

# Notes to the Consolidated Financial Statements

## 1 General Information

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

The Company and its subsidiaries (together the "Group") is engaged in mobile telecommunications business in Hong Kong and Macau.

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

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

## 2 Significant Accounting Policies

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

### (a) Basis of preparation

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

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

## 2 Significant Accounting Policies (continued)

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

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

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

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

### (c) Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the consolidated financial statements.

#### (i) IFRS 16 Leases

The Group has adopted IFRS 16 from 1 January 2019 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 16, the Group has adopted the modified retrospective approach for transition to the new lease standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 16, i.e. 1 January 2019; and (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

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

## 2 Significant Accounting Policies (Continued)

### (c) Changes in accounting policies (Continued)

#### (i) IFRS 16 Leases (Continued)

##### *Practical expedients applied*

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

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

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

## 2 Significant Accounting Policies (Continued)

### (c) Changes in accounting policies (Continued)

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

The following tables illustrate the amounts by each financial statements line item affected in current year by the application of IFRS 16 as compared to IAS 17 and IFRIC 4 that were previously in effect before the adoption of IFRS 16:

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

## 2 Significant Accounting Policies (Continued)

### (c) Changes in accounting policies (Continued)

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

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

## 2 Significant Accounting Policies (Continued)

## (c) Changes in accounting policies (Continued)

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

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

## 2 Significant Accounting Policies (Continued)

### (c) Changes in accounting policies (Continued)

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

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

## 2 Significant Accounting Policies (Continued)

## (c) Changes in accounting policies (Continued)

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

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



## 2 Significant Accounting Policies (Continued)

### (c) Changes in accounting policies (Continued)

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

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

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

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

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

At the date of approval of these financial statements, the following new/revised standard and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2019:

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

(i) Effective for annual periods beginning on or after 1 January 2020

(ii) Effective for annual periods beginning on or after 1 January 2021

(iii) The original effective date of 1 January 2016 has been postponed until further announcement by the IASB

## 2 Significant Accounting Policies (continued)

### (e) Subsidiaries

#### *(i) Consolidation*

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

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

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

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

#### *(ii) Company's financial statements*

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

## 2 Significant Accounting Policies (Continued)

### (f) Non-controlling interests

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

### (g) Joint ventures

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

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

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

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

### (h) Segment reporting

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

## 2 Significant Accounting Policies (continued)

### (i) Foreign currency translation

#### *(i) Functional and presentation currency*

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

#### *(ii) Transactions and balances*

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

#### *(iii) Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

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

## 2 Significant Accounting Policies (Continued)

### (j) Property, plant and equipment

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

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

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

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to the qualifying assets. No depreciation is provided on construction in progress until such time when the relevant assets are completed and available for intended use.

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

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

### (k) Goodwill

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

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

## 2 Significant Accounting Policies (continued)

### (l) Telecommunications licences

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

### (m) Customer acquisition and retention costs eligible for capitalisation

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

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

### (n) Impairment of non-financial assets

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

## 2 Significant Accounting Policies (Continued)

### (o) Financial assets

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

#### *(i) Debt instruments measured at amortised cost*

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

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

#### *(ii) Impairment of financial assets and contract assets*

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

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

### (p) Cash and cash equivalents

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

### (q) Inventories

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

## 2 Significant Accounting Policies (continued)

### (r) Trade and other receivables

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

### (s) Contract assets

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

### (t) Trade and other payables

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

### (u) Contract liabilities

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

### (v) Provisions

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

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

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



## 2 Significant Accounting Policies (Continued)

### (w) Taxation and deferred taxation

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

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

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

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

### (x) Share capital

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

### (y) Contingent liabilities

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

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

## 2 Significant Accounting Policies (continued)

### (z) Employee benefits

#### (i) Pension plans

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

#### (a) Defined benefit plans

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

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

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

#### (b) Defined contribution plans

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

## 2 Significant Accounting Policies (Continued)

### (z) Employee benefits (Continued)

#### *(ii) Share-based payments*

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

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

#### *(iii) Termination benefits*

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

### (aa) Revenue recognition

The Group recognises revenue on the following bases:

#### *(i) Sales of services*

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

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

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

## 2 Significant Accounting Policies (Continued)

### (aa) Revenue recognition (Continued)

#### *(ii) Sales of hardware*

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

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

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

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

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

#### *Financing components*

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

### (ab) Interest income

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

## 2 Significant Accounting Policies (Continued)

### (ac) Leases

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

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

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

#### (i) Lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

## 2 Significant Accounting Policies (Continued)

### (ac) Leases (Continued)

#### (i) Lease liabilities (Continued)

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

#### (ii) Right-of-use assets

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

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

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

#### (iii) Short-term leases

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

### *Accounting policies applied until 31 December 2018*

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

### 3 Financial Risk Management

#### (a) Financial risk factors

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

##### (i) Foreign currency exposure

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

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

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

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

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

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

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Interest rate exposure

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

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

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

The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2019 and 2018 would have increased by approximately HK\$56 million and HK\$97 million, respectively, mainly as a result of higher interest income from cash at banks and bank deposits and interest bearing balance with a joint venture; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

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



### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (Continued)

##### *(iii) Credit risk*

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

##### *Risk management*

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

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

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

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

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

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

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (Continued)

##### *(iii) Credit risk (Continued)*

##### *Impairment of financial assets*

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

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

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

##### *(a) Trade receivables and contract assets*

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

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on economic trend that affects the ability of the customers to settle the receivables.

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (Continued)

##### (iii) Credit risk (Continued)

##### (a) Trade receivables and contract assets (Continued)

On that basis, the loss allowance provision as at 31 December 2019 and 2018 are determined as follows for trade receivables and contract assets:

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

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

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (Continued)

##### (iii) Credit risk (Continued)

##### (a) Trade receivables and contract assets (Continued)

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

	Trade receivables		Contract assets	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
At 1 January	41	40	8	7
Increase in provision recognised in the consolidated income statement	21	20	5	5
Amounts recovered in respect of brought forward balance	(4)	(3)	(4)	(4)
Write-off during the year	(16)	(16)	-	-
At 31 December	42	41	9	8

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

##### (b) Other financial assets at amortised cost

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

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factors (continued)

##### (iv) Liquidity risk

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

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

	Carrying amount HK\$ million	Contractual liabilities HK\$ million	Non-contractual liabilities HK\$ million	Contractual undiscounted cash flow HK\$ million	Within 1 year HK\$ million	After 1 year but within 2 years HK\$ million	After 2 years but within 5 years HK\$ million	After 5 years HK\$ million
<b>At 31 December 2019</b>								
Trade payables (Note 25)	325	325	-	325	325	-	-	-
Other payables and accruals (Note 25)	1,009	256	753	256	256	-	-	-
Licence fees liabilities (Notes 25 and 28)	277	277	-	320	75	48	44	153
Lease liabilities (Note 27)	429	429	-	444	308	108	28	-
	<b>2,040</b>	<b>1,287</b>	<b>753</b>	<b>1,345</b>	<b>964</b>	<b>156</b>	<b>72</b>	<b>153</b>
	Carrying amount HK\$ million	Contractual liabilities HK\$ million	Non-contractual liabilities HK\$ million	Contractual undiscounted cash flow HK\$ million	Within 1 year HK\$ million	After 1 year but within 2 years HK\$ million	After 2 years but within 5 years HK\$ million	After 5 years HK\$ million
<b>At 31 December 2018</b>								
Trade payables (Note 25)	314	314	-	314	314	-	-	-
Other payables and accruals (Note 25)	1,250	272	978	272	272	-	-	-
Licence fees liabilities (Notes 25 and 28)	140	140	-	149	58	58	33	-
	<b>1,704</b>	<b>726</b>	<b>978</b>	<b>735</b>	<b>644</b>	<b>58</b>	<b>33</b>	<b>-</b>

### 3 Financial Risk Management (Continued)

#### (b) Capital risk management

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

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

#### (c) Fair value estimation

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

### 4 Critical Accounting Estimates and Judgements

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

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

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

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

The Group has substantial investments in mobile telecommunications infrastructure and network equipment. As at 31 December 2019, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK\$1,722 million (2018: HK\$1,628 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

## 4 Critical Accounting Estimates and Judgements (Continued)

### (b) Asset impairment

#### *Non-financial assets*

Management judgement is required in the area of asset impairment, including goodwill, property, plant and equipment, right-of-use assets and telecommunications licences, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial position and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2019 indicated that no impairment charge was necessary.

### (c) Allocation of revenue for bundled transactions with customers

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

### (d) Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2019, the Group has recognised deferred tax assets of approximately HK\$169 million (2018: HK\$258 million).

## 5 Revenue

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

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

## 5 Revenue (Continued)

### (a) Disaggregation of revenue

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

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

### (b) Unsatisfied mobile telecommunications service contracts

The aggregate amount of the transaction price allocated to the performance obligations arisen from fixed-price mobile telecommunications service contracts that are partially or fully unsatisfied as at 31 December 2019 was HK\$2,804 million (2018: HK\$3,008 million). Management expects that the transaction price allocated to these unsatisfied contracts will be recognised as revenue in the following future years:

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

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

## 6 Segment Information

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



## 7 Staff Costs

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

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

Directors' emoluments comprise payments to directors from the Group. The emoluments of each of the directors of the Company exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and the chief executive for 2019 and 2018 are as follows:

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

## 7 Staff Costs (Continued)

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

	2018					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind <sup>(vi)</sup> HK\$ million	Bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total HK\$ million
Fok Kin Ning, Canning	0.09	-	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff <sup>(i)(v)</sup>	0.07	2.54	3.50	0.18	-	6.29
Koo Sing Fai <sup>(ii)</sup>	0.03	1.07	0.93	0.08	-	2.11
Lai Kai Ming, Dominic <sup>(i)</sup>	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
<b>Total</b>	<b>0.86</b>	<b>3.61</b>	<b>4.43</b>	<b>0.26</b>	<b>-</b>	<b>9.16</b>

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

(ii) Mr Koo Sing Fai was appointed as the chief executive on 1 August 2018, whose emoluments for the period from 1 August 2018 to 31 December 2018 and for the year ended 31 December 2019 have been shown in directors' emoluments above.

(iii) Resigned on 31 December 2019.

(iv) Appointed on 31 December 2019.

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

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

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

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

## 7 Staff Costs (Continued)

### (c) Five highest paid individuals

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

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

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

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

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

	2019 Number of individual	2018 Number of individual
HK\$2,000,001 – HK\$2,500,000	1	-
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	2
HK\$5,000,001 – HK\$5,500,000	1	-
HK\$6,000,001 – HK\$6,500,000	-	1

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2019 (2018: Nil).

## 8 Other Operating Expenses

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

## 9 Interest and Other Finance Income, Net

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

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

## 10 Taxation

	2019		
	Current taxation HK\$ million	Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	10	90	100
Outside Hong Kong	(2)	-	(2)
	<b>8</b>	<b>90</b>	<b>98</b>

  

	2018		
	Current taxation HK\$ million	Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	16	46	62
Outside Hong Kong	-	10	10
	<b>16</b>	<b>56</b>	<b>72</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

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

## 11 Earnings per Share

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

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

## 12 Dividends

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

## 13 Property, Plant and Equipment

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

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

### 13 Property, Plant and Equipment (Continued)

	Buildings HK\$ million	Telecom- munications infrastructure and network equipment HK\$ million	Other assets HK\$ million	Construction in progress HK\$ million	Total HK\$ million
<b>Cost</b>					
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
<b>Accumulated depreciation and impairment losses</b>					
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
<b>Net book value</b>					
At 31 December 2018	70	1,628	275	221	2,194

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

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

## 14 Goodwill

	2019 HK\$ million	2018 HK\$ million
Gross carrying amount and net book value at 1 January and 31 December	2,155	2,155
Accumulated impairment losses at 1 January and 31 December	-	-

### Impairment test for goodwill

Goodwill is allocated to the Group's mobile telecommunications business according to the business segment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2024.

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

- (i) Projected EBITDA has been based on past performance of the Group's respective CGUs and its expectation for the market development. Management considers EBITDA a proxy for operating cash flow.
- (ii) A long-term growth rate into perpetuity is not used to extrapolate cash flows beyond the forecast period. Instead, management uses EBITDA multiples with reference to market to determine the terminal value of the Group's respective CGUs.
- (iii) The discount rate applied to cash flows of the Group's respective CGUs is based on discount rate and reflects the specific risks relating to the relevant segment. The discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets. The post-tax and pre-tax discount rates applied in the value-in-use calculation are as follows:

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

In accordance with the Group's accounting policy on asset impairment (Note 2(n)), the carrying values of goodwill were tested for impairment at each reporting date. Note 4(b) contains information about the estimates and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2019 indicated no impairment charge was necessary (2018: Same).



## 15 Telecommunications Licences

	HK\$ million
At 1 January 2018	
Cost	3,473
Accumulated amortisation	(931)
Net book value	2,542
Year ended 31 December 2018	
Opening net book value	2,542
Amortisation for the year	(253)
Closing net book value	2,289
At 31 December 2018	
Cost	3,473
Accumulated amortisation	(1,184)
Net book value	2,289
Year ended 31 December 2019	
Opening net book value	<b>2,289</b>
Additions	<b>203</b>
Amortisation for the year	<b>(254)</b>
Closing net book value	<b>2,238</b>
At 31 December 2019	
Cost	<b>3,676</b>
Accumulated amortisation	<b>(1,438)</b>
Net book value	<b>2,238</b>

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

## 16 Right-of-use Assets

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

	<b>31 December 2019 HK\$ million</b>	1 January 2019 HK\$ million
Network sites	367	536
Retail stores	58	56
Office	9	29
Warehouse	1	-
	<b>435</b>	621

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

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

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

	<b>2019 HK\$ million</b>	2018 HK\$ million
Network sites	380	-
Retail stores	51	-
Office	20	-
Warehouse	1	-
	<b>452</b>	-

## 17 Customer Acquisition and Retention Costs

	HK\$ million
At 1 January 2018	
Cost	314
Accumulated amortisation	(163)
Net book value	151
Year ended 31 December 2018	
Opening net book value	151
Additions	153
Amortisation for the year	(172)
Closing net book value	132
At 31 December 2018	
Cost	467
Accumulated amortisation	(335)
Net book value	132
Year ended 31 December 2019	
Opening net book value	<b>132</b>
Additions	<b>158</b>
Amortisation for the year	<b>(148)</b>
Closing net book value	<b>142</b>
At 31 December 2019	
Cost	<b>625</b>
Accumulated amortisation	<b>(483)</b>
Net book value	<b>142</b>

## 18 Contract Assets

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

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

## 19 Other Non-Current Assets

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

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

## 20 Deferred Tax Assets

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

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

	Accelerated depreciation allowance HK\$ million	Tax losses HK\$ million	Other HK\$ million	Total HK\$ million
At 1 January 2018	24	290	-	314
Net charge to consolidated income statement for the year (Note 10)	(17)	(39)	-	(56)
At 31 December 2018	7	251	-	258
At 31 December 2018	<b>7</b>	<b>251</b>	<b>-</b>	<b>258</b>
Changes in accounting policies (Note 2(c))	-	-	1	1
At 1 January 2019	<b>7</b>	<b>251</b>	<b>1</b>	<b>259</b>
Net charge to consolidated income statement for the year (Note 10)	<b>(42)</b>	<b>(49)</b>	<b>1</b>	<b>(90)</b>
At 31 December 2019	<b>(35)</b>	<b>202</b>	<b>2</b>	<b>169</b>

## 20 Deferred Tax Assets (Continued)

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

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

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

As at 31 December 2019, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK\$6 million (2018: HK\$6 million) can be carried forward indefinitely.

## 21 Investment in a Joint Venture

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

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

Particulars of the principal joint venture are summarised as follows:

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

## 21 Investment in a Joint Venture (Continued)

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

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

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

As at 31 December 2019, all the shares held by the Group in a joint venture were pledged as security in favour of another partner of the joint venture under a cross share pledge arrangement (2018: Same).

## 22 Cash and Cash Equivalents

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

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

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

## 23 Trade Receivables and Other Current Assets

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

### (a) Trade receivables, net of provision

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

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

### (b) Other receivables, prepayments and deposits

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

## 24 Inventories

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

## 25 Trade and Other Payables

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

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

### (a) Trade payables

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

## 26 Contract Liabilities

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

Revenue in relation to mobile telecommunications service contracts, which was included in the contract liabilities balance at the beginning of the year amounting to HK\$132 million, was recognised during the year ended 31 December 2019 (2018: HK\$162 million). No revenue is recognised from performance obligations satisfied in previous periods during the year ended 31 December 2019 (2018: Nil).



## 27 Lease Liabilities

	<b>31 December 2019 HK\$ million</b>	1 January 2019 HK\$ million
Current	300	398
Non-current	129	216
	<b>429</b>	614

Movement of lease liabilities is as follows:

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

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

## 28 Other Non-Current Liabilities

	<b>2019 HK\$ million</b>	2018 HK\$ million
Non-current licence fees liabilities <sup>(a)</sup>	204	84
Assets retirement obligations <sup>(b)</sup>	205	204
	<b>409</b>	288

**28 Other Non-Current Liabilities** (continued)**(a) Licence fees liabilities**

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

**(b) Assets retirement obligations**

	2019 HK\$ million	2018 HK\$ million
At 1 January	<b>204</b>	195
Additions	<b>3</b>	9
Interest accretion	<b>3</b>	4
Utilisations	<b>(5)</b>	(4)
At 31 December	<b>205</b>	204

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

## 29 Share Capital

### (a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK\$0.25 each (2018: Same).

### (b) Issued share capital of the Company

	Ordinary share of HK\$0.25 each	
	Number of shares	Issued and fully paid HK\$ million
At 1 January 2018, 31 December 2018 and 1 January 2019	4,818,896,208	1,205
Issuance of shares arising from exercise of employee share options <sup>(c)</sup>	200,000	-
At 31 December 2019	4,819,096,208	1,205

### (c) Share options of the Company

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

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

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

The exercise price of the share options granted was equal to the market price of the shares on the date of grant. The share options were exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options were deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). The fair value of share options determined using the Black-Scholes model on the date of grant was approximately HK\$0.27 each. The significant inputs into the model were an expected volatility of 49%, an expected dividend yield of 5.9%, an expected option life up to 6 years and an annual risk-free interest rate of 1.65%. Share options exercised during the year ended 31 December 2019 resulted in 200,000 (2018: Nil) ordinary shares of HK\$0.25 each being issued at a weighted average exercise price of HK\$1.00 each. The related weighted average share price at the date of exercise was HK\$3.30 per share.

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

## 30 Reserves

	Share premium HK\$ million	Retained earnings/ (accumulated losses) HK\$ million	Cumulative translation adjustments HK\$ million	Pension reserve HK\$ million	Other reserves HK\$ million	Total HK\$ million
<b>At 1 January 2018</b>	11,185	3,406	2	138	4	14,735
Profit for the year	-	404	-	-	-	404
Remeasurements of defined benefit plans	-	-	-	2	-	2
Currency translation differences	-	-	(2)	-	-	(2)
Dividend paid	-	(368)	-	-	-	(368)
<b>At 31 December 2018</b>	11,185	3,442	-	140	4	14,771
<b>At 31 December 2018, previously reported</b>	<b>11,185</b>	<b>3,442</b>	-	<b>140</b>	<b>4</b>	<b>14,771</b>
Changes in accounting policies (Note 2(c)(ii))	-	(7)	-	-	-	(7)
<b>At 1 January 2019</b>	<b>11,185</b>	<b>3,435</b>	-	<b>140</b>	<b>4</b>	<b>14,764</b>
Profit for the year	-	429	-	-	-	429
Remeasurements of defined benefit plans	-	-	-	8	-	8
Dividend paid (Note 12)	-	(4,150)	-	-	-	(4,150)
Acquisition of non-controlling interests (Note 32)	-	-	-	-	(293)	(293)
<b>At 31 December 2019</b>	<b>11,185</b>	<b>(286)</b>	-	<b>148</b>	<b>(289)</b>	<b>10,758</b>

## 31 Cash Generated from Operations

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

### Non-cash transactions from investing activities

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

## 32 Acquisition of Non-controlling Interests

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

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

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

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

### 33 Contingent Liabilities

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

	2019 HK\$ million	2018 HK\$ million
Performance guarantees	34	4
Financial guarantees	72	-
Others	-	1
	<b>106</b>	<b>5</b>

### 34 Commitments

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

#### (a) Capital commitments

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

	2019 HK\$ million	2018 HK\$ million
Property, plant and equipment	271	396
Telecommunications licences	2,242	2,040
	<b>2,513</b>	<b>2,436</b>

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

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

In 2018, HTCL, a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 20 MHz spectrum at the 1800 MHz band, and bid a block of 10 MHz spectrum at the 900 MHz band and a block of 10 MHz spectrum at the 1800 MHz band (collectively, the "2018 Re-assigned and Bidded Spectrums"), for a 15-year period (commencing January 2021 for 900 MHz band and September 2021 for 1800 MHz band) at aggregate Spectrum Utilisation Fee ("SUF") of approximately HK\$2,040 million. Standby letters of credit in the same amount were issued in favour of the Communications Authority of Hong Kong ("CA") in relation to the 2018 Re-assigned and Bidded Spectrums.

SUF for the 2018 Re-assigned and Bidded Spectrums are payable either (i) in full as a lump sum payment upfront (by November 2020 for 900 MHz band and by July 2021 for 1800 MHz band); or (ii) annually in 15 instalments with the first instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%.

## 34 Commitments (Continued)

### (a) Capital commitments (continued)

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

On 9 January 2020, HTCL determined that the SUF for the 2019 Bidded Spectrum are payable annually in 15 instalments with the first paid instalment equivalent to the lump sum amount divided by 15 and for each subsequent instalment an amount equal to the SUF payable in the immediately preceding instalment increased by 2.5%. On 14 January 2020, aggregate performance and financial guarantees of approximately HK\$173 million were issued in favour of the Government of the Hong Kong Special Administrative Region in relation to the 2019 Bidded Spectrum.

### (b) Telecommunications licence fees

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

## 35 Employee Retirement Benefits

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

### (a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2019, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2018: Same).

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

### 35 Employee Retirement Benefits (Continued)

#### (a) Defined benefit plans (Continued)

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

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



### 35 Employee Retirement Benefits (Continued)

#### (a) Defined benefit plans (Continued)

	Present value of obligations HK\$ million	Fair value of plan assets HK\$ million	Total HK\$ million
At 1 January 2018	(256)	271	15
<b>Amounts recognised in consolidated income statement</b>			
Pension costs, included in staff costs (Note 7):			
- Current service cost	(21)	-	(21)
- Net interest (expense)/income	(4)	4	-
	(25)	4	(21)
<b>Amounts recognised in other comprehensive income</b>			
Remeasurements:			
- Loss on plan assets, excluding amounts included in interest income	-	(20)	(20)
- Gain from change in financial assumptions	12	-	12
- Experience gains	10	-	10
	22	(20)	2
Contributions:			
- Employers	-	13	13
Actual benefits paid	39	(39)	-
Net transfer	12	(12)	-
At 31 December 2018	(208)	217	9

Plan assets consist of the following:

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

### 35 Employee Retirement Benefits (Continued)

#### (a) Defined benefit plans (Continued)

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

	2019		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	1.5%	-2.1%	+2.2%
Future salary rate	4.0%	+0.4%	-0.4%

  

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

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

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

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

## 35 Employee Retirement Benefits (Continued)

### (a) Defined benefit plans (Continued)

Forfeited contributions totalling HK\$3 million (2018: HK\$3 million) were used to reduce the current year's level of contributions during the year and HK\$0.1 million were available as at 31 December 2019 (2018: insignificant amounts) to reduce future years' contributions.

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

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2019, vested benefits under this plan were fully funded in accordance with the ORSO funding requirements.

### (b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant agencies. Forfeited contributions totalling HK\$0.2 million (2018: HK\$0.6 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2019 (2018: Nil) to reduce future years' contributions.

## 36 Ultimate Holding Company

As at 31 December 2019 and 2018, approximately 66% of the issued share capital of the Company was owned by CK Hutchison Holdings Limited ("CKHH"). The directors regarded CKHH as the Company's ultimate holding company.

### 37 Related Party Transactions

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

***Related Party Group:***

Throughout the year:

- (1) CKHH Group - CKHH together with its direct and indirect subsidiaries and joint ventures
- (2) Joint venture of the Group

Before the acquisition of non-controlling interests:

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

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

**(a) Key management personnel remuneration**

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

## 37 Related Party Transactions (Continued)

## (b) Transactions with related parties

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

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

## 38 Statement of Financial Position of the Company

At 31 December 2019	2019 HK\$ million	2018 HK\$ million
<b>Non-current assets</b>		
Investments in subsidiaries, at cost	4,071	-
<b>Current assets</b>		
Receivables from subsidiaries	5,190	8,732
Other current assets	17	50
Cash and cash equivalents	4,973	9,200
<b>Total current assets</b>	<b>10,180</b>	17,982
<b>Current liabilities</b>		
Other payables	49	59
Current income tax liabilities	18	11
Payables to subsidiaries	251	-
<b>Total current liabilities</b>	<b>318</b>	70
<b>Net assets</b>	<b>13,933</b>	17,912
<b>Capital and reserves</b>		
Share capital	1,205	1,205
Reserves <sup>(a)</sup>	12,728	16,707
<b>Total equity</b>	<b>13,933</b>	17,912

**LUI Dennis Pok Man**  
Director

**KOO Sing Fai**  
Director

### 38 Statement of Financial Position of the Company (Continued)

#### (a) Reserve movement of the Company

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

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2019 amounted to HK\$12,728 million (2018: HK\$16,707 million).

### 39 Subsequent event

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