

INED: *Independent Non-executive Director*

Biographical details of the Directors are set out in the "Information on Directors" section on pages 43 to 46 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. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including 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 to be deliberated at Board meetings and are 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 overseeing and delivering 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 Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer ensures that the funding requirements of the businesses are met and monitors the operating and financial performance of the businesses against plans and budgets. He maintains an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, 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 of the Group. Throughout the year, in addition to physical board meetings, 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 physical Board meetings are held. Further, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary 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 a draft agenda for review and comment about three weeks prior thereto. The full set of Board papers is supplied 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 and 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 2019 with overall attendance of 100%. All Directors attended the annual general meeting of the Company held on 8 May 2019 and the Board meeting held on the same day. The attendance record is set out below:

Directors	Board meetings attended/ Eligible to attend	Attendance at 2019 AGM
Chairman and Non-executive Director		
Fok Kin Ning, Canning	4/4	√
Co-Deputy Chairmen and Non-executive Directors		
Lui Dennis Pok Man	4/4	√
Woo Chiu Man, Cliff	4/4	√
Executive Director		
Koo Sing Fai *(Chief Executive Officer)*	4/4	√
Non-executive Directors		
Lai Kai Ming, Dominic	4/4	√
Edith Shih	4/4	√
Independent Non-executive Directors		
Cheong Ying Chew, Henry [(1)]	4/4	√
Ip Yuk Keung [(2)]	N/A	N/A
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

In addition to Board meetings, in 2019 the Chairman held regular meetings with the Executive Director and also met with Independent Non-executive Directors twice without the presence of other Directors. The Independent Non-executive Directors are encouraged to 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 presented in 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. Thereafter, such contracts are automatically renewed for successive 12-month periods, subject to re-election in accordance with the Articles of Association.

Further, no Director has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Training and commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group comprising information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group. These orientation materials are presented to the Directors by senior executives in the form of a detailed induction to the businesses, strategic direction and governance practice of the Group.

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

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary. Based on the details so provided, the CPD training undertaken by the Directors in 2019 is summarised as follows, representing an average of approximately 13 hours by Director during the year.

	Areas		
Directors	**Legal and Regulatory**	**Corporate Governance/ Environmental, Social and Governance Practices**	**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 [(1)]	√	√	√
Ip Yuk Keung [(2)]	√	√	√
Lan Hong Tsung, David	√	√	√
Wong Yick Ming, Rosanna	√	√	√

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

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 summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement to deal. The Directors has five business days after receiving clearance to deal and after dealings, submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the SFO.

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 papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient detail 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, corporate governance and ESG developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and The 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 as a crucial conduit of communications internally and externally. She facilitates information flow and communication among Directors and also conveys the Board's decisions to Management from time to time and ensures a good channel of communication with shareholders. She 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 her advice and service. The Company Secretary 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.

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 86 to 90 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. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of Laws of Hong Kong). Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Accounting policies

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies 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 and reflect the transactions of the 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 financial and business management experience and skills to understand financial statements and monitor the financial governance, internal control and risk management of the Company. Following the resignation of Mr Cheong on 31 December 2019, the Audit Committee is now chaired by Mr Ip with Dr Lan and Dr Wong as members.

The Audit Committee held four meetings in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Cheong Ying Chew, Henry *(Chairman)*(1)	4/4
Ip Yuk Keung *(Chairman)*(2)	N/A
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the Group's 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; and review the scope, extent and effectiveness of the activities of internal audit. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2019, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.

During 2019 and 2020 (up to the date of this report), the Audit Committee met with the Chief Financial Officer and other senior management of the Group to review 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 received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PwC, to ensure that the 2018 and 2019 consolidated financial statements of the Group were prepared in accordance with IFRS and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2019 and one time during 2020 (up to the date of this report) with the external auditor to consider the reports of the external auditor on the scope, strategy, progress and outcome of its independent review of the 2019 interim financial report and annual audit of the 2018 and 2019 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, the Audit Committee reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the Risk Management Report, the composite risk register, risk heat map as well as the Management presentations on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed 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 reviewed, in conjunction with the Group's internal auditor, the work plan and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal control systems in the business operations of the Group. Further, it considered the reports from the Company Secretary on the material litigation proceedings and compliance status of the Group on regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. The Audit Committee also received presentations on the compliance status of the Group on corporate governance matters, and ensured that any deviation to the CG Code was properly explained and disclosed in this report.

External auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes 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, such as 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, amongst others, 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 2019, PwC fees, amounting to approximately HK$7 million were primarily for audit services and those for non-audit services amounted to approximately HK$0.2 million, representing approximately 3% of the total PwC 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 2019 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 86 to 90. The consolidated financial statements of the Group for the year ended 31 December 2019 have also been reviewed by the Audit Committee.

Risk Management, Internal Control and Legal & Regulatory Compliance

Board oversight

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, reporting and management of risks. The Board evaluates and determines the nature and extent of risks (including ESG-related 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, the Chief Financial Officer 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 the Non-executive Director and Company Secretary, comprising representatives from key departments of the Company, provides timely 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 facing the Group in light of the current data privacy, antitrust and competition law regimes. Practical trainings, internal control measures, guidelines and policies tailor-made for key business units were introduced to strengthen the compliance programme 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 composition 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. 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 its business faces, measuring them against a defined set of criteria, and considering likelihood of occurrence and potential impact on 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 appropriate so as to ensure that effective risk management system is in place.

Pages 25 to 29 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

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team is accountable for the conduct and performance of the business of the Group 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 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 hold 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. The Group's finance department oversees the investment and lending activities of the Group and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. 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 as well as material expenditures within the approved budget. Monthly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group also has followed group-wide treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants.

In terms of formal review of the internal control system of the Group, an internal control self-assessment process is in place, that requires the senior management of each 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 documentation 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 on 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. The legal department also 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. 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.

Governance policies

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. It is committed to upholding high standard of business integrity, honesty and transparency in all business dealings. The Group has adopted and implemented a number of governance policies imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group include:

Code of Ethics

The Code of Ethics sets the standards for employees as are necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for compliance with the Code of Ethics. Every employee is required to undertake to adhere to the Code of Ethics, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. It is also the Group's general policy not to make any form of donation to political associations or individual politicians. Approval from the Chairman is required for any political contributions by the Group. Employees are required to report any non-compliance with the Code of Ethics in accordance with the established reporting and escalation procedures.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control

In line with the commitment to achieve and maintain high standard of openness, probity and accountability, 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 procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Company will extend to them against unfair dismissal or victimisation for any genuine reports made.

Anti-Bribery and Anti-Corruption Policy

In all its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Bribery and Anti-Corruption Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and promptly to seek guidance where necessary. Each business unit is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the Chief Financial Officer and the internal audit for independent analyses and necessary follow up (see page 78 to 79 of this report for more details).

Policy on Appointment of Third Party Representatives

The Group is also committed to promoting anti-corruption practices amongst any third party representatives (such as advisers, agents, consultants, introducers and finders) it engages. All group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

Media, Public Engagement and Donation Policy

The Group places high value on its reputation in the communities where it operates. Employees are required to observe the Media, Public Engagement and Donation Policy to ensure that the market receives timely and accurate information about the Group. The corporate affairs department is designated to help Management provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

Shareholder Communication Policy

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The Shareholder Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and dissemination of information to stated purpose and on a need to know basis. Whilst all employees are absolutely prohibited at all times from dealing in the securities of the Company when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from the designated members of the Board prior to any dealing in any securities of the Company is allowed). Further certain staff members of the finance department are subject to a two-month blackout period prior to the release of the Company's annual results.

Policy on Personal Data Privacy Compliance

The Group is also committed to the safeguard and protection of the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Policy on Personal Data Privacy Compliance and the local policies and procedures of its employing company.

Information Security Policy

Employees must not disclose any confidential information of the Group, its customers, suppliers, business partners or shareholders, except when disclosure is authorised by the Group in accordance with the Information Security Policy, which defines the common policies for information confidentiality, integrity and availability to be applied across the entire Group.

Employees are required to make a self-declaration every year to confirm that he/she has read, understood and will continue to comply with the various group policies.

Board Diversity Policy and Director Nomination Policy

The two Board policies, Board Diversity Policy and Director Nomination Policy were adopted by the Board in August 2013 and January 2019, respectively. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on pages 81 to 82 of this report.

Internal audit

Internal audit, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management and internal control systems in the business operations of the Group. It has wide authority to access to documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the activities of the Group, internal audit devises its three-year risk-based audit plan for the Audit Committee's review. The plan is subject to continuous reassessment taking into account external and internal factors such as macro economic and political concerns, business and operational changes, as well as audit and fraud findings that may affect the risk profile of the Group during the year.

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 54 to 55 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, governance policy and regulatory compliance reviews, recurring and surprise audits, as well as productivity efficiency reviews.

Internal audit is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Ethics and Anti-Bribery and Anti-Corruption Policy, each business unit is required to report to the Company any actual or suspected fraudulent activities within a 24-hour timeframe if the amount involved is greater than the de minimis threshold as agreed between internal audit and the Chief Financial Officer or the Executive Director. In addition, each business unit submits a summary of fraud incidents statistics to the Company on a quarterly basis. These cases, together with those escalated through the whistleblowing channel, are recorded in the Company's centralised fraud incidents register under the internal audit's custody, and are independently assessed and investigated as appropriate. Internal audit would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the Audit Committee on a quarterly basis.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to internal audit 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 2019 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.

The Committee is chaired by Dr Lan, an Independent Non-executive Director, with the Chairman, Mr Fok and Mr Ip (an Independent Non-executive Director, who was appointed following the resignation of Mr Cheong on 31 December 2019) 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 2019 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)*	1/1
Ip Yuk Keung *(2)*	N/A

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

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), business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2020 director's fees for the 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 2020 remuneration package of the Executive Director and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her 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.

2019 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 2019 are set out below:

Directors	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind (8) HK$ million	Bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total emoluments HK$ million
Fok Kin Ning, Canning (1)(4)	0.09	-	-	-	-	0.09
Lui Dennis Pok Man (1)	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff (1)	0.07	-	-	-	-	0.07
Koo Sing Fai (5)	0.07	2.90	1.95	0.22	-	5.14
Lai Kai Ming, Dominic (1)(5)	0.07	-	-	-	-	0.07
Edith Shih (1)	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry (2)(3)(4)(6)	0.16	-	-	-	-	0.16
Ip Yuk Keung (2)(3)(4)(7)	0.00 (9)	-	-	-	-	0.00 (9)
Lan Hong Tsung, David (2)(3)(4)	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna (2)(3)	0.14	-	-	-	-	0.14
Total	0.90	2.90	1.95	0.22	-	5.97

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 a subsidiary of the Group during the period they served as directors that have been paid to the Company or an intermediate holding company of the Company are not included in the amounts above.

(6) Resigned on 31 December 2019.

(7) Appointed on 31 December 2019.

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

(9) The amount of Director's fees shown in above is a result of rounding. Director's fees for the year 2019 is HK$438.

The remuneration paid to the members of senior management by bands in 2019 is set out below:

Remuneration bands	Number of individual
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	2
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 Board established the Nomination Committee chaired by the Chairman of the Board with all Directors as members. An ad hoc sub-committee, chaired by the Chairman of the Board comprising members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. 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.

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 recommendation on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in the conduct of the selection and nomination of Directors, makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

Nomination Process

The nomination process has been, and will continue to be conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which are available on the website of the Company. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board candidates are selected based on merit and the contribution such candidate can 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 Group 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.

As noted above, the Nomination Committee will, on an ad hoc basis, establish a sub-committee when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the sub-committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the 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 sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may also 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 Nomination Committee held one meeting in 2019 with 100% attendance.

Members	**Attended/Eligible to attend**
Fok Kin Ning, Canning *(Chairman)*	1/1
Lui Dennis Pok Man	1/1
Woo Chiu Man, Cliff	1/1
Koo Sing Fai	1/1
Lai Kai Ming, Dominic	1/1
Edith Shih	1/1
Cheong Ying Chew, Henry *(1)*	1/1
Ip Yuk Keung *(2)*	N/A
Lan Hong Tsung, David	1/1
Wong Yick Ming, Rosanna	1/1

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

The sub-committee of the Nomination Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Fok Kin Ning, Canning *(Chairman)*	1/1
Lan Hong Tsung, David	1/1
Wong Yick Ming, Rosanna	1/1

During 2019, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for 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. The Committee 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. In connection with the re-election of Directors at the 2019 annual general meeting, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Dr Lan and Dr Wong, was established to facilitate the Nomination Committee in the nomination process described above (including the assessment of the independence of the retiring Independent Non-executive Directors). In December 2019, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Dr Lan and Dr Wong, was also formed to assess potential candidates for appointment as Independent Non-executive Director to fill a causal vacancy on the Board.

In February 2020, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Ip and Dr Wong, was established to assist the Nomination Committee in selecting the Directors for retirement and re-election at the 2020 annual general meeting.

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. 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. The Shareholder Communication Policy, 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 formalised and adopted a dividend policy for the Company which took effect from 1 January 2019 and it recognises the benefits of providing shareholders with dividends linked to the underlying earnings performance of the business. The policy 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.

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 is 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.

Annual general meetings and other general meetings of the Company provide one of the primary forums for communication with shareholders and for shareholder participation. Such meetings provide shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between shareholders of the Company, Board members and Management.

Shareholders are encouraged to participate at general meetings of the Company physically, or by proxy if they are unable to attend in person. 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 2019 annual general meeting (the "AGM"), which was held on 8 May 2019 at Harbour Grand Kowloon, and attended by all Directors and its external auditor. The respective chairman of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee were all present. 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 2019 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 2018	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr FOK Kin Ning, Canning as a Director	94.48%
3(b)	Re-election of Ms Edith SHIH as a Director	94.43%
3(c)	Re-election of Mr KOO Sing Fai as a Director	99.76%
3(d)	Re-election of Mr CHEONG Ying Chew, Henry as a Director	94.48%
3(e)	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	99.95%
5	Granting of a general mandate to the directors to issue new shares of the Company	97.45%
6	Granting of a general mandate to the directors to repurchase shares of the Company	99.95%

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 2020 and public float capitalisation as at 31 December 2019.

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, and attaches great importance on reducing energy consumption of its cellular network. In addition to environmental sustainability, the Group is also involved in a number of digital inclusion initiatives to help bridge the digital divide of the underprivileged. The Group is also continually improving its business practices and employee training in such best practices. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by a Director and comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts. The ESG Report of the Group is set out on pages 30 to 42 of this report.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2020

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 91 to 104, which comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). 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 2019, 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 amount exceeding the book amount of the cash generating unit 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$5,582 million from the provision of mobile telecommunications services and from hardware sales during the year ended 31 December 2019. 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. 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 • Testing 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 Nga Sze.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Revenue	5	**5,582**	7,912
Cost of inventories sold		**(1,941)**	(4,201)
Staff costs	7	**(376)**	(374)
Expensed customer acquisition and retention costs		**(202)**	(160)
Depreciation and amortisation		**(1,207)**	(768)
Other operating expenses	8	**(1,470)**	(2,093)
		386	316
Interest and other finance income	9	**188**	214
Interest and other finance costs	9	**(35)**	(21)
Share of result of a joint venture	21	**(4)**	(4)
Profit before taxation		**535**	505
Taxation	10	**(98)**	(72)
Profit for the year		**437**	433
Attributable to:			
Shareholders of the Company		**429**	404
Non-controlling interests		**8**	29
		437	433
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
– basic	11	**8.90**	8.38
– diluted	11	**8.90**	8.38

Details of interim dividends paid 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 2019

	2019 HK$ million	2018 HK$ million
Profit for the year	437	433
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	8	2
Item that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	-	(2)
Total comprehensive income for the year, net of tax	445	433
Total comprehensive income attributable to:		
Shareholders of the Company	437	404
Non-controlling interests	8	29
	445	433

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

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Non-current assets			
Property, plant and equipment	13	2,326	2,194
Goodwill	14	2,155	2,155
Telecommunications licences	15	2,238	2,289
Right-of-use assets	16	435	–
Customer acquisition and retention costs	17	142	132
Contract assets	18	173	130
Other non-current assets	19	227	300
Deferred tax assets	20	169	258
Investment in a joint venture	21	336	396
Total non-current assets		8,201	7,854
Current assets			
Cash and cash equivalents	22	5,416	9,555
Trade receivables and other current assets	23	564	546
Contract assets	18	240	276
Inventories	24	55	107
Total current assets		6,275	10,484
Current liabilities			
Trade and other payables	25	1,509	1,755
Contract liabilities	26	142	132
Lease liabilities	27	300	–
Current income tax liabilities		24	16
Total current liabilities		1,975	1,903
Non-current liabilities			
Lease liabilities	27	129	–
Other non-current liabilities	28	409	288
Total non-current liabilities		538	288
Net assets		11,963	16,147

	Note	2019 HK$ million	2018 HK$ million
Capital and reserves			
Share capital	29	1,205	1,205
Reserves	30	10,758	14,771
Total shareholders' funds		11,963	15,976
Non-controlling interests		-	171
Total equity		11,963	16,147

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 2019

	Attributable to shareholders of the Company								
	Share capital HK$ million	Share premium HK$ million	Retained earnings/ (accumulated losses) HK$ million	Cumulative translation adjustments HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 31 December 2018, previously reported	1,205	11,185	3,442	-	140	4	15,976	171	16,147
Changes in accounting policies (Note 2(c)(ii))	-	-	(7)	-	-	-	(7)	(1)	(8)
At 1 January 2019	1,205	11,185	3,435	-	140	4	15,969	170	16,139
Profit for the year	-	-	429	-	-	-	429	8	437
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	8	-	8	-	8
Total comprehensive income, net of tax	-	-	429	-	8	-	437	8	445
Dividend paid (Note 12)	-	-	(4,150)	-	-	-	(4,150)	-	(4,150)
Acquisition of non-controlling interests (Note 32)	-	-	-	-	-	(293)	(293)	(178)	(471)
At 31 December 2019	1,205	11,185	(286)	-	148	(289)	11,963	-	11,963
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	-	-	(368)	-	-	-	(368)	-	(368)
At 31 December 2018	1,205	11,185	3,442	-	140	4	15,976	171	16,147

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Cash flows from operating activities			
Cash generated from operations	31	1,512	530
Interest and other finance costs paid		(27)	(10)
Tax paid		-	(3)
Net cash from operating activities		1,485	517
Cash flows from investing activities			
Purchases of property, plant and equipment		(503)	(513)
Additions to telecommunications licences	15	(203)	-
Proceeds from disposals of property, plant and equipment		1	1
Interest received		200	173
Loan to a joint venture		(50)	(72)
Net cash used in investing activities		(555)	(411)
Cash flows from financing activities			
Acquisition of non-controlling interests	32	(471)	-
Principal elements of lease payments		(448)	-
Dividends paid to the shareholders of the Company	12	(4,150)	(368)
Repayment of borrowings		-	(3,900)
Net cash used in financing activities		(5,069)	(4,268)
Decrease in cash and cash equivalents		(4,139)	(4,162)
Cash and cash equivalents at 1 January		9,555	13,717
Cash and cash equivalents at 31 December	22	5,416	9,555

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.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements set out on pages 91 to 160 were approved for issuance by the Board of Directors on 28 February 2020.

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 ("IASB"). 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.

2 Significant Accounting Policies (Continued)

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

During the year, the Group has adopted the following new/revised standards, amendments to existing standards and interpretation which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2019:

IFRSs (Amendments)	Annual Improvements 2015 – 2017 Cycle in relation to IFRS 3 *Business Combination*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

Save as disclosed in Note 2(c), the adoption of other amendments to existing standards and interpretation 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 16 *Leases* on the consolidated financial statements.

(i) IFRS 16 Leases

The Group has adopted IFRS 16 from 1 January 2019 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 16, the Group has adopted the modified retrospective approach for transition to the new lease standard. Under this transition 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 earnings (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

The new accounting policies are set out in Note 2(ac).

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(i) IFRS 16 Leases (Continued)

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) 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 16 as compared to IAS 17 and IFRIC 4 that were previously in effect before the adoption of IFRS 16:

	2019		
Consolidated Income Statement	**Reported under current accounting policies HK$ million**	**Effect of IFRS 16 HK$ million**	**Balance without the adoption of IFRS 16 HK$ million**
Revenue	5,582	-	5,582
Cost of inventories sold	(1,941)	-	(1,941)
Staff costs	(376)	-	(376)
Expensed customer acquisition and retention costs	(202)	-	(202)
Depreciation and amortisation	(1,207)	445	(762)
Other operating expenses	(1,470)	(461)	(1,931)
	386	(16)	370
Interest and other finance income	188	-	188
Interest and other finance costs	(35)	15	(20)
Share of result of a joint venture	(4)	-	(4)
Profit before taxation	535	(1)	534
Taxation	(98)	-	(98)
Profit for the year	437	(1)	436
Attributable to:			
Shareholders of the Company	429	(1)	428
Non-controlling interests	8	-	8
	437	(1)	436

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

Consolidated Statement of Comprehensive Income	2019 Reported under current accounting policies HK$ million	2019 Effect of IFRS 16 HK$ million	2019 Balance without the adoption of IFRS 16 HK$ million
Profit for the year	437	(1)	436
Other comprehensive income			
Item that will not be reclassified subsequently to income statement in subsequent periods:			
– Remeasurements of defined benefit plans	8	-	8
Total comprehensive income for the year, net of tax	445	(1)	444
Total comprehensive income attributable to:			
Shareholders of the Company	437	(1)	436
Non-controlling interests	8	-	8
	445	(1)	444

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

Consolidated Statement of Financial Position	At 31 December 2019		
	Reported under current accounting policies HK$ million	Effect of IFRS 16 HK$ million	Balance without the adoption of IFRS 16 HK$ million
Non-current assets			
Property, plant and equipment	2,326	12	2,338
Goodwill	2,155	-	2,155
Telecommunications licences	2,238	-	2,238
Right-of-use assets	435	(435)	-
Customer acquisition and retention costs	142	-	142
Contract assets	173	-	173
Other non-current assets	227	-	227
Deferred tax assets	169	(1)	168
Investment in a joint venture	336	-	336
Total non-current assets	8,201	(424)	7,777
Current assets			
Cash and cash equivalents	5,416	-	5,416
Trade receivables and other current assets	564	2	566
Contract assets	240	-	240
Inventories	55	-	55
Total current assets	6,275	2	6,277
Current liabilities			
Trade and other payables	1,509	-	1,509
Contract liabilities	142	-	142
Lease liabilities	300	(300)	-
Current income tax liabilities	24	-	24
Total current liabilities	1,975	(300)	1,675
Non-current liabilities			
Lease liabilities	129	(129)	-
Other non-current liabilities	409	-	409
Total non-current liabilities	538	(129)	409
Net assets	11,963	7	11,970
Capital and reserves			
Share capital	1,205	-	1,205
Reserves	10,758	7	10,765
Total equity	11,963	7	11,970

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

	2019		
Consolidated Statement of Cash Flows	**Reported under current accounting policies HK$ million**	**Effect of IFRS 16 HK$ million**	**Balance without the adoption of IFRS 16 HK$ million**
Net cash from operating activities	1,485	(448)	1,037
Net cash used in investing activities	(555)	-	(555)
Net cash used in financing activities	(5,069)	448	(4,621)
Net decrease in cash and cash equivalents	(4,139)	-	(4,139)

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

Consolidated Statement of Financial Position	31 December 2018 As previously reported HK$ million	Effect of IFRS 16 HK$ million	1 January 2019 As restated HK$ million
Non-current assets			
Property, plant and equipment	2,194	(16)	2,178
Goodwill	2,155	-	2,155
Telecommunications licences	2,289	-	2,289
Right-of-use assets	-	621	621
Customer acquisition and retention costs	132	-	132
Contract assets	130	-	130
Other non-current assets	300	-	300
Deferred tax assets	258	1	259
Investment in a joint venture	396	-	396
Total non-current assets	7,854	606	8,460
Current assets			
Cash and cash equivalents	9,555	-	9,555
Trade receivables and other current assets	546	-	546
Contract assets	276	-	276
Inventories	107	-	107
Total current assets	10,484	-	10,484
Current liabilities			
Trade and other payables	1,755	-	1,755
Contract liabilities	132	-	132
Lease liabilities	-	398	398
Current income tax liabilities	16	-	16
Total current liabilities	1,903	398	2,301
Non-current liabilities			
Lease liabilities	-	216	216
Other non-current liabilities	288	-	288
Total non-current liabilities	288	216	504
Net assets	16,147	(8)	16,139
Capital and reserves			
Share capital	1,205	-	1,205
Reserves	14,771	(7)	14,764
Total shareholders' funds	15,976	(7)	15,969
Non-controlling interests	171	(1)	170
Total equity	16,147	(8)	16,139

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

Difference between operating lease commitments disclosed under IAS 17 and lease liabilities recognised under IFRS 16

The operating lease commitments disclosed as at 31 December 2018 were HK$265 million, while the lease liabilities recognised as at 1 January 2019 were HK$614 million, of which HK$398 million were current lease liabilities and HK$216 million were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate and the total lease liabilities recognised in the consolidated statement of financial position at the date of initial application of IFRS 16 comprised the exclusion of non-lease components and short-term leases recognised on a straight-line basis as expenses, and different treatments on lease contracts in relation to termination options or under renewal process. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.0%.

(d) New/revised standard and amendments to existing standards 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 standard and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2019:

IAS 1 and IAS 8 (Amendments) *(i)*	Definition of Material
IFRS 3 (Amendments) *(i)*	Definition of a Business
IFRS 7, IFRS 9 and IAS 39 (Amendments) *(i)*	Interest Rate Benchmark Reform
IFRS 10 and IAS 28 (Amendments) *(iii)*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17 *(ii)*	Insurance Contracts

(i) Effective for annual periods beginning on or after 1 January 2020
(ii) Effective for annual periods beginning on or after 1 January 2021
(iii) The original effective date of 1 January 2016 has been postponed until further announcement by the IASB

2 Significant Accounting Policies (Continued)

(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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests 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.

2 Significant Accounting Policies (Continued)

(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.

(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.

2 Significant Accounting Policies (Continued)

(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. No depreciation is provided on construction in progress until such time when the relevant assets are completed and available for intended use.

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 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.

2 Significant Accounting Policies (Continued)

(o) Financial assets

The Group classifies all of its financial assets as debt instruments measured at amortised cost including trade receivables, other receivables 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.

(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 "loss allowance provision" 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

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)).

(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.

2 Significant Accounting Policies (Continued)

(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)).

(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) 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)

(w) 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.

(x) 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.

(y) 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)

(z) Employee benefits

(i) Pension plans

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

(a) Defined benefit plans

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

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

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

(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)

(z) 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.

(aa) 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)

(aa) 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.

(ab) 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.

2 Significant Accounting Policies (Continued)

(ac) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

From 1 January 2019, leases are recognised as right-of-use assets and the corresponding lease liabilities at the dates at which the leased assets are available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

(i) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar term and condition.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until effective. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 Significant Accounting Policies (Continued)

(ac) Leases (Continued)

(i) Lease liabilities (Continued)

Lease payments are allocated between the principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Right-of-use assets

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

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

The right-of-use assets are amortised over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

(iii) Short-term leases

Payments associated with short-term leases for all classes of underlying assets are recognised on a straight-line basis over the lease terms as expenses in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Accounting policies applied until 31 December 2018

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

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, trade and other 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.

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$.

	2019 HK$ million	2018 HK$ million
US$	**(51)**	(84)
EURO	**(181)**	(86)
GBP	**(16)**	(49)
Total net exposure: net liabilities	**(248)**	(219)

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.

	2019 HK$ million	2018 HK$ million
US$	**(2)**	(3)
EURO	**(8)**	(4)
GBP	**(1)**	(2)
	(11)	(9)

There is no significant 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 investments of surplus funds placed with banks as deposits and loan to a joint venture. The Group manages its 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:

	2019 HK$ million	2018 HK$ million
Cash at banks and short-term bank deposits	**5,312**	9,312
Loan to a joint venture (Note 21)	**378**	433
	5,690	9,745

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 2019 and 2018 would have increased by approximately HK$56 million and HK$97 million, respectively, mainly as a result of higher interest income from cash at banks and bank deposits and interest bearing balance with a joint venture; 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, contract assets, non-current deposits 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 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:

	2019 **HK$ million**	2018 HK$ million
Cash and cash equivalents (Note 22)	**5,416**	9,555
Trade and other receivables (Note 23)	**362**	433
Contract assets (Note 18)	**413**	406
Non-current deposits (Note 19)	**29**	36
Loan to a joint venture (Note 21)	**378**	433
	6,598	10,863

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 the expected credit loss model of IFRS 9:

- 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 loss allowance provision 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 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within these periods. 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 loss allowance provision as at 31 December 2019 and 2018 are determined as follows for trade receivables and contract assets:

	Trade receivables			Contract assets		
	Expected loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million	Expected loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million
At 31 December 2019:						
Not yet due	1%	118	2	2%	422	9
Past due 1 - 30 days	1%-9%	64	2			
Past due 31 - 60 days	6%-13%	23	2			
Past due 61 - 90 days	15%-25%	11	2			
Past due over 90 days	35%-59%	87	34			
		303	42			

	Trade receivables			Contract assets		
	Expected loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million	Expected loss rate	Gross carrying amount HK$ million	Loss allowance provision HK$ million
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			

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

Movement of loss allowance provision of trade receivables and contract assets is as follows:

	Trade receivables		Contract assets	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
At 1 January	**41**	40	**8**	7
Increase in provision recognised in the consolidated income statement	**21**	20	**5**	5
Amounts recovered in respect of brought forward balance	**(4)**	(3)	**(4)**	(4)
Write-off during the year	**(16)**	(16)	**-**	-
At 31 December	**42**	41	**9**	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 "loss allowance provision" 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 loss allowance provision 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 business, the Group maintains 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	After 5 years HK$ million
At 31 December 2019								
Trade payables (Note 25)	325	325	-	325	325	-	-	-
Other payables and accruals (Note 25)	1,009	256	753	256	256	-	-	-
Licence fees liabilities (Notes 25 and 28)	277	277	-	320	75	48	44	153
Lease liabilities (Note 27)	429	429	-	444	308	108	28	-
	2,040	1,287	753	1,345	964	156	72	153

	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	After 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 28)	140	140	-	149	58	58	33	-
	1,704	726	978	735	644	58	33	-

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 2019, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK$1,722 million (2018: HK$1,628 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.

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, right-of-use assets 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 position 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 2019 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 prices 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 prices. Significant judgement is required in assessing the standalone selling prices of these elements, including observable prices or estimated prices based on adjusted market assessment approach. Changes in the estimated standalone selling prices 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 2019, the Group has recognised deferred tax assets of approximately HK$169 million (2018: HK$258 million).

5 Revenue

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

	2019 HK$ million	2018 HK$ million
Mobile telecommunications and other related service	3,613	3,662
Telecommunications hardware	1,969	4,250
	5,582	7,912

5 Revenue (Continued)

(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:

	2019 HK$ million	2018 HK$ million
Timing of revenue recognition:		
Over time	**3,613**	3,662
At a point in time	**1,969**	4,250
	5,582	7,912

(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 2019 was HK$2,804 million (2018: HK$3,008 million). Management expects that the transaction price allocated to these unsatisfied contracts will be recognised as revenue in the following future years:

	2019 HK$ million	2018 HK$ million
Not later than 1 year	**1,769**	1,883
After 1 year but within 5 years	**1,029**	1,119
After 5 years	**6**	6
	2,804	3,008

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

	2019 HK$ million	2018 HK$ million
Wages and salaries	500	494
Pension costs		
– defined benefit plans	18	21
– defined contribution plans	8	9
Termination benefits	14	2
	540	526
Less: – Amounts capitalised as property, plant and equipment	(97)	(87)
– Amounts capitalised as customer acquisition and retention costs	(67)	(65)
	376	374

(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 2019 and 2018 are as follows:

	2019					
	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind[(vi)] HK$ million	Bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total HK$ million
Fok Kin Ning, Canning	0.09	-	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff	0.07	-	-	-	-	0.07
Koo Sing Fai [(i)(ii)]	0.07	2.90	1.95	0.22	-	5.14
Lai Kai Ming, Dominic [(i)]	0.07	-	-	-	-	0.07
Edith Shih	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry [(iii)]	0.16	-	-	-	-	0.16
Ip Yuk Keung [(iv)]	-	-	-	-	-	-
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.90	2.90	1.95	0.22	-	5.97

7 Staff Costs (Continued)

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

	2018					
	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind[(vi)] HK$ million	Bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total HK$ million
Fok Kin Ning, Canning	0.09	-	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff [(i) (v)]	0.07	2.54	3.50	0.18	-	6.29
Koo Sing Fai [(i) (ii)]	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

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

(ii) 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 and for the year ended 31 December 2019 have been shown in directors' emoluments above.

(iii) Resigned on 31 December 2019.

(iv) Appointed on 31 December 2019.

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

(vi) 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:

	2019 Number of individual	2018 Number of individual
Directors of the Company	1	2
Management executives	4	3

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

	2019 HK$ million	2018 HK$ million
Basic salaries, allowances and benefits-in-kind	11	10
Bonuses	5	8
Provident fund contributions	1	1
	17	19

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

	2019 Number of individual	2018 Number of individual
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
HK$3,500,001 – HK$4,000,000	1	2
HK$5,000,001 – HK$5,500,000	1	–
HK$6,000,001 – HK$6,500,000	–	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 2019 (2018: Nil).

8 Other Operating Expenses

	2019 HK$ million	2018 HK$ million
Cost of services provided	**1,255**	1,447
General administrative and distribution costs	**162**	162
Rental expenses in respect of:		
– Buildings	**27**	457
– Hire of plant and machinery	**-**	1
Loss on disposals of property, plant and equipment	**1**	1
Auditors' remuneration	**7**	7
Loss allowance provision	**18**	18
Total	**1,470**	2,093

9 Interest and Other Finance Income, Net

	2019 HK$ million	2018 HK$ million
Interest and other finance income:		
Bank interest income	**167**	193
Interest income from a joint venture	**21**	21
	188	214
Interest and other finance costs:		
Bank loans	**-**	(1)
Notional non-cash interest accretion [(i)]	**(23)**	(11)
Guarantee and other finance fees	**(12)**	(9)
	(35)	(21)
Interest and other finance income, net	**153**	193

(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 lease liabilities, licence fees liabilities and assets retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

10 Taxation

	2019		
	Current taxation HK$ million	**Deferred taxation HK$ million**	**Total HK$ million**
Hong Kong	**10**	**90**	**100**
Outside Hong Kong	**(2)**	**-**	**(2)**
	8	**90**	**98**

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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:

	2019 HK$ million	2018 HK$ million
Tax calculated at domestic rates	**89**	84
Income not subject to tax	**(28)**	(32)
Expenses not deductible for taxation purposes	**42**	51
Utilisation of previously unrecognised tax losses	**-**	(7)
Utilisation of previously unrecognised temporary differences	**-**	(1)
Recognition of previously unrecognised temporary differences	**-**	(23)
Over provision in prior years	**(5)**	–
Total taxation charge	**98**	72

11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$429 million (2018: HK$404 million) and on the weighted average number of 4,819,033,194 (2018: 4,818,896,208) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2019 is calculated by adjusting the weighted average number of 4,819,033,194 (2018: 4,818,896,208) ordinary shares in issue with the weighted average number of 43,183 (2018: 131,741) ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2019 HK$ million	2018 HK$ million
Interim, paid of 2.93 HK cents per share (2018: 3.10 HK cents per share)	141	149
Special interim, paid of 80.00 HK cents per share	-	3,855
Final, proposed of 3.75 HK cents per share (2018: 3.20 HK cents per share)	181	154
	322	4,158

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2019 and 2018 are as follows:

	Buildings HK$ million	Telecommunications infrastructure and network equipment HK$ million	Other assets HK$ million	Construction in progress HK$ million	Total HK$ million
Cost					
At 31 December 2018	87	5,655	3,093	221	9,056
Changes in accounting policies (Note 2(c))	-	-	(137)	-	(137)
At 1 January 2019	87	5,655	2,956	221	8,919
Additions	-	257	89	157	503
Disposals	-	(57)	(76)	-	(133)
Transfer between categories	-	80	38	(118)	-
At 31 December 2019	87	5,935	3,007	260	9,289
Accumulated depreciation and impairment losses					
At 31 December 2018	17	4,027	2,818	-	6,862
Changes in accounting policies (Note 2(c))	-	-	(121)	-	(121)
At 1 January 2019	17	4,027	2,697	-	6,741
Charge for the year	2	242	109	-	353
Disposals	-	(56)	(75)	-	(131)
At 31 December 2019	19	4,213	2,731	-	6,963
Net book value					
At 31 December 2019	68	1,722	276	260	2,326

13 Property, Plant and Equipment (Continued)

	Buildings HK$ million	Telecom-munications infrastructure and network equipment HK$ million	Other assets HK$ million	Construction in progress HK$ million	Total HK$ million
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

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.

14 Goodwill

	2019 HK$ million	2018 HK$ million
Gross carrying amount and net book value at 1 January and 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 2024.

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 discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets. The post-tax and pre-tax discount rates applied in the value-in-use calculation are as follows:

	2019	2018
Post-tax discount rate	**8.6%**	5.2%
Pre-tax discount rate	**9.7%**	5.8%

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 2019 indicated no impairment charge was necessary (2018: Same).

15 Telecommunications Licences

	HK$ million
At 1 January 2018	
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
Year ended 31 December 2019	
Opening net book value	**2,289**
Additions	**203**
Amortisation for the year	**(254)**
Closing net book value	**2,238**
At 31 December 2019	
Cost	**3,676**
Accumulated amortisation	**(1,438)**
Net book value	**2,238**

As a result of the bid of a block of 30 MHz spectrum at the 3300 MHz band and the extension of licence period of existing telecommunications licence at the 900 MHz band, the Group acquired telecommunications licences of HK$203 million during the year ended 31 December 2019.

16 Right-of-use Assets

The Group leases various network sites, retail stores and offices. Rental contracts are typically made for fixed period of two to three years. Lease terms are negotiated on an individual basis and contained a wide range of different terms and conditions.

	31 December 2019 HK$ million	1 January 2019 HK$ million
Network sites	367	536
Retail stores	58	56
Office	9	29
Warehouse	1	–
	435	621

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

Additions to the right-of-use assets with the corresponding increase in lease liabilities and assets retirement obligations during the year ended 31 December 2019 were HK$263 million and HK$3 million respectively.

Amortisation charge of right-of-use assets recognised in the consolidated income statement is as follows:

	2019 HK$ million	2018 HK$ million
Network sites	380	–
Retail stores	51	–
Office	20	–
Warehouse	1	–
	452	–

17 Customer Acquisition and Retention Costs

	HK$ million
At 1 January 2018	
Cost	314
Accumulated amortisation	(163)
Net book value	151
Year ended 31 December 2018	
Opening net book value	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
Year ended 31 December 2019	
Opening net book value	**132**
Additions	**158**
Amortisation for the year	**(148)**
Closing net book value	**142**
At 31 December 2019	
Cost	**625**
Accumulated amortisation	**(483)**
Net book value	**142**

18 Contract Assets

	Non-current		Current		Total	
	2019 HK$ million	2018 HK$ million	**2019 HK$ million**	2018 HK$ million	**2019 HK$ million**	2018 HK$ million
Contract assets	**177**	132	**245**	282	**422**	414
Less: Loss allowance provision (Note 3(a)(iii))	**(4)**	(2)	**(5)**	(6)	**(9)**	(8)
Contract assets, net of provision	**173**	130	**240**	276	**413**	406

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

19 Other Non-Current Assets

	2019 HK$ million	2018 HK$ million
Prepayments	**186**	255
Non-current deposits	**29**	36
Pension assets (Note 35(a))	**12**	9
	227	300

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

20 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 assets/(liabilities) is as follows:

	Accelerated depreciation allowance HK$ million	Tax losses HK$ million	Other HK$ million	Total HK$ million
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
At 31 December 2018	**7**	**251**	**-**	**258**
Changes in accounting policies (Note 2(c))	**-**	**-**	**1**	**1**
At 1 January 2019	**7**	**251**	**1**	**259**
Net charge to consolidated income statement for the year (Note 10)	**(42)**	**(49)**	**1**	**(90)**
At 31 December 2019	**(35)**	**202**	**2**	**169**

20 Deferred Tax Assets (Continued)

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

	2019 HK$ million	2018 HK$ million
Arising from unused tax losses	1	1

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 2019, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$6 million (2018: HK$6 million) can be carried forward indefinitely.

21 Investment in a Joint Venture

	2019 HK$ million	2018 HK$ million
Loan to a joint venture	378	433
Share of undistributed post acquisition reserves	(42)	(37)
	336	396

As at 31 December 2019, the loan to a joint venture of HK$378 million (2018: HK$433 million) was unsecured, had no fixed term of repayment and bore interest at Hong Kong inter-bank offered rate plus 3% per annum (2018: 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%

21 Investment in a Joint Venture (Continued)

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

	2019 HK$ million	2018 HK$ million
Net loss and total comprehensive loss for the year	**(4)**	(4)
Proportionate interest in a joint venture's capital commitments		
Contracted but not provided for	**11**	22

As at 31 December 2019, there were no contingent liabilities related to the Group's interest in a joint venture (2018: Nil) and no contingent liabilities of joint venture itself (2018: Nil).

As at 31 December 2019, 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 (2018: Same).

22 Cash and Cash Equivalents

	2019 HK$ million	2018 HK$ million
Cash at banks and in hand	**117**	262
Short-term bank deposits	**5,299**	9,293
	5,416	9,555

The effective interest rates on short-term bank deposits ranged from 0.14% to 2.86% per annum (2018: 0.26% to 2.05%).

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

23 Trade Receivables and Other Current Assets

	2019 HK$ million	2018 HK$ million
Trade receivables	**303**	299
Less: Loss allowance provision (Note 3(a)(iii))	**(42)**	(41)
Trade receivables, net of provision [(a)]	**261**	258
Other receivables [(b)]	**101**	175
Prepayments and deposits [(b)]	**202**	113
	564	546

(a) Trade receivables, net of provision

	2019 HK$ million	2018 HK$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 – 30 days	**146**	150
31 – 60 days	**43**	44
61 – 90 days	**14**	18
Over 90 days	**58**	46
	261	258

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.

24 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2019, the amount of inventories carried at net realisable value was approximately HK$4 million (2018: HK$2 million).

25 Trade and Other Payables

	2019 HK$ million	2018 HK$ million
Trade payables [(a)]	325	314
Other payables and accruals	1,009	1,250
Receipts in advance	102	135
Current portion of licence fees liabilities (Note 28)	73	56
	1,509	1,755

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

(a) Trade payables

	2019 HK$ million	2018 HK$ million
The ageing analysis of trade payables is as follows:		
0 – 30 days	180	244
31 – 60 days	20	6
61 – 90 days	13	4
Over 90 days	112	60
	325	314

26 Contract Liabilities

	2019 HK$ million	2018 HK$ million
Contract liabilities		
– mobile telecommunications service contracts	142	132

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$132 million, was recognised during the year ended 31 December 2019 (2018: HK$162 million). No revenue is recognised from performance obligations satisfied in previous periods during the year ended 31 December 2019 (2018: Nil).

27 Lease Liabilities

	31 December 2019 HK$ million	1 January 2019 HK$ million
Current	**300**	398
Non-current	**129**	216
	429	614

Movement of lease liabilities is as follows:

	2019 HK$ million
At 1 January	**614**
Additions	**263**
Interest accretion	**15**
Payments for lease liabilities (including interest)	**(463)**
At 31 December	**429**

The total cash outflow for short-term leases for the year ended 31 December 2019 was HK$27 million.

28 Other Non-Current Liabilities

	2019 HK$ million	2018 HK$ million
Non-current licence fees liabilities [(a)]	**204**	84
Assets retirement obligations [(b)]	**205**	204
	409	288

28 Other Non-Current Liabilities (Continued)

(a) Licence fees liabilities

	2019 HK$ million	2018 HK$ million
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	**75**	58
After 1 year but within 5 years	**92**	91
After 5 years	**153**	–
	320	149
Future finance charges on licence fees liabilities	**(43)**	(9)
Carrying amount of licence fees liabilities	**277**	140
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 25)	**73**	56
Non-current licence fees liabilities:		
After 1 year but within 5 years	**84**	84
After 5 years	**120**	–
	204	84
Total licence fees liabilities	**277**	140

(b) Assets retirement obligations

	2019 HK$ million	2018 HK$ million
At 1 January	**204**	195
Additions	**3**	9
Interest accretion	**3**	4
Utilisations	**(5)**	(4)
At 31 December	**205**	204

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing property, plant and equipment when they are no longer used and restoring the sites on which they are located.

29 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 (2018: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ million
At 1 January 2018, 31 December 2018 and 1 January 2019	4,818,896,208	1,205
Issuance of shares arising from exercise of employee share options [(c)]	200,000	-
At 31 December 2019	4,819,096,208	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 were as follows:

	Weighted average exercise price per share HK$	Number of share options granted
At 1 January 2018, 31 December 2018 and 1 January 2019	1.00	200,000
Exercised	1.00	(200,000)
At 31 December 2019		-

The exercise price of the share options granted was equal to the market price of the shares on the date of grant. The share options were exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options were 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 on the date of grant 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%. Share options exercised during the year ended 31 December 2019 resulted in 200,000 (2018: Nil) ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1.00 each. The related weighted average share price at the date of exercise was HK$3.30 per share.

As at 31 December 2019, no share options were outstanding (2018: 200,000 exercisable share options).

30 Reserves

	Share premium HK$ million	Retained earnings/ (accumulated losses) HK$ million	Cumulative translation adjustments HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million
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	-	(368)	-	-	-	(368)
At 31 December 2018	11,185	3,442	-	140	4	14,771
At 31 December 2018, previously reported	**11,185**	**3,442**	**-**	**140**	**4**	**14,771**
Changes in accounting policies (Note 2(c)(ii))	**-**	**(7)**	**-**	**-**	**-**	**(7)**
At 1 January 2019	**11,185**	**3,435**	**-**	**140**	**4**	**14,764**
Profit for the year	**-**	**429**	**-**	**-**	**-**	**429**
Remeasurements of defined benefit plans	**-**	**-**	**-**	**8**	**-**	**8**
Dividend paid (Note 12)	**-**	**(4,150)**	**-**	**-**	**-**	**(4,150)**
Acquisition of non-controlling interests (Note 32)	**-**	**-**	**-**	**-**	**(293)**	**(293)**
At 31 December 2019	**11,185**	**(286)**	**-**	**148**	**(289)**	**10,758**

31 Cash Generated from Operations

	2019 HK$ million	2018 HK$ million
Cash flows from operating activities		
Profit before taxation	535	505
Adjustments for:		
– Interest and other finance income	(188)	(214)
– Interest and other finance costs	35	21
– Depreciation and amortisation	1,207	768
– Capitalisation of customer acquisition and retention costs (Note 17)	(158)	(153)
– Loss on disposals of property, plant and equipment (Note 8)	1	1
– Share of result of a joint venture (Note 21)	4	4
Changes in working capital		
– Decrease/(increase) in trade receivables and other assets	18	(74)
– Decrease in inventories	52	18
– Increase/(decrease) in trade and other payables	1	(354)
– Changes in retirement benefits	5	8
Cash generated from operations	1,512	530

Non-cash transactions from investing activities

Save as disclosed in elsewhere in the consolidated financial statements, the non-cash transactions during the year ended 31 December 2019 were the settlement of network access fee payable to a joint venture of HK$127 million (2018: HK$127 million) which was recorded as a decrease in investment in a joint venture, and receivable of HK$21 million (2018: HK$21 million) which was recorded as an increase in investment in a joint venture.

32 Acquisition of Non-controlling Interests

On 31 May 2019, the Group effectively acquired the entire 24.1% interests in each of Hutchison Telephone Company Limited ("HTCL"), which indirectly holds 100% interests in Hutchison Telephone (Macau) Company Limited ("HTMCL"), and Hutchison 3G HK Holdings Limited ("H3GHK") from NTT DOCOMO, Inc., a subsidiary of Nippon Telegraph and Telephone Corporation ("NTTC"), at a consideration of US$60 million (approximately HK$471 million). Consequently, HTCL, HTMCL and H3GHK became wholly-owned subsidiaries of the Group.

The difference of HK$293 million between the proportionate share of the carrying amount of net assets of these subsidiaries and the consideration paid for the additional interests have been debited to other reserves of the Group.

The transactions have been accounted for as equity transactions with the non-controlling interests as follows:

	2019 HK$ million
Consideration paid for 24.1% ownership interests	471
Net assets attributable to 24.1% ownership interests	(178)
Decrease in equity attributable to shareholders of the Company (included in other reserves)	293

33 Contingent Liabilities

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

	2019 HK$ million	2018 HK$ million
Performance guarantees	34	4
Financial guarantees	72	–
Others	-	1
	106	5

34 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:

	2019 HK$ million	2018 HK$ million
Property, plant and equipment	271	396
Telecommunications licences	2,242	2,040
	2,513	2,436

The above amount included the following capital commitment with related parties:

	2019 HK$ million	2018 HK$ million
Property, plant and equipment	-	3

In 2018, 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, and bid a block of 10 MHz spectrum at the 900 MHz band and a block of 10 MHz spectrum at the 1800 MHz band (collectively, the "2018 Re-assigned and Bidded Spectrums"), for a 15-year period (commencing January 2021 for 900 MHz band and September 2021 for 1800 MHz band) at aggregate Spectrum Utilisation Fee ("SUF") of approximately HK$2,040 million. Standby letters of credit in the same amount were issued in favour of the Communications Authority of Hong Kong ("CA") in relation to the 2018 Re-assigned and Bidded Spectrums.

SUF for the 2018 Re-assigned and 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%.

34 Commitments (Continued)

(a) Capital commitments (Continued)

On 14 October 2019, HTCL successfully bid a block of 40 MHz spectrum at the 3500 MHz band (the "2019 Bidded Spectrum") for a 15-year period commencing April 2020 at SUF of approximately HK$202 million. As at 31 December 2019, a standby letter of credit of HK$280 million was issued in favour of the CA in relation to the 2019 Bidded Spectrum, which was subsequently cancelled in January 2020.

On 9 January 2020, HTCL determined that the SUF for the 2019 Bidded Spectrum are payable annually in 15 instalments with the first paid 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%. On 14 January 2020, aggregate performance and financial guarantees of approximately HK$173 million were issued in favour of the Government of the Hong Kong Special Administrative Region in relation to the 2019 Bidded Spectrum.

(b) 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 years/periods up to year 2021. The variable 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.

35 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 2019, 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 (2018: Same).

	2019 HK$ million	2018 HK$ million
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	**(219)**	(208)
Less: Fair value of plan assets	**231**	217
Pension assets recognised in the consolidated statement of financial position (Note 19)	**12**	9

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

The movements in the defined benefit obligations over the year are as follows:

	Present value of obligations HK$ million	Fair value of plan assets HK$ million	Total HK$ million
At 1 January 2019	(208)	217	9
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
– Current service cost	(18)	-	(18)
– Net interest (expense)/income	(5)	5	-
	(23)	5	(18)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Gain on plan assets, excluding amounts included in interest income	-	21	21
– Loss from change in financial assumptions	(16)	-	(16)
– Experience gains	3	-	3
	(13)	21	8
Contributions:			
– Employers	-	13	13
Actual benefits paid	24	(24)	-
Net transfer	1	(1)	-
At 31 December 2019	(219)	231	12

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	Present value of obligations HK$ million	Fair value of plan assets HK$ million	Total HK$ million
At 1 January 2018	(256)	271	15
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
– 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

Plan assets consist of the following:

	2019 HK$ million	2018 HK$ million
Equity instruments	**170**	157
Debt instruments	**53**	49
Other assets	**8**	11
	231	217

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

The principal actuarial assumptions and the sensitivity of the defined benefit obligations to changes in the principal assumptions are:

	2019		
	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	**1.5%**	**-2.1%**	**+2.2%**
Future salary rate	**4.0%**	**+0.4%**	**-0.4%**

	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%

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.

	2019 HK$ million	2018 HK$ million
Weighted average duration of defined benefit obligations	**9 years**	9 years

Expected contributions to defined benefit plans for the year ending 31 December 2020 are approximately HK$15 million.

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Forfeited contributions totalling HK$3 million (2018: HK$3 million) were used to reduce the current year's level of contributions during the year and HK$0.1 million were available as at 31 December 2019 (2018: insignificant amounts) 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 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2019, vested benefits under this plan 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 agencies. Forfeited contributions totalling HK$0.2 million (2018: HK$0.6 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2019 (2018: Nil) to reduce future years' contributions.

36 Ultimate Holding Company

As at 31 December 2019 and 2018, 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:

Throughout the year:

(1) CKHH Group – CKHH together with its direct and indirect subsidiaries and joint ventures

(2) Joint venture of the Group

Before the acquisition of non-controlling interests:

(3) Other shareholders of subsidiaries of the Group: NTT Group – NTTC together with its direct and indirect subsidiaries and joint ventures

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

	2019 HK$ million	2018 HK$ million
CKHH Group		
Provision of mobile telecommunications services	**22**	21
Sharing of services arrangement income	**4**	1
Purchase of telecommunications services	**(6)**	(6)
Purchase of telecommunications products	**-**	(3)
Rental expenses on lease arrangements	**(5)**	(6)
Dealership service expenses	**(3)**	(3)
Billing collection service expenses	**(4)**	(4)
Purchase of office supplies	**(6)**	(6)
Purchase of air tickets and hotel accommodation	**-**	(1)
Advertising and promotion expenses	**(3)**	(1)
Global procurement service arrangement expenses	**(19)**	(7)
Sharing of services arrangement expenses	**(24)**	(28)
Corporate guarantee expenses	**(8)**	(8)
NTT Group		
Provision of mobile telecommunications services	**4**	11
Purchase of telecommunications services	**(15)**	(17)
Purchase of property, plant and equipment	**(2)**	(18)
Joint Venture of the Group		
Interest income	**21**	21
Sharing of services arrangement income	**1**	1
Purchase of telecommunications services	**(127)**	(127)

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 2019	2019 HK$ million	2018 HK$ million
Non-current assets		
Investments in subsidiaries, at cost	4,071	-
Current assets		
Receivables from subsidiaries	5,190	8,732
Other current assets	17	50
Cash and cash equivalents	4,973	9,200
Total current assets	10,180	17,982
Current liabilities		
Other payables	49	59
Current income tax liabilities	18	11
Payables to subsidiaries	251	-
Total current liabilities	318	70
Net assets	13,933	17,912
Capital and reserves		
Share capital	1,205	1,205
Reserves [(a)]	12,728	16,707
Total equity	13,933	17,912

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$ million	Retained earnings HK$ million	Total HK$ million
At 1 January 2018	11,185	5,630	16,815
Profit for the year	-	260	260
Dividend paid	-	(368)	(368)
At 31 December 2018	11,185	5,522	16,707
At 1 January 2019	**11,185**	**5,522**	**16,707**
Profit for the year	**-**	**171**	**171**
Dividend paid (Note 12)	**-**	**(4,150)**	**(4,150)**
At 31 December 2019	**11,185**	**1,543**	**12,728**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2019 amounted to HK$12,728 million (2018: HK$16,707 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 2019 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
Hutchison Telecommunications (HK) Holdings Limited	The British Virgin Islands, limited liability company	Investment holding	10 ordinary shares 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 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	-	100%
Hutchison Telephone (Macau) Company Limited	Macau, limited liability company	Mobile telecommunications business in Macau	MOP10,000,000	-	100%

Financial Summary

	2019 HK$ million	2018 HK$ million	2017 HK$ million	2016 HK$ million	2015 HK$ million
RESULTS					
Revenue – continuing operations	**5,582**	7,912	6,752	8,332	18,477
Profit for the year	**437**	433	4,354	754	1,059
Non-controlling interests	**(8)**	(29)	412	(72)	(162)
Net profit attributable to shareholders of the Company	**429**	404	4,766	682	897
ASSETS					
Total non-current assets	**8,201**	7,854	7,700	19,512	18,194
Cash and cash equivalents	**5,416**	9,555	13,717	357	1,101
Other current assets	**859**	929	1,075	1,880	2,428
Total assets	**14,476**	18,338	22,492	21,749	21,723
LIABILITIES					
Short-term borrowings	**-**	-	3,900	-	-
Other current liabilities	**1,975**	1,903	2,307	4,134	4,731
Long-term borrowings	**-**	-	-	4,467	3,962
Other non-current liabilities	**538**	288	330	1,087	1,015
Total liabilities	**2,513**	2,191	6,537	9,688	9,708
Net assets	**11,963**	16,147	15,955	12,061	12,015
CAPITAL AND RESERVES					
Share capital	**1,205**	1,205	1,205	1,205	1,205
Reserves	**10,758**	14,771	14,639	10,273	10,241
Total shareholders' funds	**11,963**	15,976	15,844	11,478	11,446
Non-controlling interests	**-**	171	111	583	569
Total equity	**11,963**	16,147	15,955	12,061	12,015

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 plus the related staff costs, rental and other expenses
"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)
"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
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA
"ESG"	Environmental, Social and Governance
"GHG"	Greenhouse Gas
"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

Terms	Definitions
"HTAL"	Hutchison Telecommunications (Australia) Limited
"HTHK"	Hutchison Telecommunications (Hong Kong) 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
"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
"PricewaterhouseCoopers" or "PwC"	PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor
"service EBIT/EBITDA"	EBIT/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

Information for Shareholders

Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Stock Code

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Public Float Capitalisation

As at 31 December 2019:
Approximately HK$1,906 million (approximately 25.19% of the issued share capital of the Company)

Financial Calendar

Payment of 2019 Interim Dividend:	6 September 2019
2019 Final Results Announcement:	28 February 2020
Closure of Register of Members:	7 May 2020 to 12 May 2020
Annual General Meeting:	12 May 2020
Record Date for 2019 Final Dividend:	18 May 2020
Payment of 2019 Final Dividend:	27 May 2020
2020 Interim Results Announcement:	July 2020

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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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