1 General Information

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

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

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

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

2 Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

2 Significant Accounting Policies (Continued)

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

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

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

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

(c) Changes in accounting policies

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

(i) IFRS 9 Financial Instruments

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

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

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(ii) IFRS 15 Revenue from Contracts with Customers

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

(iii) Impact of adoption to the consolidated financial statements

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

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

Accounting for costs to obtain a contract

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

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

Presentation of assets and liabilities related to contracts with customers

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

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

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

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

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

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

2 Significant Accounting Policies (Continued)

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

IFRS 16 Leases

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

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

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

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

2 Significant Accounting Policies (Continued)

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

IFRS 16 Leases (Continued)

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

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

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

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

(e) Subsidiaries

(i) Consolidation

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

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

2 Significant Accounting Policies (Continued)

(e) Subsidiaries (Continued)

(i) Consolidation (continued)

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

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

(ii) Company's financial statements

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

(f) Non-controlling interests

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

(g) Joint ventures

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

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

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

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

2 Significant Accounting Policies (Continued)

(h) Segment reporting

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

(i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

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

2 Significant Accounting Policies (Continued)

(j) Property, plant and equipment

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

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

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

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

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

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

(k) Goodwill

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

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

2 Significant Accounting Policies (Continued)

(l) Telecommunications licences

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

(m) Customer acquisition and retention costs eligible for capitalisation

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

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

(n) Impairment of non-financial assets

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

(o) Financial assets

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

2 Significant Accounting Policies (Continued)

(o) Financial assets (Continued)

(i) Debt instruments measured at amortised cost

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

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

(ii) Impairment of financial assets and contract assets

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

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

Accounting policies applied until 31 December 2017

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

(i) Loans and receivables

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

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

2 Significant Accounting Policies (Continued)

(o) Financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment of financial assets

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

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

(p) Cash and cash equivalents

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

(q) Inventories

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

(r) Trade and other receivables

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

2 Significant Accounting Policies (Continued)

(s) Contract assets

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

(t) Trade and other payables

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

(u) Contract liabilities

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

(v) Borrowings

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

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

(w) Provisions

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

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

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

2 Significant Accounting Policies (Continued)

(x) Taxation and deferred taxation

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

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

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

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

(y) Share capital

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

(z) Contingent liabilities

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

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

2 Significant Accounting Policies (Continued)

(aa) Employee benefits

(i) Pension plans

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

(a) Defined benefit plans

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

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

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

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

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

(b) Defined contribution plans

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

2 Significant Accounting Policies (Continued)

(aa) Employee benefits (Continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(ab) Revenue recognition

The Group recognises revenue on the following bases:

(i) Sales of services

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

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

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

2 Significant Accounting Policies (Continued)

(ab) Revenue recognition (Continued)

(ii) Sales of hardware

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

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

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

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

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

Financing components

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

Accounting policies applied until 31 December 2017

The Group recognised revenue on the following bases:

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

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

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

2 Significant Accounting Policies (Continued)

(ac) Interest income

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

(ad) Leases

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

(ae) Discontinued operations

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

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

3 Financial Risk Management

(a) Financial risk factors

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

(i) Foreign currency exposure

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign currency exposure (Continued)

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

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

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate exposure

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

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

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

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

Risk management

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

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

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

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

Impairment of financial assets

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

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

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

(a) Trade receivables and contract assets

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

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

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

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

(b) Other financial assets at amortised cost

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

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

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

3 Financial Risk Management (Continued)

(b) Capital risk management

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

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

(c) Fair value estimation

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

4 Critical Accounting Estimates and Judgements

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

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

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

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

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

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

4 Critical Accounting Estimates and Judgements (Continued)

(b) Asset impairment

Non-financial assets

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

(c) Allocation of revenue for bundled transactions with customers

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

(d) Deferred taxation

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

5 Revenue

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

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

(a) Disaggregation of revenue

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

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

(b) Unsatisfied mobile telecommunications service contracts

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

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

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

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

6 Segment Information

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

7 Staff Costs

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

(a) Directors' and chief executive's emoluments

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

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

7 Staff Costs (Continued)

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

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

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

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

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

(iv) Appointed on 1 January 2017.

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

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

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

7 Staff Costs (Continued)

(c) Five highest paid individuals

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

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

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

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

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

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

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

8 Other Operating Expenses

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

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

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

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

10 Taxation

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

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

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

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

11 Earnings per Share

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

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

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

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

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

12 Dividends

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

13 Property, Plant and Equipment

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

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

13 Property, Plant and Equipment (Continued)

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

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

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

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

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

14 Goodwill

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

Impairment test for goodwill

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

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

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

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

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

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

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

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

15 Telecommunications Licences

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

16 Customer Acquisition and Retention Costs

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

17 Contract Assets

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

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

18 Other Non-Current Assets

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

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

19 Deferred Tax Assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority.

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

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

19 Deferred Tax Assets (Continued)

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

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

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

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

20 Investment in a Joint Venture

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

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

Particulars of the principal joint venture are summarised as follows:

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

20 Investment in a Joint Venture (Continued)

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

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

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

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

21 Cash and Cash Equivalents

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

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

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

22 Trade Receivables and Other Current Assets

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

(a) Trade receivables, net of provision

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

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

(b) Other receivables, prepayments and deposits

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

23 Inventories

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

24 Borrowings

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

The Group's borrowings were denominated in HK$.

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

25 Trade and Other Payables

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

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

(a) Trade payables

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

26 Contract Liabilities

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

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

27 Licence Fees Liabilities and Other Non-Current Liabilities

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

(a) Licence fees liabilities

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

28 Share Capital

(a) Authorised share capital of the Company

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

(b) Issued share capital of the Company

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

(c) Share options of the Company

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

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

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

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

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

29 Reserves

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

30 Cash Generated from Operations

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

Non-cash transactions from investing activities

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

Non-cash transactions from financing activities

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

31 Discontinued Operations

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

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

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

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

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

31 Discontinued Operations (Continued)

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

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

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

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

32 Contingent Liabilities

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

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

33 Commitments

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

(a) Capital commitments

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

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

On 10 September 2018, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 20 MHz spectrum at the 1800 MHz band (the "Re-assigned Spectrum") for a 15-year period commencing September 2021 at Spectrum Utilisation Fee ("SUF") of which was subsequently determined to be approximately HK$1,080 million. As at 31 December 2018, a standby letter of credit of HK$1,400 million was issued in favour of the Communications Authority of Hong Kong ("CA") in relation to the Re-assigned Spectrum, which was subsequently reduced to HK$1,080 million in January 2019.

On 18 December 2018, HTCL successfully bidded a block of 10 MHz spectrum at the 900 MHz band and a block of 10 MHz spectrum at the 1800 MHz band (together the "Bidded Spectrums") for a 15-year period commencing January 2021 and September 2021, respectively, at SUF of approximately HK$500 million and HK$460 million, respectively. As at 31 December 2018, a standby letter of credit of HK$760 million in aggregate was issued in favour of the CA in relation to the Bidded Spectrums.

SUF for the Re-assigned Spectrum and the Bidded Spectrums are payable either (i) in full as a lump sum payment upfront (by November 2020 for 900 MHz band and by July 2021 for 1800 MHz band); or (ii) annually in 15 instalments with the first instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%.

33 Commitments (Continued)

(a) Capital commitments (Continued)

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

	2018 HK$ millions	2017 HK$ millions
Property, plant and equipment	3	–

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Buildings	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	206	200
After 1 year, but within 5 years	59	134
	265	334

	Other assets	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	-	1

The above amount included the following future aggregate minimum lease payments to related parties:

	Buildings	
	2018 HK$ millions	2017 HK$ millions
Not later than 1 year	1	1

(c) Telecommunications licence fees

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

34 Employee Retirement Benefits

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2018, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2017: Same).

	2018 HK$ millions	2017 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	(208)	(256)
Less: Fair value of plan assets	217	271
Pension assets recognised in the consolidated statement of financial position (Note 18)	9	15

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

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2018	(256)	271	15
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
- Current service cost	(21)	-	(21)
- Net interest (expense)/income	(4)	4	-
	(25)	4	(21)
Amounts recognised in other comprehensive income			
Remeasurements:			
- Loss on plan assets, excluding amounts included in interest income	-	(20)	(20)
- Gain from change in financial assumptions	12	-	12
- Experience gains	10	-	10
	22	(20)	2
Contributions:			
- Employers	-	13	13
Actual benefits paid	39	(39)	-
Net transfer	12	(12)	-
At 31 December 2018	(208)	217	9

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2017	(428)	316	(112)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
– Current service cost	(37)	–	(37)
– Net interest (expense)/income	(4)	3	(1)
– Past service cost – curtailments	5	–	5
	(36)	3	(33)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Gain on plan assets, excluding amounts included in interest income	–	73	73
– Loss from change in demographic assumptions	(2)	–	(2)
– Gain from change in financial assumptions	28	–	28
– Experience gains	7	–	7
	33	73	106
Contributions:			
– Employers	–	22	22
– Employees	(1)	1	–
Actual benefits paid	148	(148)	–
Transfer to other liabilities	28	4	32
At 31 December 2017	(256)	271	15

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2018 HK$ millions	2017 HK$ millions
Equity instruments	157	191
Debt instruments	49	71
Other assets	11	9
	217	271

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

	2018		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	2.3% to 2.4%	-2.1%	+2.2%
Future salary rate	4.0%	+0.6%	-0.5%

	2017		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	1.6% to 1.8%	-2.1%	+2.1%
Future salary rate	4.0%	+0.6%	-0.6%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied in calculating the pension liability recognised within the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change comparing to the previous period.

34 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2018	2017
Weighted average duration of defined benefit obligations	**9 years**	8 years

Expected contributions to defined benefit plans for the year ending 31 December 2019 are approximately HK$16 million.

Forfeited contributions totalling HK$3 million (2017: HK$5 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2018 (2017: HK$0.4 million) to reduce future years' contributions.

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the surplus/deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2018, vested benefits under this plan were fully funded in accordance with the ORSO funding requirements.

(b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$0.6 million (2017: HK$0.4 million) were used to reduce the current year's level of contributions during the year and no forfeited contribution was available as at 31 December 2018 (2017: insignificant amounts) to reduce future years' contributions.

35 Subsidiaries

Particulars of principal subsidiaries are set out on page 155.

The financial information for the subsidiary that has non-controlling interests that is material to the Group is as follows:

	HTCL	
	2018 HK$ millions	2017 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**9,545**	9,351
Current assets	**1,676**	1,693
	11,221	11,044
Liabilities		
Non-current liabilities	**(4,806)**	(8,753)
Current liabilities	**(5,782)**	(1,916)
	(10,588)	(10,669)
Net assets	**633**	375
Summarised income statement		
Revenue	**7,610**	6,347
Profit/(loss) for the year	**137**	(1,784)
Total profit/(loss) for the year attributable to non-controlling interests	**33**	(430)
Total comprehensive income/(loss)	**137**	(1,780)
Summarised cash flows		
Net cash generated from operating activities	**546**	512
Net cash used in investing activities	**(415)**	(429)
Net cash used in financing activities	**-**	(20)
Net increase in cash and cash equivalents	**131**	63
Cash and cash equivalents at 1 January	**83**	20
Cash and cash equivalents at 31 December	**214**	83

The amounts disclosed above are before inter-company eliminations.

36 Ultimate Holding Company

As at 31 December 2018 and 2017, approximately 66% of the issued share capital of the Company was owned by CK Hutchison Holdings Limited ("CKHH"). The directors regarded CKHH as the Company's ultimate holding company.

37 Related Party Transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

Related Party Group:

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

(2) Other shareholders of subsidiaries of the Group: NTT Group – Nippon Telegraph and Telephone Corporation together with its direct and indirect subsidiaries and joint ventures

(3) Joint venture of the Group

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the consolidated financial statements, transactions between the Group and other related parties during the year are summarised below.

(a) Key management personnel remuneration

No transaction has been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 7.

37 Related Party Transactions (Continued)

(b) Transactions with related parties

	2018 HK$ millions	2017 HK$ millions
CKHH Group		
Provision of mobile telecommunications services	21	20
Provision of fixed-line telecommunications services	-	265
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(6)	(79)
Purchase of telecommunications products	(3)	-
Rental expenses on lease arrangements	(6)	(5)
Dealership service expenses	(3)	(1)
Billing collection service expenses	(4)	(7)
Purchase of office supplies	(6)	(10)
Purchase of air tickets and hotel accommodation	(1)	(3)
Advertising and promotion expenses	(1)	(3)
Global procurement service arrangement expenses	(7)	(6)
Sharing of services arrangement expenses	(28)	(46)
Equipment maintenance expenses	-	(1)
Corporate guarantee expenses	(8)	(8)
Interest expenses	-	(5)
NTT Group		
Provision of mobile telecommunications services	11	13
Purchase of telecommunications services	(17)	(7)
Purchase of property, plant and equipment	(18)	-
Joint Venture of the Group		
Interest income	21	17
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(127)	(122)

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

38 Statement of Financial Position of the Company

At 31 December 2018	2018 HK$ millions	2017 HK$ millions
ASSETS		
Current assets		
Receivables from subsidiaries	8,732	4,848
Other current assets	50	30
Cash and cash equivalents	9,200	13,532
Total current assets	17,982	18,410
Current liabilities		
Other payables	59	228
Current income tax liabilities	11	–
Payables to subsidiaries	-	162
Total current liabilities	70	390
Net assets	17,912	18,020
CAPITAL AND RESERVES		
Share capital	1,205	1,205
Reserves [(a)]	16,707	16,815
Total equity	17,912	18,020

LUI Dennis Pok Man
Director

KOO Sing Fai
Director

38 Statement of Financial Position of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK$ millions	Retained earnings HK$ millions	Total HK$ millions
At 1 January 2017	11,185	359	11,544
Profit for the year	–	5,791	5,791
Dividend paid	–	(520)	(520)
At 31 December 2017	11,185	5,630	16,815
At 1 January 2018	**11,185**	**5,630**	**16,815**
Profit for the year	**-**	**260**	**260**
Dividend paid (Note 12)	**-**	**(368)**	**(368)**
At 31 December 2018	**11,185**	**5,522**	**16,707**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2018 amounted to HK$16,707 million (2017: HK$16,815 million).

39 Subsequent event

Save as disclosed in the notes to the consolidated financial statements, there was no other material subsequent event.