



Hutchison Telecom
Hong Kong Holdings

SMART
CONNECTION

SMART
FUTURE

2020 ANNUAL REPORT

Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 215)

 A member of CK Hutchison Holdings



POWERING THE LIFE ERA

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Corporate Information

Board of Directors

Chairman and Non-executive Director

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

Co-Deputy Chairmen and Non-executive Directors

LUI Dennis Pok Man, BSc

WOO Chiu Man, Cliff, BSc

Executive Director

KOO Sing Fai, BSc
Chief Executive Officer

Non-executive Directors

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

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

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

Independent Non-executive Directors

IP Yuk Keung, BSc, MSc, MSc

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

Audit Committee

IP Yuk Keung (*Chairman*)

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

Nomination Committee

WONG Yick Ming, Rosanna (*Chairman*)⁽¹⁾

FOK Kin Ning, Canning⁽²⁾

LUI Dennis Pok Man⁽³⁾

WOO Chiu Man, Cliff⁽³⁾

KOO Sing Fai⁽³⁾

LAI Kai Ming, Dominic⁽³⁾

Edith SHIH⁽³⁾

IP Yuk Keung

LAN Hong Tsung, David⁽³⁾

Remuneration Committee

LAN Hong Tsung, David (*Chairman*)

FOK Kin Ning, Canning

IP Yuk Keung

Sustainability Committee

Edith SHIH (*Chairman*)

KOO Sing Fai

WONG Yick Ming, Rosanna

Company Secretary

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Notes:

(1) Appointed as Chairman on 1 December 2020

(2) Ceased to be Chairman on 1 December 2020

(3) Ceased to be member on 1 December 2020

Financial Highlights

	Post-IFRS 16 Basis ⁽¹⁾		
	2020 HK\$ million	2019 HK\$ million	Change
Service revenue	3,285	3,613	-9%
Service EBITDA ⁽²⁾	1,650	1,634	+1%
Total EBITDA ⁽²⁾	1,672	1,662	+1%
Total EBIT ⁽³⁾	403	409	-1%
Profit attributable to shareholders	361	429	-16%
Earnings per share (in HK cents)	7.49	8.90	-16%
Final dividend per share (in HK cents)	5.21	3.75	+39%
Full year dividend per share (in HK cents)	7.49	6.68	+12%

	Pre-IFRS 16 Basis ⁽¹⁾		
	2020 HK\$ million	2019 HK\$ million	Change
Service revenue	3,285	3,613	-9%
Service EBITDA ⁽²⁾	1,215	1,173	+4%
Total EBITDA ⁽²⁾	1,237	1,201	+3%
Total EBIT ⁽³⁾	392	393	-
Profit attributable to shareholders	365	428	-15%

Notes:

- (1) Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 and 31 December 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the year ended 31 December 2019 and 31 December 2020. Unless otherwise specified, the discussion of the Group's operating results in this Annual Report is on a Pre-IFRS 16 basis.
- (2) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of a joint venture. EBITDA is defined as earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation. Information concerning EBITDA has been included in the Group's financial information and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under IFRS and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with IFRS.
- (3) EBIT represents the EBIT of the Company and subsidiary companies as well as the Group's share of the EBIT of a joint venture. EBIT is defined as earnings before interest and other finance income, interest and other finance costs and taxation. Information concerning EBIT has been included in the Group's financial information and is used by many industries and investors as one measure of results from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is not a measure of financial performance under IFRS and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with IFRS.

AMWA

ASSOCIATION

 Corporate Profile
and Awards

LEAD

START



The Group offers diverse mobile solutions, advanced data and roaming services under the 3 Brand in Hong Kong and Macau.

Corporate Profile



Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”; stock code: 215) and its subsidiaries (together referred to as “the Group”) is one of the leading mobile telecommunications operators in Hong Kong and Macau, holding more than 30 years of industry experience.

HTHKH is listed on the Main Board of the Stock Exchange and features in various Hang Seng indexes including the Composite Index, Composite Industry Index - Telecommunications, Composite SmallCap Index, Composite MidCap & SmallCap Index, Hang Seng Small Cap (Investable) Index, SCHK HK Companies Index, SCHK ex-AH Companies Index, Hang Seng SCHK HK Companies Index, Stock Connect HK Index, Stock Connect HK MidCap & SmallCap Index, Stock Connect HK SmallCap Index and Defensive Industries Index.

3 Hong Kong, the mobile arm of HTHKH, is committed to innovation and leading-edge mobile communications technology that keep its customers connected anytime, anywhere. Operating under the 3Supreme, 3, MO and MO+ brands, 3 Hong Kong offers diverse mobile solutions, advanced data and roaming services to its customers that help them

to navigate the ever-changing digital landscape. Through its territory-wide 5G mobile network, 3 Hong Kong plays a prominent role in developing an ecosystem in the new era of the 5G smart city, providing an ultra-fast, low-latency mobile experience to customers and businesses.

3 Hong Kong also offers customised mobile communications and data solutions, such as network services, mobile devices, consultancy, project implementation and technical support,



Through its territory-wide 5G mobile network, 3 Hong Kong plays a prominent role in developing an ecosystem in the new era of the 5G smart city.

that create new digital value and unprecedented opportunities for customers. The Group's collaborative approach combined with its extensive network and advanced technology, such as artificial intelligence, Internet of Things and big data, enable the delivery of seamless and agile solutions that align perfectly with customer needs.

HTHKH provides territory-wide 4G LTE and 3G mobile telecommunications services under the **3** brand in Macau. **3** Macau is one of Macau's leading mobile telecommunications service providers, serving the local community which includes major hotels, casinos and business districts, as well as cross-border visitors from Hong Kong and Mainland China.



3 Hong Kong offers diverse mobile communications, advanced data and roaming services.



Corporate

11th Asia's Best Employer Brand Awards
 Asia's Best Employer Brand
 Employer Branding Institute, World HRD Congress and Stars of the Industry Group

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

Eco-Healthy Workplace Awards Labelling Scheme
 World Green Organisation

Greater Bay Area's Outstanding Corporation

- Social Sustainability Award (Partnerships for the goals)
- Environmental Sustainability Award (Affordable and clean energy)

Organiser : Metro Finance
 Supporting Organisation : Hong Kong Quality Assurance Agency

Hong Kong Business Listed Companies Awards -
 Telecommunications Award
 Hong Kong Business magazine

Hong Kong Green Organisation Certification - Energywise
 Certificate - Basic Level
 Environmental Campaign Committee

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



3 Hong Kong

3rd Asia's Best E-Tailing Awards -
Excellence in Innovation (Enterprise) Gold Award
The Best Practice of eCommerce Alliance

Asia-Pacific Stevie Awards : 3 Hong Kong's 3Supreme Campaign

- Award for Innovation in Consumer Products & Services - Silver Award
- Award for Innovation in Viral Videos - Silver Award
- Award for Innovation in Brand Renovation / Re-Branding - Bronze Award
- Award for Innovation in Cross-Media Marketing - Bronze Award

The Stevies

Asia-Pacific Stevie Awards : 3 Hong Kong's Instant Messaging Archiving

- Award for Innovation in Business-to-Business Product - Silver Award

The Stevies

Asia-Pacific Stevie Awards : My3 App

- Award for Innovation in General Utility Apps - Silver Award

The Stevies

Asia-Pacific Stevie Awards : 3 Hong Kong's Net+ Service

- Award for Innovation in Consumer Products and Services - Bronze Award

The Stevies



Asia-Pacific Stevie Awards : 3 Hong Kong's 3GAMER x ERME Hong Kong Mobile Esports Carnival

- Award for Innovation in Sponsorships - Bronze Award

The Stevies

Digital Ex Award - Best of 5G Technology Application Award

Metro Finance



e-brand Awards

- The Best Mobile Network
- The Best Mobile Business Solutions
- The Best 4K LIVE Broadcast Service

e-zone magazine



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

Metro Finance

Mobile Business Excellence Award

China Unicom Global Limited

Stevie Awards - The International Business Awards :

3 Hong Kong's 3Supreme Campaign

- Branded Utility of the Year - Gold Award
- Re-Branding / Brand Renovation of the Year - Bronze Award

The Stevies

Stevie Awards - The International Business Awards :

Mobile Online Campaign

- Re-Branding / Brand Renovation of the Year - Bronze Award

The Stevies

Stevie Awards - The International Business Awards : My3 App

- Award for Integrated Mobile Experience - Bronze Award

The Stevies

Strategic Customer Win 2020 ASIA

BlackBerry

The Loyalty and Engagement Awards: 3 Hong Kong's 3Supreme Campaign

- Best Use of Influencers - Silver Award

Marketing magazine



Chairman's Statement

Year 2020 was marked by unprecedented challenges and opportunities. With the COVID-19 pandemic severely impacting millions of people and businesses worldwide, mobility and connectivity have taken on a whole new dimension and become more essential than ever before. Individuals and businesses leaned heavily on technology to stay connected, especially with what they have experienced during the pandemic. During these challenging times, the Group remained undeterred in its steadfast efforts in upholding its services with uncompromised quality in ensuring seamless network connectivity.

In the face of the hardships brought about by the pandemic, the Group delivered a resilient financial performance whilst building strong commercial momentum for the year. Despite a 50% drop in roaming service revenue caused by the prolonged global travel restrictions, local service revenue marginally grew 1% from last year. This increase was mainly attributable to a surge in demand for corporate solutions as businesses shifted to new operating modes during the pandemic. Overall service revenue decreased by 9% to HK\$3,285 million in 2020, when combined with roaming service revenue.

On a Pre-IFRS 16 basis, service EBITDA improved by 4% as cost efficiency enhancement initiatives were successfully emplaced to create a high-efficiency operational environment. Key costs, which comprise CACs, staff costs and other operating expenses were reduced by 15% year-on-year. Despite the negative impact from travel restrictions enforced since the second quarter of 2020, the Group is pleased to report a 5%-point year-on-year growth on service EBITDA margin to 37% attributable to the improved cost structure. The Group's total EBITDA increased by 3% to HK\$1,237 million, while total EBIT stayed flat at HK\$392 million mainly due to the cost efficiency enhancement programme mentioned above offset by the effect of higher depreciation and amortisation subsequent to the launch of 5G network during the year.

On a Post-IFRS 16 basis, the Group's total EBITDA increased by 1% while total EBIT slightly decreased by 1% against last year. Profit attributable to shareholders and earnings per share both decreased by 16% to HK\$361 million and 7.49 HK cents respectively. The decrease was mainly due to lower interest income as the Group's cash balance significantly reduced from HK\$9,555 million at the beginning of 2019 to HK\$5,251 million as of 31 December 2020 after the distribution of HK\$3,855 million special interim dividend and cash settlement of HK\$471 million for the acquisition of a 24.1% interest in the mobile operation in May 2019. The general decrease in interest rate during the second half of the year further aggravated the decline in interest income. Excluding the effect of interest income reduction, profit attributable to shareholders increased by 4% against last year. The impact of IFRS 16 on total EBIT and profit attributable to shareholders of the Group was insignificant.

The total number of customers in Hong Kong and Macau was approximately 3.3 million as of 31 December 2020, compared with approximately 3.7 million as of 31 December 2019. The decrease was mainly driven by a higher disconnection of silent prepaid customers in Macau after the mandatory real-name registration policy was enforced in April 2020. Monthly postpaid churn rate slightly improved by 0.1%-point to 1.1%, mainly attributable to the Group's continuous customer retention efforts. Local postpaid net ARPU increased by 6% to HK\$153 mainly due to increased contributions from the corporate segment.

Dividend

The Board recommends payment of a final dividend of 5.21 HK cents (2019 final dividend: 3.75 HK cents) per share for 2020, which represents a 39% increase against that in 2019, payable on Wednesday, 26 May 2021, to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 14 May 2021, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of 2.28 HK cents per share, the full year dividend will be 12% more than that in 2019 amounts to 7.49 HK cents per share (2019 full year dividend: 6.68 HK cents). The recommended increase in dividend payout was mainly due to the improvement in operational performance during the year as well as the strong financial position of the Group.

Outlook

The economic and social disruptions caused by COVID-19 have been devastating. The unprecedented and permanent impact brought by the pandemic not only affected day-to-day livelihood, but also business operations. While it cannot be predicted as to when the pandemic may be over and uncertainties over the resumption of economic market to normality remain, reliable network connectivity is undeniably crucial in keeping people and businesses connected when charting a sustainable course to recovery.

The full deployment of the ultra-fast, low-latency 5G network with extensive territory-wide 5G radio site coverage during the year had remarkably surpassed the Group's expectations, reaching a significant milestone propelling the customers of the Group into a new era of the 5G smart city.

Looking ahead to 2021, market conditions are expected to remain similar to that of the second half of last year, and it is not anticipated that there would be any meaningful contribution from roaming recovery. Nevertheless, the Group aims to revamp the network coverage in building the best 5G network by June 2021. This, coupled with a reduced cost structure as well as increased distribution points from 30 shops to an expanded network of over 300 outlets at Fortress and PARKnSHOP, are the vital backbone of the Group to driving success in 2021. In addition, through partnerships with Mobile Virtual Network Operators and upcoming Greater Bay Area data plan initiatives, the Group is expected to generate more revenue while leveraging its enhanced network. The Group is looking forward to a solid performance in 2021. Hence, the Board proposed to increase dividend payout to 100% of the profit for the year of 2020. After settling the 5G capital expenditure and evaluation of the potential investment opportunities, the Group will make decision on the surplus cash at the 2021 interim results announcement, at which special dividend could be considered.

As part of its determination to create long-term sustainable value for the stakeholders, the Group will continue to strengthen its sustainability governance and closely monitor the status of the pandemic as well as taking necessary measures to safeguard the interests of its employees and business operations. Finally, I would like to thank the Board of Directors and all staff members for their unswerving dedication, solid professionalism, and their contributions to the Group amid these unprecedentedly challenging times.

FOK Kin Ning, Canning

Chairman

Hong Kong, 26 February 2021

SMART

WORKING



Operations
Review

WORK

SMART



The Group had remarkably surpassed expectations with the full deployment of its ultra-fast, low-latency 5G network during the year.

Operations Review

Smart Connection, Smart Future

The Group endeavours to harness the transformative power of 5G technology as it plays a critical role in building the smart cities of tomorrow. The Group is committed to integrating its smart connectivity to the communities it serves, and together unleashing the potential of 5G technology through exploring smart applications in combination with the might of artificial intelligence and Internet of Things ("IoT"). As one of the leading mobile operators, the Group shall be a driving force in propelling itself and its customers towards an innovative and sustainable future.

Pioneering 5G Connectivity

On 1 April 2020, 3 Hong Kong announced the launch of its ultra-fast, low-latency 5G network services and unveiled its 5G development plans, heralding a cross-boundary and cross-industry new 5G era described as "5G One World". In order to draw the first batch of 5G customers, the Pre-5G Early Bird Limited-time Offer was launched coupled with special privileges including handset discounts, entertainment packs or 3Gamer service, doubled Mainland China-HK-Macau shared data, 4.5G Infinity data plus Net+ service. Besides, the special promotion offer was bundled with digital lifestyle services - the "World of V" pack comprising 4K



3 Hong Kong announced the launch of its 5G network services on 1 April 2020.

entertainment, popular mobile games and lifestyle entertainment to encourage subscription of 5G services.

Customers can experience 3 Hong Kong's 5G network by visiting the 5G Experience Shop at the 3Supreme flagship store in Causeway Bay. The shop has four experience zones, namely 5G speed test zone, 5G gaming zone, VR experience zone and corporate solutions demo zone, as well as showcases of new 5G applications with highlights on the strengths of 3 Hong Kong's 5G services.



3 Hong Kong offers enterprises with diversified 5G business solutions and provides all-round support to facilitate the application for the Subsidy Scheme for Encouraging Early Deployment of 5G launched by the Government of the Hong Kong Special Administrative Region ("the government"). With the assistance of 3 Hong Kong, a number of corporate customers which includes the Hong Kong Chinese Orchestra, Mandarin Enterprises (International) Company Limited, Paul Y. Engineering Group, Fortune REIT and Hong Kong Dance Company had successfully received the government's financial incentives, allowing them to deploy 5G technology early to foster innovation and unlock opportunities in the smart future.

Innovative & Diversified Services

Upholding the vision of "3.OneWorld", 3 Hong Kong provides digital lifestyle services which redefine mobile communications in fields such as fintech, insurance, beauty and health, handsets and accessories, gaming and music. Leveraging its close ties with the global telecommunications operations of the CKHH Group as well as other telecommunications, internet and technology partners, the Group is dedicated to crafting a genuinely hassle-free and seamless mobile experience for its customers.

In January 2020, 3 Hong Kong collaborated with one of the top-notch technology partners to deploy mobile authentication solution. 3 Hong Kong subscribers can enjoy highly secured authentication, identity and payment validation, anonymous login and seamless access to services from all connected devices with ease.



3Care protection platform, characterised by "Care", "Commitment" and "Convenience", provides comprehensive health protection for 3 Hong Kong customers and their families.



Operations Review

Following the launch of 5G network service in April 2020, 3 Hong Kong introduced 3Care protection platform, characterised by “Care”, “Commitment” and “Convenience”, which provides comprehensive health protection for customers and their families. One of the initiatives was partnership with Bowtie Life Insurance Company Limited to extend 3 Hong Kong's portfolio from digital lifestyle services to medical services. Virtual medical plans were offered to all age groups. Subscribers to the plans were eligible for unlimited visits to a healthcare network comprising more than 1,000 general practitioners and Chinese medicine practitioners in Hong Kong at member-exclusive rates.

In late 2020, 3 Hong Kong launched the SoSIM prepaid SIM card exclusively at 250-plus PARKnSHOP stores. This brand new product, possibly the best value in the local prepaid market, provides infinite 4G data for people from different walks of life who would like to be free from contractual obligation or to have a secondary SIM card.



◆ New sales channel “3@Fortress” was set up and rolled out at 26 Fortress outlets in Hong Kong.



◆ SoSIM prepaid SIM card, exclusively launched at 250-plus PARKnSHOP stores, offers infinite 4G data.

New sales channel “3@Fortress” was set up and rolled out at 26 Fortress outlets in Hong Kong, offering full 3Shop services, increasing sales and customer service channels. 3Mall, an online sales channel, actively promoted not only handsets and SIM cards but also a wide range of products to further deepen customer shopping experience and support customers' shifts in demand for digitalised products.

3 Hong Kong has also revamped the “5G Go Phone Club” to provide iPhone stock status and promotional information to both new and existing customers as well as to recruit early bird subscribers. Existing customers can enjoy not only prioritised reservation but also handset discounts if they subscribe to designated 5G service contracts.

Empowering Digital Solutions

3 Hong Kong offers diverse mobile communications and data solutions that create new digital value and unprecedented opportunities for consumers and businesses in the ever-changing digital landscape. Corporate offers provide solutions for enterprises to forefront communication technology, enhance productivity and communications, meet compliance and security requirements, as well as to digitalise mode of working to reduce dependency on IT support and streamline operational processes.

The Group is devoted to help develop Hong Kong as a leading smart city. The 3Innocity programme supports start-up talents to develop and promote enterprise IoT solutions, and helps enterprises to enhance operations that ride on the ultra-fast 5G network service and advanced NB-IoT network technology provided by the Group.



3 Hong Kong collaborates with Microsoft Hong Kong to provide corporate customers with free subscriptions to Microsoft Office 365 applications and services.

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

In March 2020, 3 Hong Kong collaborated with Microsoft Hong Kong to provide corporate customers with free subscriptions to Microsoft Office 365 applications and services. This initiative is part of Microsoft Hong Kong’s “#EmpowerHK Work-from-



3 Hong Kong collaborated with CK Asset to build CK Asset’s first 5G-enabled shopping mall in Tsuen Wan.



“5G LIVE Up” broadcast solution offers low-cost yet reliable 5G live broadcasting experience.

Anywhere Support Programme” to help enterprises transcend geographical constraints and enable staff to work from home with peace-of-mind and remain connected.

As part of a city-wide effort to promoting innovation, 3 Hong Kong joins force with HK Electric to develop a solution that enhances customers’ understanding of electricity consumption habits. The solution takes advantage of 3 Hong Kong’s supreme mobile network to provide secure and reliable data transmission to HK Electric’s Advanced Metering Infrastructure scheme, which commenced in April 2020. Once deployed, the information available will facilitate customers to optimise their energy use, empowering them to protect the environment and supporting Hong Kong’s transformation into a smart city.

In light of the trend for online entertainment, “5G LIVE Up” broadcasting solution targets and provides key opinion leaders (KOLs), buskers, yoga teachers as well as online tutors with low-cost yet reliable 5G live broadcasting experience. The ease of use and flexible pricing options facilitate subscribers to easily manage their business and attain potential growth in customer base and revenue.

Strongest 5G Network

Coverage of 99%^{*} Territory-wide

Supreme Network

- High Speed
- Low Latency
- A Superior Experience

One World

Sales Hotline 1032

*Based on the test results in relation to 3HK's 5G network and population distribution of Hong Kong conducted in January 2021.

Since 5G service launch in April 2020, the Group has remarkably surpassed expectations with the full deployment of its ultra-fast, low-latency 5G network during the year.

Network Excellence

Since 5G service launch in April 2020, the Group had remarkably surpassed expectations with the full deployment of its ultra-fast, low-latency 5G network during the year. In addition to providing customers with 5G service in the 3500 MHz spectrum band, 14.8 MHz paired of spectrum in the 2100 MHz spectrum band has also been refarmed to enable a comprehensive 5G network coverage. The extensive territory-wide 5G radio sites coverage is evident in its widespread uses including major transportation systems, shopping malls, skyscrapers, hospital complexes, hotels and university campuses. This is a significant milestone in the development of the Group's mobile network, further strengthening its 5G network coverage and expanding smart solutions in the era of digital transformation.

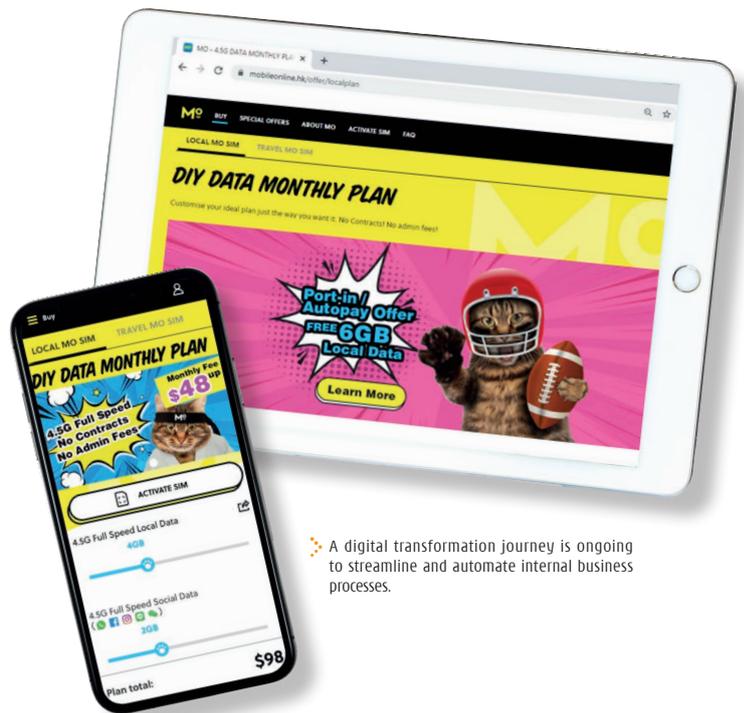
With the increasing popularity of live streaming and online videos, along with solutions requiring enhanced traffic load scaling, security and reduction in latency, a new Content Delivery Network was built in 2020 to support corporate solution projects with fast delivery and quality network experiences to end users.

The Group believes mobile network coverage and quality of customer experiences underpin the delivery of successful mobile services. An expansion project for new base stations has been kicked off in mid-2020. The project is expected to complete in 2021 significantly boosting the quality of mobile services and enhancing network coverage in spectacular and high traffic shopping malls, hotels and commercial complexes.

The Office of the Communications Authority intends to release 80 MHz of spectrum in the 4.9 GHz band, 70 MHz of spectrum in each of the 600 MHz band and 700 MHz band, and 15 MHz of spectrum in the 850 MHz band to the Hong Kong market in 2021 by way of auction as well 2500 MHz of spectrum in the 26/28 GHz bands for assignment. The Group continues to scrutinise and devote resources on spectrum investment for its 5G network development.

Digital Transformation

A digital transformation journey is ongoing to streamline and automate internal business processes. 3 Hong Kong aims



A digital transformation journey is ongoing to streamline and automate internal business processes.

to respond swiftly to market demands and to provide more lifestyle enhancing services through digital transformation projects. Improved analytics will provide 3 Hong Kong with real-time predictive capabilities. Furthermore, it will transform 3 Hong Kong's business operations to achieve an even greater degree of interaction with customers, enabling the Group to demonstrate business agility to ever-changing customer needs.



First digital transformation project on MO SIM introduced DIY plans for customers to customise their monthly subscription plans with a mix of local and social data.

The first digital transformation project on MO SIM was completed at the end of 2020 with enhanced features. Do-it-yourself (DIY) plans enable customers to customise their monthly subscription plans with a mix of local and social data which can be shared with friends through Data Peer-to-Peer Feature. These DIY customisations can be managed on My3 application in a breeze without the hassle of queuing up at a store.

Macau Development

3 Macau continues to launch attractive products, including tri-city (Macau-Hong Kong-Mainland China) pool sharing plans and high data entitlement plans at affordable prices to retain valued and loyal customers in the competitive mobile industry.

In view of growing demand for digital platforms in the mass market, 3 Macau enhanced its WeChat platform to provide similar features as My3 application for local customers and travellers from Mainland China. Both new and existing customers can receive sales and promotion updates from subscription to top-up services while existing customers can manage their accounts and bills through WeChat.

3 Macau is committed to continuous enhancement of 4G LTE coverage and exploration of potential sales channels as well as preparation to introduce and roll out corporate solution offerings while enhancing the quality of customer experience and network service.



3 Macau is committed to enhancing the quality of customer experience and network service.

Management Discussion and Analysis

Financial Performance Summary - Pre-IFRS 16 basis ⁽¹⁾

	2020 HK\$ million	2019 HK\$ million	Change
Revenue	4,545	5,582	-19%
Net customer service revenue	3,285	3,613	-9%
• Local service revenue	2,917	2,875	+1%
• Roaming service revenue	368	738	-50%
- Data	238	517	-54%
- Non-data	130	221	-41%
Hardware revenue	1,260	1,969	-36%
• Bundled sales revenue	345	472	-27%
• Standalone handset sales revenue	915	1,497	-39%
Net customer service margin	2,873	3,266	-12%
<i>Net customer service margin %</i>	87%	90%	-3% points
Standalone handset sales margin	22	28	-21%
Total margin	2,895	3,294	-12%
CACs	(525)	(797)	+34%
Less: Bundled sales revenue	345	472	-27%
CACs (net of hardware revenue)	(180)	(325)	+45%
Operating expenses	(1,540)	(1,837)	+16%
<i>Operating expenses as a % of net customer service margin</i>	54%	56%	+2% points
Share of EBITDA of a joint venture	62	69	-10%
EBITDA ⁽²⁾	1,237	1,201	+3%
Service EBITDA ⁽²⁾	1,215	1,173	+4%
<i>Service EBITDA ⁽²⁾ margin %</i>	37%	32%	+5% points
CAPEX (excluding telecommunications licences)	(593)	(503)	-18%
EBITDA ⁽²⁾ less CAPEX	644	698	-8%
Depreciation and amortisation ⁽⁴⁾	(845)	(808)	-5%
EBIT ⁽³⁾	392	393	-
Service EBIT ⁽³⁾	370	365	+1%
Net interest and other finance income ⁽⁴⁾	63	147	-57%
Profit before taxation	455	540	-16%
Taxation ⁽⁴⁾	(90)	(104)	+13%
Profit attributable to non-controlling interests	-	(8)	+100%
Profit attributable to shareholders	365	428	-15%

Financial Performance Summary - Post-IFRS 16 basis ⁽¹⁾

	2020 HK\$ million	2019 HK\$ million	Change
Revenue	4,545	5,582	-19%
Net customer service revenue	3,285	3,613	-9%
• Local service revenue	2,917	2,875	+1%
• Roaming service revenue	368	738	-50%
- Data	238	517	-54%
- Non-data	130	221	-41%
Hardware revenue	1,260	1,969	-36%
• Bundled sales revenue	345	472	-27%
• Standalone handset sales revenue	915	1,497	-39%
Net customer service margin	2,873	3,266	-12%
<i>Net customer service margin %</i>	87%	90%	-3% points
Standalone handset sales margin	22	28	-21%
Total margin	2,895	3,294	-12%
CACs	(481)	(744)	+35%
Less: Bundled sales revenue	345	472	-27%
CACs (net of hardware revenue)	(136)	(272)	+50%
Operating expenses	(1,149)	(1,429)	+20%
<i>Operating expenses as a % of net customer service margin</i>	40%	44%	+4% points
Share of EBITDA of a joint venture	62	69	-10%
EBITDA ⁽²⁾	1,672	1,662	+1%
Service EBITDA ⁽²⁾	1,650	1,634	+1%
<i>Service EBITDA ⁽²⁾ margin %</i>	50%	45%	+5% points
CAPEX (excluding telecommunications licences)	(593)	(503)	-18%
EBITDA ⁽²⁾ less CAPEX	1,079	1,159	-7%
Depreciation and amortisation ⁽⁴⁾	(1,269)	(1,253)	-1%
EBIT ⁽³⁾	403	409	-1%
Service EBIT ⁽³⁾	381	381	-
Net interest and other finance income ⁽⁴⁾	47	132	-64%
Profit before taxation	450	541	-17%
Taxation ⁽⁴⁾	(89)	(104)	+14%
Profit attributable to non-controlling interests	-	(8)	+100%
Profit attributable to shareholders	361	429	-16%

Management Discussion and Analysis

Notes:

- (1) Following the adoption of IFRS 16 "Leases" on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 and 31 December 2020 are on an IFRS 16 basis. The Group believes that the precedent lease accounting standard IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on an IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the underlying operational performance. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to shareholders prepared under IAS 17 ("Pre-IFRS 16 basis") relating to the accounting for leases for the year ended 31 December 2019 and 31 December 2020. Unless otherwise specified, the discussion of the Group's operating results in this Annual Report is on a Pre-IFRS 16 basis.
- (2) EBITDA represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of a joint venture. EBITDA is defined as earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation. Information concerning EBITDA has been included in the Group's financial information and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under IFRS and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with IFRS.
- (3) EBIT represents the EBIT of the Company and subsidiary companies as well as the Group's share of the EBIT of a joint venture. EBIT is defined as earnings before interest and other finance income, interest and other finance costs and taxation. Information concerning EBIT has been included in the Group's financial information and is used by many industries and investors as one measure of results from operations. The Group considers EBIT to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT is not a measure of financial performance under IFRS and the EBIT measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT should not necessarily be construed as an alternative to results from operations as determined in accordance with IFRS.
- (4) Depreciation and amortisation, net interest and other finance income and taxation include the Group's share of joint venture's respective items.

Review of Financial Results

The Group's total revenue, comprising service revenue and hardware revenue, decreased by 19% to HK\$4,545 million (2019: HK\$5,582 million).

Service revenue dropped by 9% to HK\$3,285 million (2019: HK\$3,613 million). The decline was mainly attributable to a 50% decrease in roaming service revenue as a result of the prolonged global travel restrictions. Roaming service revenue accounted for 11% (2019: 20%) of the Group's service revenue. Excluding the roaming impact, local service revenue grew 1% to HK\$2,917 million (2019: HK\$2,875 million). This was mainly driven by a surge in demand for corporate solutions as businesses shifted to new operating modes during the pandemic.

Hardware revenue decreased by 36% to HK\$1,260 million, reflecting the effect of the pandemic on consumer demand as well as the deferred launch and supply of new smartphones as a result of economic slowdown.

The Group continued to implement its cost efficiency enhancement initiatives aimed at streamlining and digitalising workflows. Key costs (Pre-IFRS 16 basis), which comprise CACs, staff costs and other operating expenses were decreased by 15% to HK\$2,132 million.

On a Pre-IFRS 16 basis, service EBITDA improved by 4% as cost efficiency enhancement initiatives were successfully employed to create a high-efficiency operational environment. Despite the negative impact on the travel restrictions enforced since the second quarter of 2020, the Group is pleased to report a 5%-point year-on-year growth on service EBITDA margin to 37% attributable to the improved cost structure. The Group's total EBITDA increased by 3% to HK\$1,237 million, while total EBIT stayed flat at HK\$392 million mainly due to the cost efficiency enhancement programme mentioned above offset by the effect of higher depreciation and amortisation subsequent to the launch of 5G network during the year.

On a Post-IFRS 16 basis, the Group's total EBITDA increased by 1% while total EBIT slightly decreased by 1% against last year. Profit attributable to shareholders and earnings per share both decreased by 16% to HK\$361 million and 7.49 HK cents respectively. The decrease was mainly due to lower interest income as the Group's cash balance significantly reduced from HK\$9,555 million at the beginning of 2019 to HK\$5,251 million as of 31 December 2020 after the distribution of HK\$3,855 million special interim dividend and cash settlement of HK\$471 million for the acquisition of a 24.1% interest in the mobile operation in May 2019. The general decrease in interest rate during the second half of the year further aggravated the decline in interest income. Excluding the effect of interest income reduction, profit attributable to shareholders increased by 4% against last year. The impact of IFRS 16 on total EBIT and profit attributable to shareholders of the Group was insignificant.

Key Performance Indicators

	2020	2019	Change
Number of postpaid customers ('000)	1,427	1,475	-3%
Number of prepaid customers ('000)	1,852	2,180	-15%
Total customers ('000)	3,279	3,655	-10%
Postpaid customers to the total customer base (%)	44%	40%	+4% points
Postpaid customers' contribution to the net customer service revenue (%)	90%	87%	+3% points
Monthly churn rate of postpaid customers (%)	1.1%	1.2%	+0.1% point
Postpaid gross ARPU (HK\$)	196	205	-4%
Postpaid net ARPU (HK\$)	171	176	-3%
Postpaid net AMPU (HK\$)	150	161	-7%
Local postpaid gross ARPU (HK\$)	178	173	+3%
Local postpaid net ARPU (HK\$)	153	144	+6%

The total number of customers in Hong Kong and Macau was approximately 3.3 million as of 31 December 2020, compared with approximately 3.7 million as of 31 December 2019. The decrease was mainly driven by a higher disconnection of silent prepaid customers in Macau after the mandatory real-name registration policy was enforced in April 2020. Monthly postpaid churn rate slightly improved by 0.1%-point to 1.1%, mainly attributable to the Group's continuous customer retention efforts. Local postpaid net ARPU increased by 6% to HK\$153 mainly due to increased contributions from the corporate segment.

Net Interest and Other Finance Income

Net interest and other finance income (Post-IFRS 16 basis, with share of a joint venture) amounted to HK\$47 million in 2020, compared with HK\$132 million in 2019. The decrease was mainly due to lower interest income as net cash balance was reduced from HK\$9,555 million at the beginning of 2019 to HK\$5,251 million as of 31 December 2020 after the distribution of HK\$3,855 million special interim dividend and cash settlement of HK\$471 million for the acquisition of a 24.1% interest in the mobile operation in May 2019. The general decrease in interest rate during the second half of the year further aggravated the decline in interest income.

The Group continues to maintain a healthy financial position. As of 31 December 2020, the Group's net cash position was HK\$5,251 million (as of 31 December 2019: HK\$5,416 million).

Capital Expenditure

Capital expenditure on property, plant and equipment, which accounted for 18% (2019: 14%) of the Group's service revenue, increased by 18% to HK\$593 million. This increase was mainly due to capital expenditure on developing the 5G network. While escalating expenditure in 5G network development is expected in the coming year, the Group continues to scrutinise its projects with care and prudence to ensure that resources are properly utilised.

Summary of Spectrum Investment as of 31 December 2020

	Spectrum band	Bandwidth	Year of expiry
Hong Kong	900 MHz	10 MHz	2026
	900 MHz	16.6 MHz	2021 ⁽¹⁾
	1800 MHz	23.2 MHz	2021 ⁽¹⁾
	2100 MHz	29.6 MHz	2031
	2300 MHz	30 MHz	2027
	2600 MHz	30 MHz ⁽²⁾	2024
	2600 MHz	10 MHz ⁽²⁾	2028
	3300 MHz	30 MHz	2034
	3500 MHz	40 MHz	2035
Macau	900 MHz	10 MHz	2023
	1800 MHz	20 MHz	2023
	2100 MHz	10 MHz	2023

Notes:

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

(2) The spectrum band was shared under 50/50 joint venture - Genius Brand Limited.

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Director, and which are also subject to periodic review by the Group's internal audit function. Its treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing its assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles.

Cash management and funding

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

Foreign currency exposure

The Group operates mobile telecommunications business principally in Hong Kong, with transactions denominated in Hong Kong dollars. It is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau patacas, Renminbi, Euros and British pounds. The Group does not currently undertake any foreign currency hedging.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. It controls its credit risk to non-performance by its counterparties through monitoring their share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Cash

As at 31 December 2020, the Group recorded share capital of HK\$1,205 million and total equity of HK\$12,047 million.

As at 31 December 2020, the net cash of the Group was HK\$5,251 million (2019: HK\$5,416 million), 99% of which was denominated in Hong Kong dollars with remaining in various other currencies.

Charges on Group Assets

As at 31 December 2020, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

The Group has no committed borrowing facilities as at 31 December 2020 (2019: Nil).

Contingent Liabilities

As at 31 December 2020, the Group provided performance and financial guarantees of HK\$330 million, including the related performance bonds on 5G spectrums (2019: HK\$106 million).

Commitments

As at 31 December 2020, the Group had total capital commitments of property, plant and equipment of HK\$502 million (2019: HK\$271 million) and telecommunications licences of HK\$2,040 million (2019: HK\$2,242 million). The increase in capital commitments referred to the investment in 5G network during the year.

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

Risk Factors

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

Market Economy

The Group operates principally in Hong Kong and Macau; hence, the financial condition and results of operations of the Group may be influenced by the general state of the local markets or economies. Any significant or protracted worsening of the financial and economic climate in Hong Kong and Macau could result in lower customers' spending power and hence reduction in demand for the Group's services, and therefore, could adversely affect the financial condition and results of operations of the Group.

Industry Trends and Interest Rates

The Group's results are affected by trends in the telecommunications markets in which it operates. Industry trends and volatility in interest rates have adversely affected the Group's results historically. There can be no assurance that these risks that might be experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent on interest rates and market conditions. Consequentially, there can be no assurance that changes in these conditions will not have material adverse effect to the financial condition and results of operations of the Group.

Highly Competitive Market

The Group faces significant competition in markets in which it operates. Aggressive tariff plans and customer acquisition strategies adopted by existing market players and new market entrants could create pricing pressure, and may impact the Group's customer acquisition and retention costs, customer number growth rate, retention prospects as well as market position. These factors in turn, may reduce the service revenue as well as increase the costs of the Group, which could adversely affect the Group's financial performance and growth prospects.

Rapid Technological Changes

The Group faces increased competition from technological advancement of the telecommunications industry. Telecommunications technology being developed, or to be developed by existing competitors or new market entrants could intensify competition. In the event if the Group fails to develop or obtain timely access to new technology and equipment, its customer relationship and market position could be at risks, and therefore adversely affect the financial condition and results of operations of the Group. Development and application of new technology involves time, substantial costs and risks; hence, technology deployed may become obsolete. Impairment of those obsoleted assets could adversely affect the financial condition and results of operations of the Group.

Network Performance

Certain elements of the Group's networks, such as switching and data platforms, are critical functions for broad sectors of network operations. Damage or major incidents caused by natural disasters, deliberate attacks or technology failure to these critical elements may cause one or more sectors of the network to be non-functional, which could lead to major disruption of the Group's mobile telecommunications services. There can be no assurance that extended periods of service disruption will not materially and adversely affect the business and results of operations of the Group.

Strategic Partners

The Group conducts some of its businesses through a joint venture, in which it shares control (in whole or in part); and strategic alliances are formed with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of the strategic or business partners will sustain their relationships and accompany obligations to pursue stated strategies with the Group, or vice versa. Furthermore, other investors in the joint venture may undergo a change of control or experience financial difficulties, which may negatively impact the financial condition and results of operations of the Group.

Future Growth

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer base in Hong Kong and Macau. The Group may need to incur further capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to build and retain its customer base. There can be no assurance that any additional investments will bring higher operating margins, and consequently, additional investments may materially and adversely impact the financial condition and results of operations of the Group.

Impact of Law and Regulatory Requirements

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

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

There can be no assurance that the regulatory authorities in which the Group operates will not make decisions or interpret and implement regulations in a manner that may materially and adversely affect the financial condition and results of operations of the Group.

The Group is permitted to provide telecommunications services and operate networks under licences granted by regulatory authorities. These licences have historically been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, and if renewed, the terms and conditions may vary. Regulatory requirements and carrier obligations accompanying these licences may affect the Group's operations including that of maintaining network quality and coverage. Failure to comply with these requirements could result in damage awards, fines, penalties, suspension or other sanctions including the revocation of the licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (including spectrum allocation to other parties, or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band) could result in unforeseeable competition, which could have a material adverse effect on the financial condition and results of operations of the Group.

Accounting

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

Impact of Regulatory Reviews

The Group is listed on the Stock Exchange and is subject to regulatory reviews of various filings by the Stock Exchange's regulatory bodies and/or other regulatory authorities. The Group endeavours to comply with all regulatory requirements of the Stock Exchange, and obtain independent professional advice when appropriate. There can be no assurance that any regulatory reviews will not result in disagreement with the Group's interpretation and judgement. Likewise, there can be no assurance that subsequently actions mandated by the authorities will not have a material adverse effect on the financial condition and results of operations of the Group.

Outbreak of Highly Contagious Disease

The global outbreak of COVID-19 since early 2020, which the World Health Organisation has declared to be a pandemic, has caused widespread disruptions in social and economic activities. During the year, the COVID-19 pandemic has evolved rapidly with the infection cases continue to spread globally. Travel restrictions and other precautionary measures introduced by various governments to contain the spread of COVID-19 have severely affected economic activities, business operations, as well as individual's way of life. In response to this adversity, the Group has taken proactive measures to reduce the impact of the pandemic on its business. The Group continues to remain vigilant and closely monitor the development of the COVID-19 situation. Given the extent and duration of the COVID-19 pandemic remain uncertain, the full impact of the pandemic to the financial position and operating results of the Group may evolve as conditions change, and will depend on a number of factors, including its impact on the customers, partners and vendors of the Group. COVID-19 and other outbreaks of contagious disease could cause disruptions to the Group's operations and supply chain, and could have material adverse effect on the financial condition and results of operations of the Group.

Natural Disasters

Some of the Group's assets and projects, and customers and suppliers are located in areas at risk of damage from floods, typhoons or other major natural disasters. The occurrence of any of these events could disrupt the Group's operations and have a material adverse effect on the financial condition and results of operations of the Group.

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

Climate Change

Global climate change has already impacted many aspects of the environment. Scientists predict that the global mean temperature will continue to rise, which may be beneficial to some regions while being harmful to others.

Changes in climate could disrupt supply chains, interrupt business operations, and cause financial and physical damage. Alteration in weather patterns such as with typhoons and rainfall may cause damage to the Group's assets and other natural resources. Governments are beginning to introduce legislation or requirements to restrict emission along with other environmental protective measures. Regulations, disruptions and damage arising from climate change could have a material impact on the Group's business and adversely affect its financial condition and results of operations.

Although the Group has not experienced any significant disruptions or damage arising from climate change, there can be no assurance that potential changes in weather patterns in the future will not cause major disruptions or damage to the Group's assets and business. This in turn, could have a material adverse effect on the financial condition and results of operations of the Group.

Social Unrest

The Group has presence in Hong Kong and Macau. There can be no assurance that these two cities will remain socially stable, and in the event if either city experiences any social unrest, there could be an adverse impact on the financial condition and results of operations of the Group.

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

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

Cyber Security Risks

Cyber attacks could have an adverse effect on the Group's business, operations and reputation. They can be executed through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means with the aim of obtaining unauthorised access to and/or disrupting the operation of network, systems and data base of the Group or its suppliers, vendors and other service providers. Such attacks may cause equipment failures, loss or leakage of data that includes personal data of customers or employees as well as technical and trade information, which may result in disruption of the operations of the Group and its customers. Cyber attacks targeting corporations have increased in frequency, scale and severity in recent years. The perpetrators behind the attacks are not restricted to particular groups or persons; they may be launched by company employees or external actors operating in any geographic area that include jurisdictions where law enforcement measures addressing such threats are absent or ineffective. Furthermore, these attacks may even be directed at the behest of nation states. The measures deployed by the Group may not be able to prevent, eliminate or minimise the risks associated with such attacks.

Operational impacts caused by cyber attacks to the networks, systems and data base of the Group or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or loss of business. Such costs may include considerable incentives and concessions to customers and business partners, increased expenditure on cyber security measures, the employment of alternative resources along with loss of revenue from business disruptions and resulting claims from regulators and other third parties. The potential costs associated with these attacks could exceed the monetary amount the Group is insured against. In addition, compromise to security or leakage of data, such as personal data and technical and trade information, could result in third party and/or regulator claims or investigations. Any of these actions could damage the Group's reputation, erode customer and investor confidence and have material adverse effects on its financial condition and results of operations.

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group collect, store and use data that is protected by data protection laws. As regulatory focus on privacy issues continues to broaden and laws and regulations concerning the handling of personal information expand and are becoming more complex, potential risks relating to data collection and use within the Group's business are expected to rise. The Group may be subject to regulatory action or civil claims in the event if it is unable to fulfil its obligations under applicable data protection laws. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action could have a material adverse effect on the financial condition and results of operations of the Group.

Past Performance and Forward-Looking Statements

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

Information on Directors

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 69, has been Chairman and a Non-executive Director of the Company since March 2009. He has also been a Remuneration Committee member since April 2009 and a Nomination Committee member since January 2019, and was Chairman of the Remuneration Committee from April 2009 to December 2011 and the Nomination Committee from January 2019 to 30 November 2020. Mr Fok is executive director and group co-managing director of CKHH. He has been a director of Cheung Kong (Holdings) Limited (“Cheung Kong (Holdings)”) and HWL since 1985 and 1984 respectively. Both companies were formerly listed on the Stock Exchange and have become wholly owned subsidiaries of CKHH in 2015. He is also the chairman of HTAL, HPHM as the trustee-manager of Hutchison Port Holdings Trust (“HPH Trust”), Power Assets Holdings Limited (“Power Assets”), HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited, deputy chairman of CKI, a non-executive director of TPG Telecom Limited and a director of Cenovus Energy Inc. (“Cenovus Energy”). In addition, Mr Fok is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Mr Fok has oversight. He was co-chairman and is currently a director of Husky Energy Inc., which was delisted on 5 January 2021 following its combination with Cenovus Energy. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of the Chartered Accountants Australia and New Zealand.

LUI Dennis Pok Man

Co-Deputy Chairman and Non-executive Director

Lui Dennis Pok Man, aged 69, has been Deputy Chairman and a Non-executive Director of the Company since March 2009 and was re-designated as Co-Deputy Chairman and a Non-executive Director in August 2018. He was a Nomination Committee member from January 2019 to 30 November 2020. Mr Lui is a director of Hutchison Telecommunications Group Holdings Limited and heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also assists to oversee telecommunications operations in Europe and generally assists in other telecommunications operations and related investments within the CKHH Group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was managing director of HTHK (a wholly owned subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in Mainland China, Hong Kong, Macau and Taiwan from 1996 to 2000. From 2001, he oversaw a number of the telecommunications operations and new business development of the HWL Group in particular as an executive director and chief executive officer of HTIL from 2004 to 2010. He is also a director of certain companies controlled by substantial shareholders (within the meaning of the SFO) of the Company. Mr Lui holds a Bachelor of Science degree.

WOO Chiu Man, Cliff

Co-Deputy Chairman and Non-executive Director

Woo Chiu Man, Cliff, aged 67, has been Executive Director and Chief Executive Officer of the Company since January 2017 and was re-designated as Co-Deputy Chairman and a Non-executive Director in August 2018. He was a Nomination Committee member from January 2019 to 30 November 2020. He is also a director of HTAL. Mr Woo held various senior technology management positions in the telecommunications industry before joining the HWL Group in 1998. He was deputy managing director of HTHK from 2000 to 2004, and also executive director of HTIL from March 2005 to December 2005. Mr Woo was seconded to Vodafone Hutchison Australia Pty Limited (now known as TPG Telecom Limited) as chief technology officer from 2012 to 2013 and was part of the core management team. Further, Mr Woo is also a director of certain companies controlled by substantial shareholders (within the meaning of the SFO) of the Company. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years. Mr Woo holds a Bachelor's degree in Electronics and a Diploma in Management for Executive Development. He is a Chartered Engineer and also a member of the Institution of Engineering and Technology (UK) and the Hong Kong Institution of Engineers.

KOO Sing Fai

Executive Director and Chief Executive Officer

Koo Sing Fai, aged 48, has been Executive Director and Chief Executive Officer of the Company since August 2018, and a Sustainability Committee member since 29 July 2020. He was a Nomination Committee member from January 2019 to 30 November 2020. Mr Koo joined the HWL Group in August 2006 and became a director of enterprise and international business of mobile operations of the Company in January 2014. Since then he has led the corporate market and international services, business and development aspects of the mobile business of the Company until January 2015. He re-joined the Company in April 2017 as a director of roaming and services development and became the Chief Commercial Officer in January 2018. Mr Koo possesses a Bachelor of Science degree in Computer Science and has more than 25 years of experience in the telecommunications industry.

LAI Kai Ming, Dominic

Non-executive Director

Lai Kai Ming, Dominic, aged 67, has been a Non-executive Director of the Company since March 2009 and Alternate Director to Mr Fok Kin Ning, Canning, Chairman and a Non-executive Director, and Ms Edith Shih, a Non-executive Director and Company Secretary, since January 2017. He was a Nomination Committee member from January 2019 to 30 November 2020. Mr Lai is executive director and deputy managing director of CKHH. He was Finance Director and Chief Operating Officer of the A.S. Watson Group, the retail arm of CKHH, from 1994 to 1997 and Group Managing Director of the Harbour Plaza Hotel Management Group, the former hotel business of HWL, from 1998 to 2000. He has been a director of HWL since 2000 and such company has become a wholly owned subsidiary of CKHH in 2015. He is also a director of HTAL, a member of the Board of Commissioners of PT Duta Intidaya Tbk ("PTDI"), and an alternate director to directors of HTAL and TOM Group Limited ("TOM"). In addition, Mr Lai is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Mr Lai has oversight. Mr Lai has over 35 years of management experience in different industries and holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Edith SHIH

Non-executive Director and Company Secretary

Edith Shih, aged 69, has been a Non-executive Director of the Company since January 2017, Company Secretary since November 2007 and Chairman of the Sustainability Committee since 29 July 2020. She was a Nomination Committee member from January 2019 to 30 November 2020. Ms Shih is also executive director and Company Secretary of CKHH. She has been with the Cheung Kong (Holdings) group since 1989 and with HWL from 1991 to 2015. Both Cheung Kong (Holdings) and HWL have become wholly owned subsidiaries of CKHH in 2015. She has acted in various capacities within the HWL Group, including head group general counsel and company secretary of HWL as well as director and company secretary of HWL subsidiaries and associated companies. Ms Shih is a non-executive director of Hutchison China MediTech Limited as well as HPHM as the trustee-manager of HPH Trust and a member of the Board of Commissioners of PTDI. In addition, Ms Shih is a director of certain substantial shareholders (within the meaning of the SFO) of the Company and certain companies controlled by substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH of which Ms Shih has oversight. She has over 35 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is the immediate past International President and current member of the Executive Committee of The Chartered Governance Institute ("CGI") as well as a past President and current chairperson or member of various committees and panels of the Hong Kong Institute of Chartered Secretaries ("HKICS"). She is also Chairman of the Process Review Panel for the Financial Reporting Council, a panel member of the Securities and Futures Appeals Tribunal and the immediate past Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both CGI and HKICS, holding Chartered Secretary and Chartered Governance Professional dual designations. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines as well as a Master of Arts degree and a Master of Education degree from Columbia University, New York.

IP Yuk Keung

Independent Non-executive Director

Ip Yuk Keung, aged 68, has been an Independent Non-executive Director of the Company, Chairman of the Audit Committee, a Remuneration Committee member and a Nomination Committee member since December 2019. Mr Ip is an international banking and finance professional with over 30 years of experience in the United States, Asia and Hong Kong. He was formerly Managing Director of Citigroup and Managing Director of Investments of Merrill Lynch (Asia Pacific). Mr Ip is currently a non-executive director of Eagle Asset Management (CP) Limited as the manager of Champion Real Estate Investment Trust, and an independent non-executive director of Power Assets, Lifestyle International Holdings Limited and New World Development Company Limited. He was previously an executive director and the chief executive officer of LHIL Manager Limited as the trustee-manager of Langham Hospitality Investments, and Langham Hospitality Investments Limited, and an independent non-executive director of TOM, Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) and Hopewell Holdings Limited (which had withdrawn its listing on 3 May 2019). Mr Ip is an Adjunct Professor of and an advisor to various universities in Hong Kong and Macau. He is an Honorary Fellow of Vocational Training Council, a Council Member of The Hong Kong University of Science and Technology ("HKUST"), a Trustee of the Board of Trustees of Washington University in St. Louis and a Beta Gamma Sigma Honoree at City University of Hong Kong and HKUST. Mr Ip holds a Bachelor of Science degree in Applied Mathematics and Computer Science, a Master of Science degree in Applied Mathematics and a Master of Science degree in Accounting and Finance. He is the Chairman of the Board of Governors of the World Green Organisation ("WGO").

LAN Hong Tsung, David

Independent Non-executive Director

Lan Hong Tsung, David, aged 80, has been an Independent Non-executive Director of the Company since April 2009. He has been a Remuneration Committee member since April 2009 and was appointed as its Chairman since January 2012. He is also an Audit Committee member since April 2009, and was a Nomination Committee member from January 2019 to 30 November 2020. Dr Lan has also been an Independent Non-executive Director of CKI, a listed company, Cinda Financial Holdings Co., Limited and ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment Trust ("Prosperity REIT"), a real estate investment trust listed on the Stock Exchange. He was previously an Independent Non-executive Director of SJM Holdings Limited, a listed company, for 11 years. Dr Lan was also previously an Independent Non-executive Director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust ("Fortune REIT"), a real estate investment trust listed on the Stock Exchange. He is currently the Chairman of David H T Lan Consultants Ltd. and holds directorships at Nanyang Commercial Bank Limited and International Probono Legal Services Association Limited. Dr Lan acted as Supervisor of Nanyang Commercial Bank (China), Limited for 12 years and 9 months since December 2007 until his reappointment as Senior Consultant in September 2020. Dr Lan was a Senior Advisor of Mitsui & Company (Hong Kong) Limited for 19 years till his retirement in March 2019. He was also the President of the International Institute of Management for almost 7 years till his retirement in June 2019. He was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1 July 2000. He was appointed as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China. Dr Lan is a Chartered Secretary and a Fellow Member of CGI and HKICS. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Fellow at Queen Elizabeth House, University of Oxford. Dr Lan was conferred with Doctor of Business Administration, honoris causa by University of the West of England, Bristol, Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

WONG Yick Ming, Rosanna

Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 68, has been an Independent Non-executive Director of the Company since April 2009. She has been an Audit Committee member since April 2009 and a Sustainability Committee member since 29 July 2020. She has been a Nomination Committee member since January 2019 and was appointed as its Chairman since 1 December 2020. She is an independent non-executive director of CKHH, a substantial shareholder (within the meaning of the SFO) of the Company. She was a director of Cheung Kong (Holdings) for the period from 2001 to 2015 and such company has become a wholly owned subsidiary of CKHH in 2015. Dr Wong is currently an independent non-executive director of The Hongkong and Shanghai Hotels, Limited, a senior advisor of The Hong Kong Federation of Youth Groups ("HKFYG"), a steward of The Hong Kong Jockey Club, a governor of Our Hong Kong Foundation and chairman of Asia International School Limited. In addition, she is a member of the 13th session of the National Committee of the CPPCC of the People's Republic of China. She was previously the executive director of HKFYG, the non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation, an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited, a director of RJJ Ideas Limited, a global advisor to Mars, Incorporated, chairman and member of the Consultation Panel of the West Kowloon Cultural District Authority, chairman of the Advisory Board of the California Center Early Learning School, Shanghai and a member of HKUST Business School Advisory Council. Dr Wong holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates by The Chinese University of Hong Kong, The Hong Kong Polytechnic University, the University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada. She is also an Honorary Fellow of the London School of Economics and Political Science.

MA Lai Chee, Gerald

Alternate Director

Ma Lai Chee, Gerald, aged 53, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company since June 2009. He is an executive committee member and general manager of corporate business development department of CK Asset. Mr Ma joined the CK Group in 1996. He is also a non-executive director and member of the Designated Committee of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT, and also a non-executive director and member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT. Mr Ma is also a director of certain subsidiaries of CKHH, a substantial shareholder (within the meaning of the SFO) of the Company. He has over 31 years of management experience in different industries. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors, as notified to the Company, subsequent to the date of the 2020 Interim Report are set out below:

Directors	Details of changes
Fok Kin Ning, Canning	Appointed as Director of Cenovus Energy ⁽¹⁾ on 1 January 2021 Ceased to be: <ul style="list-style-type: none"> - member of the Governance, Remuneration & Nomination Committee of TPG Telecom Limited ⁽²⁾ on 20 August 2020 - member of the Nomination Committee of CKHH ⁽³⁾ and CKI ⁽³⁾ on 26 November 2020 and 1 December 2020 respectively - Chairman of the Nomination Committee of each of the Company, Power Assets ⁽³⁾ and HK Electric Investments Limited ⁽⁴⁾ on 1 December 2020 - Co-Chairman of Husky Energy Inc. ⁽⁵⁾ on 1 January 2021
Lui Dennis Pok Man	Ceased to be member of the Nomination Committee of the Company on 1 December 2020
Woo Chiu Man, Cliff	Ceased to be member of the Nomination Committee of the Company on 1 December 2020
Koo Sing Fai	Ceased to be member of the Nomination Committee of the Company on 1 December 2020
Lai Kai Ming, Dominic	Appointed as member of the Audit & Risk Committee of HTAL ⁽²⁾ on 2 December 2020 Ceased to be member of the Nomination Committee of CKHH and the Company on 26 November 2020 and 1 December 2020 respectively
Edith Shih	Appointed as Chairman of the Process Review Panel for the Financial Reporting Council on 1 January 2021 Ceased to be: <ul style="list-style-type: none"> - member of the Nomination Committee of CKHH, the Company and Hutchison China MediTech Limited ⁽⁶⁾ on 26 November 2020, 1 December 2020 and 11 December 2020 respectively - Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants on 1 January 2021
Ip Yuk Keung	Appointed as: <ul style="list-style-type: none"> - Chairman of the Nomination Committee and member of the Sustainability Committee of Power Assets, both on 1 December 2020 - Chairman of the Board of Governors of WGO on 1 January 2021 Resigned as Independent Non-Executive Director, and ceased to be Chairman of the Audit Committee as well as member of the Remuneration Committee, of TOM ⁽³⁾ on 31 August 2020 Ceased to be Vice Chairman of the Board of Governors of WGO on 1 January 2021
Lan Hong Tsung, David	Appointed as Senior Consultant of Nanyang Commercial Bank (China), Limited ("Nanyang") in September 2020 Ceased to be: <ul style="list-style-type: none"> - consultant to the board of directors of SJM Holdings Limited ⁽³⁾ in June 2020 - Supervisor of Nanyang in September 2020 - member of the Nomination Committee of the Company and CKI on 1 December 2020

Directors	Details of changes
Wong Yick Ming, Rosanna	Appointed as Chairman of the Nomination Committee of CKHH and the Company on 26 November 2020 and 1 December 2020 respectively Ceased to be director of RJJ Ideas Limited on 26 February 2021
Ma Lai Chee, Gerald	Resigned as Vice Chairman and Non-executive Director of Goldin Financial Holdings Limited ⁽³⁾ on 9 October 2020

Notes:

- (1) A company the shares of which are listed on the Toronto Stock Exchange and New York Stock Exchange.
- (2) A company the shares of which are listed on the Australian Securities Exchange.
- (3) A company the shares of which are listed on the Main Board of the Stock Exchange.
- (4) A company the share stapled units of which are listed on the Main Board of the Stock Exchange.
- (5) A company the shares of which were previously listed on the Toronto Stock Exchange.
- (6) A company the shares of which are traded on the AIM market of the London Stock Exchange and in the form of American Depositary Shares on the NASDAQ Global Select Market.

In respect of the change in emoluments of Directors, please refer to note 7(a) to the consolidated financial statements on pages 136 to 137.

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

As at 31 December 2020, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "HTHKH Securities Code") were as follows:

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

Long positions in the shares and underlying shares of the Company

Directors	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 ^(Note)	0.0249%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	0.1888%
Woo Chiu Man, Cliff	Beneficial owner	Personal interest	2,001,333	0.0415%
Koo Sing Fai	Interest of spouse	Family interest	20,000	0.0004%

Note:

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

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

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

Mr Fok Kin Ning, Canning had, as at 31 December 2020, the following interests:

- (i) corporate interests in 6,011,438 ordinary shares, representing approximately 0.15% of the issued voting shares, in CKHH; and
- (ii) 5,100,000 ordinary shares, representing approximately 0.03% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively.

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

Mr Woo Chiu Man, Cliff had, as at 31 December 2020, 8,892 ordinary shares, representing approximately 0.0002% of the issued voting shares, in CKHH, comprising personal interests in 3,420 ordinary shares held in his capacity as a beneficial owner and family interests in 5,472 ordinary shares held by his spouse.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2020, personal interests in 34,200 ordinary shares, representing approximately 0.0008% of the issued voting shares, in CKHH.

Ms Edith Shih had, as at 31 December 2020, the following interests:

- (i) 192,187 ordinary shares, representing approximately 0.0049% of the issued voting shares, in CKHH, comprising personal interests in 187,125 ordinary shares held in her capacity as a beneficial owner and family interests in 5,062 ordinary shares held by her spouse; and
- (ii) personal interests in a nominal amount of US\$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited held in her capacity as a beneficial owner.

Mr Ip Yuk Keung had, as at 31 December 2020, other interests held jointly with another person as follows:

- (i) 100,000 ordinary shares, representing approximately 0.0025% of the issued voting shares, in CKHH;
- (ii) a nominal amount of US\$500,000 in the 5.875% Guaranteed Perpetual Capital Securities issued by OVPH Limited and guaranteed by CKI;
- (iii) a nominal amount of US\$250,000 in the 3.5% Notes due 2027 issued by CK Hutchison International (17) Limited; and
- (iv) a nominal amount of US\$500,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by CK Hutchison Capital Securities (17) Limited.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2020, personal interests in 13,680 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKHH.

Save as disclosed above, as at 31 December 2020, none of the Directors or Chief Executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the HTHKH Securities Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

During the year ended 31 December 2020, the following Directors had interests in certain businesses (apart from the businesses of the Company or its subsidiaries) which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

- Mr Fok Kin Ning, Canning was an executive director of CKHH and a director of certain subsidiaries and an associated company of CKHH which are engaged in telecommunications business.
- Mr Lai Kai Ming, Dominic and Ms Edith Shih were executive directors of CKHH and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications business.
- Mr Lui Dennis Pok Man and Mr Woo Chiu Man, Cliff were directors and/or alternate directors of certain subsidiaries of CKHH which are engaged in telecommunications business.

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

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

Information on Senior Management

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 46, has been Chief Financial Officer of the Group since September 2012. She joined the HWL Group in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 23 years of experience in accounting and finance for corporate and banking sectors.

HO Wai Ming

Chief Executive Officer - Macau

HO Wai Ming, aged 67, has been Chief Executive Officer - Macau of the Group since April 2008. He joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 39 years of experience in telecommunications.

HO Kam Fai, Kelvin

Wireless Network Director

HO Kam Fai, Kelvin, aged 51, has been Wireless Network Director of the Group since January 2021. He joined the Group in August 2012. Mr Ho is responsible for network engineering, operations and service management. He holds a Bachelor of Engineering degree and has more than 28 years of experience in telecommunications.

NG May Yuk, Frances

Director of Corporate & Marketing Communications

NG May Yuk, Frances, aged 60, has been Director of Corporate & Marketing Communications of the Group since August 2020. She joined the Group in July 2009. Ms Ng is responsible for all corporate and marketing communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She holds a Master's degree in Business Administration and has more than 36 years of experience in public relations.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 56, has been Director of Legal Services & Regulatory of the Group since September 2012. He joined the HWL Group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 33 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India.

WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 57, has been HR & Organisational Development Director of the Group since January 2012. He joined the HWL Group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 31 years of experience in human resources management.

Directors' Report

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2020.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 167.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the performance of the Group during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2020, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis" and "Group Capital Resources and Liquidity" on pages 10 to 26.
- "Risk Factors" on pages 27 to 31.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 125 to 132.
- Discussions on the environmental policies and performance of the Group, its compliance with the relevant laws and regulations that have a significant impact on the Group as well as an account of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided in the "Sustainability Report" on pages 72 to 99.
- "Corporate Governance Report" on pages 50 to 71.

All such discussions form part of this report.

Group Profit

The consolidated income statement is set out on page 105 and shows the profit of the Group for the year ended 31 December 2020.

Dividend

An interim dividend of 2.28 HK cents per share for the first half of 2020 was paid to shareholders in early September 2020.

The Directors also recommended the declaration of a final dividend of 5.21 HK cents per share, to be payable on Wednesday, 26 May 2021 to those persons registered as shareholders of the Company at close of business on Friday, 14 May 2021, being the record date for determining shareholders' entitlement to the proposed final dividend.

Reserves

The reserves of the Group and of the Company during the year are set out in notes 30 and 38(a) to the consolidated financial statements respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$2.7 million (2019: HK\$3.7 million).

Directors

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

Chairman and Non-executive Director

Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors

Mr LUI Dennis Pok Man

Mr WOO Chiu Man, Cliff

Executive Director

Mr KOO Sing Fai (*Chief Executive Officer*)

Non-executive Directors

Mr LAI Kai Ming, Dominic (*also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH*)

Ms Edith SHIH

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

Independent Non-executive Directors

Mr IP Yuk Keung

Dr LAN Hong Tsung, David

Dr WONG Yick Ming, Rosanna

In accordance with Article 84 of the Articles of Association, Mr Lui Dennis Pok Man, Mr Koo Sing Fai and Dr Wong Yick Ming, Rosanna will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

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

Directors' Service Contracts

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

Permitted Indemnity Provisions

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place for the Directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the Directors. The relevant provisions in the Articles of Association and the Directors' liability insurance were in force during the financial year ended 31 December 2020 and as of the date of this report.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or a subsidiary, fellow subsidiary or parent company of the Company was a party and in which a person who at any time in 2020 was a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of 2020 or at any time during 2020.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2020.

Continuing Connected Transactions

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

- (a) "CKHH Group" means CKHH and its subsidiaries from time to time (excluding members of the Group) and such other entities in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings of such entities; or (ii) control the composition of a majority of the board of directors of such entities, and the subsidiaries of such other entities;
- (b) "Group Telecommunications Supplies" means telecommunications products and services of the Group, including mobile telecommunications products (including mobile handsets and accessories); mobile telecommunications services (including international direct dialing and roaming services, mobile Wi-Fi and other value-added services); marketing, advertising and promotional services; and such other telecommunications products and services of the Group as may be agreed between the Company and CKHH from time to time;

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

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

As set out in the 2017 Announcement, the caps for the three years ended 31 December 2018, 2019 and 2020 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group are HK\$93 million, HK\$116 million and HK\$140 million respectively; (ii) the purchase of the CKHH Telecommunications Supplies by the Group are HK\$17 million, HK\$19 million and HK\$21 million respectively; and (iii) the purchase of the Business Related Supplies by the Group are HK\$33 million, HK\$43 million and HK\$57 million respectively.

The annual caps of the Continuing Connected Transactions in respect of the year ended 31 December 2020 as stated in the 2017 Announcement and the corresponding aggregate transaction amounts for the year are set out below:

	2020 annual cap (HK\$ million)	Aggregate transaction amount (HK\$ million)
Provision of the Group Telecommunications Supplies by the Group to the CKHH Group	140	20
Purchase of the CKHH Telecommunications Supplies by the Group from the CKHH Group	21	6
Purchase of the Business Related Supplies by the Group from the CKHH Group	57	22

The Master Agreements expired on 31 December 2020, and in anticipation thereof, new master agreements on substantially similar terms were entered into between the Company and CKHH on 28 December 2020. An announcement in respect of the new master agreements was made by the Company on the same date. Details of the transactions under the new master agreements will be reported in the next annual report of the Company in accordance with the Listing Rules.

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2020 and key internal control procedures in respect of the negotiation, review, approval, agreement management, reporting, consolidation and monitoring processes of these transactions, and is of the view that the controls over the Continuing Connected Transactions for 2020 entered into by the Group were overall effective and robust, and such transactions were conducted in accordance with the Master Agreements under fair and reasonable commercial terms. All the Independent Non-executive Directors of the Company, after reviewing the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2020 and the findings provided by the internal audit of the Group, confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

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

Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2020 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions which involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2020 as disclosed in the 2017 Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2020 is contained in note 37 to the consolidated financial statements. All transactions entered into with the CKHH Group (as defined and described in note 37 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from all disclosure requirements, annual review and shareholders' approval under Chapter 14A of the Listing Rules, other than the transactions with the CKHH Group contemplated under the Master Agreements, which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2020.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and Chief Executives of the Company are aware, as at 31 December 2020, other than the interests and short positions of the Directors and Chief Executives of the Company as disclosed in the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Interest of a controlled corporation	23,689,889 ⁽¹⁾)		
	Beneficial owner	3,161,292,951 ⁽²⁾)	3,184,982,840	66.09%
Gensis Lake Limited ("GLL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Dynamic Zamia Limited ("DZL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CK Hutchison Group Telecom Holdings Limited ("CKHGT")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Barusley Limited ("BL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
Askern Peak Limited ("APL")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%
CKHH	Interest of controlled corporations	3,184,982,840 ⁽¹⁾⁽²⁾	3,184,982,840	66.09%

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

Long positions in the shares of the Company

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	153,280 ⁽³⁾)	404,132,779	8.38%
	Interest of controlled corporations	403,979,499 ⁽⁴⁾⁽⁵⁾⁽⁶⁾)		
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	153,280 ⁽³⁾)	353,638,029	7.33%
	Interest of controlled corporations	353,292,749 ⁽⁴⁾⁽⁵⁾⁽⁷⁾)		
	Interest of child	192,000 ⁽⁸⁾)		
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 ⁽⁵⁾	350,527,953	7.27%

Notes:

- (1) Cheung Kong Enterprises Limited ("Cheung Kong Enterprises", a direct wholly-owned subsidiary of HTIHL) holds 23,689,889 shares of the Company. By virtue of the SFO, HTIHL was deemed to be interested in the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (2) HTIHL is a direct wholly-owned subsidiary of GLL. GLL in turn is a direct wholly-owned subsidiary of DZL. DZL in turn is a direct wholly-owned subsidiary of CKHGT. CKHGT in turn is a direct wholly-owned subsidiary of BL. BL in turn is a direct wholly-owned subsidiary of APL. APL in turn is a direct wholly-owned subsidiary of CKHGI. CKHGI in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, each of CKHH, CKHGI, APL, BL, CKHGT, DZL and GLL was deemed to be interested in the 3,161,292,951 shares of the Company held by HTIHL and the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (3) Mr Li Ka-shing is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 shares of the Company.

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

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

- (4) Among those shares, 245,546 shares are held by Li Ka Shing (Global) Foundation ("LKSGF"). By virtue of the terms of the constituent documents of LKSGF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.
- (5) Among those shares, 350,527,953 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.
- (6) Among those shares, 53,206,000 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (7) Among those shares, 2,519,250 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.
- (8) Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 31 December 2020, there was no other person (other than the Directors and Chief Executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme expired on 20 May 2019 and there are no outstanding share options under the scheme. The Group has no other share option scheme.

Equity-linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or were subsisted at the end of the year or at any time during the year.

Pre-emptive Rights

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

Share Capital

Details of the shares movement during the year are set out in note 29 to the consolidated financial statements on page 154.

Purchase, Sale or Redemption of Listed Securities

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

Major Customers and Suppliers

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

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

	Percentage of total purchases of the Group
The largest supplier	42%
Five largest suppliers combined	65%

As at 31 December 2020, none of the Directors, their close associates or any shareholders (which to the knowledge of Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers of the Group.

Public Float

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

Auditor

The financial statements for the year ended 31 December 2020 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2021 annual general meeting.

By Order of the Board

Edith SHIH

Non-executive Director and Company Secretary

Hong Kong, 26 February 2021

Corporate Governance Report

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

The Company has complied throughout the year ended 31 December 2020 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, other than those in respect of the composition of the Nomination Committee prior to 1 December 2020 as explained below in this report. Since 1 December 2020, the Nomination Committee comprising a majority of Independent Non-executive Directors and chaired by an Independent Non-executive Director has been in full compliance with the code provisions of the CG Code.

The Board

Corporate strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for all its stakeholders. Please refer to the Chairman's Statement, and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objectives of the Group.

Role of the Board

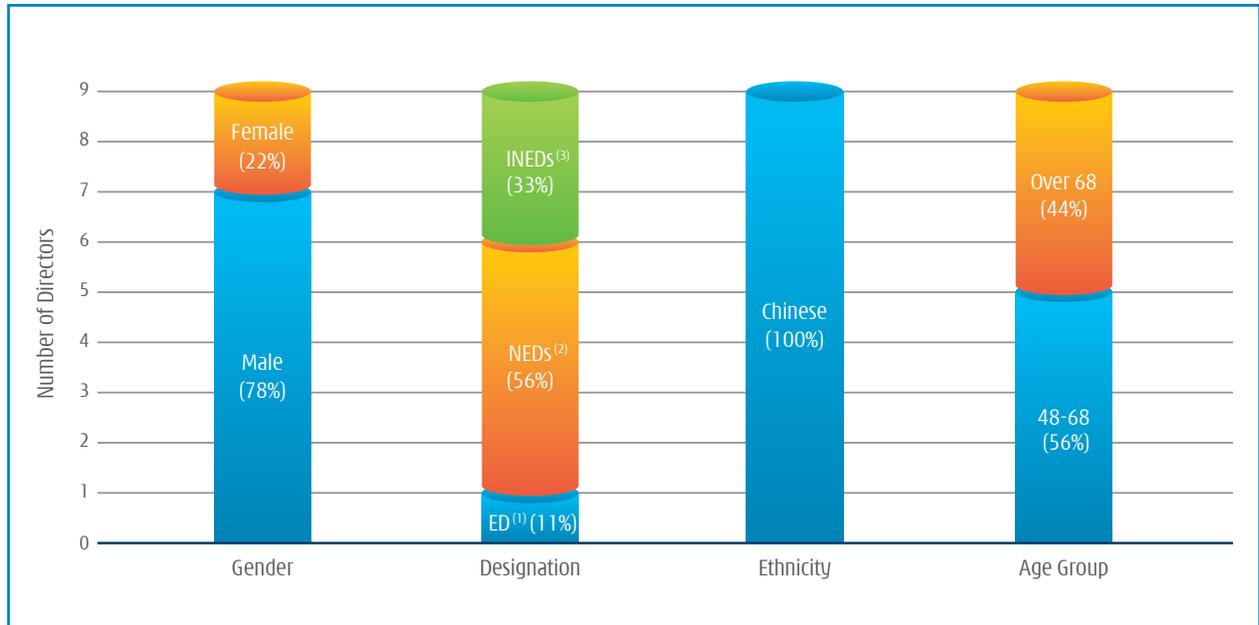
The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. Directors are charged with the task of promoting the long-term success of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

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

Board composition

The Board currently comprises nine Directors, including the Chairman (Non-executive), two Co-Deputy Chairmen (Non-executive), an Executive Director and Chief Executive Officer, two Non-executive Directors and three Independent Non-executive Directors. Throughout 2020, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules. Information regarding the Board composition during 2020 are set out in the section "Directors' Report" on pages 41 to 49.

The following chart shows the diversity profile of the Board as at 31 December 2020:



Notes:

- (1) ED: Executive Director
- (2) NED: Non-executive Director
- (3) INED: Independent Non-executive Director

Biographical details of the Directors are set out in the “Information on Directors” section on pages 32 to 39 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and HKEx (www.hkexnews.hk).

Chairman, Co-Deputy Chairmen and Chief Executive Officer

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

The Chairman, assisted by the Co-Deputy Chairmen, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the affairs of the Board so as to contribute to the effective functioning of the Board. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of group policies and assuming full accountability to the Board for all group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for overseeing and delivering operational performance of the Group.

Working with the Chief Financial Officer and the executive management team of the Company, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer ensures that the funding requirements of the businesses are met and monitors the operating and financial performance of the businesses against plans and budgets. He maintains an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, he is also responsible for building and maintaining an effective executive management team to support him in his role.

Board process

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

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

The Company held four Board meetings in 2020 with overall attendance of 100%. All Directors attended the annual general meeting of the Company held on 12 May 2020. The attendance record is set out below:

Directors	Board meetings attended/ Eligible to attend	Attendance at 2020 AGM
Chairman and Non-executive Director		
Fok Kin Ning, Canning	4/4	√
Co-Deputy Chairmen and Non-executive Directors		
Lui Dennis Pok Man	4/4	√
Woo Chiu Man, Cliff	4/4	√
Executive Director		
Koo Sing Fai (<i>Chief Executive Officer</i>)	4/4	√
Non-executive Directors		
Lai Kai Ming, Dominic	4/4	√
Edith Shih	4/4	√
Independent Non-executive Directors		
Ip Yuk Keung	4/4	√
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

In addition to Board meetings, in 2020 the Chairman held monthly meetings with the Executive Director and senior management team and also met with Independent Non-executive Directors twice without the presence of other Directors. Such meetings provide an effective forum for the Chairman to listen to the views of the Independent Non-executive Directors on issues including corporate governance improvement, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and Management.

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

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

Training and commitment

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

The Company arranges and provides Continuous Professional Development (“CPD”) training such as seminars, webcasts and relevant reading materials to Directors to help them keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, CPD may take the form of attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics. CPD training of approximately 33 hours had been provided to Directors during the year.

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary and are made available for regular review by the Audit Committee. Based on the details so provided, the CPD training undertaken by the Directors in 2020 is summarised as follows, representing an average of approximately 20 hours undertaken by each Director during the year.

Directors	Areas			
	Legal and Regulatory	Corporate Governance/ Sustainability Practices	Financial Reporting/ Risk Management	Businesses of the Group/ Directors' Duties
Chairman and Non-executive Director				
Fok Kin Ning, Canning	√	√	√	√
Co-Deputy Chairmen and Non-executive Directors				
Lui Dennis Pok Man	√	√	√	√
Woo Chiu Man, Cliff	√	√	√	√
Executive Director				
Koo Sing Fai (<i>Chief Executive Officer</i>)	√	√	√	√
Non-executive Directors				
Lai Kai Ming, Dominic	√	√	√	√
Edith Shih	√	√	√	√
Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic)	√	√	√	√
Independent Non-executive Directors				
Ip Yuk Keung	√	√	√	√
Lan Hong Tsung, David	√	√	√	√
Wong Yick Ming, Rosanna	√	√	√	√

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

Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the “HTHKH Securities Code”) regulating Directors’ dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement before any dealing. Any clearance to deal granted in response to a Director’s request would be valid for no longer than five business days of clearance being received. After dealings, the Director must submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the SFO.

In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout their tenure during the year ended 31 December 2020.

Board Committees

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

Company Secretary

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

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

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

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

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

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

Accountability and Audit

Financial reporting

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

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with but distinguished from, the independent auditor's report on pages 100 to 104 which acknowledges the reporting responsibility of the auditor of the Group.

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

Audit Committee

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

The Audit Committee held four meetings in 2020 with 100% attendance.

Members	Attended/Eligible to attend
Ip Yuk Keung (<i>Chairman</i>)	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the interim and annual results, and interim and annual financial statements of the Group, reviewing the risk management and internal control systems of the Group as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements; and review the scope, extent and effectiveness of the activities of internal audit. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2020, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The following paragraphs set out a summary of the work performed by the Audit Committee during 2020 and 2021 (up to the date of this report).

During 2020 and 2021 (up to the date of this report), the Audit Committee met with the Chief Financial Officer and other senior management of the Group to review the interim and final results, the interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PwC, to ensure that the 2019 and 2020 consolidated financial statements of the Group were prepared in accordance with IFRS and comply with the applicable disclosure requirements of the Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2020 and one time during 2021 (up to the date of this report) with the external auditor to consider the reports of the external auditor on the scope, strategy, progress and outcome of its independent review of the 2020 interim financial report and annual audit of the 2019 and 2020 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, in 2020, the Audit Committee also reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the Risk Management Report, the composite risk register, risk heat map as well as the Management presentations on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed the adequacy of resources, qualifications and experience of staff in the accounting, financial reporting and internal audit functions of the Group, as well as their training programmes and budgets.

In addition, the Audit Committee reviewed, in conjunction with the internal auditor of the Group, the 2020 work plan and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal control systems in the business operations of the Group. Further, it considered the reports from the Company Secretary on the material litigation proceedings and compliance status of the Group on legal and regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. During 2020, the Audit Committee also received periodic presentations on, and reviewed, the compliance status of the Group with respect to the CG Code as well as other corporate governance topics including the Group's policies and practices in compliance with legal and regulatory requirements, and ensured that any deviation from the CG Code was properly explained and disclosed in this report. It has also received reports on training and continuous professional development of the Directors.

External auditor

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

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

- Audit services - include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, such as audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed, to undertake in its capacity as auditor.
- Taxation related services - include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services - include, amongst others, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial system consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services - the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 8 to the consolidated financial statements. For the year ended 31 December 2020, PwC fees, amounting to approximately HK\$6 million were primarily for audit services and those for non-audit services amounted to approximately HK\$0.7 million (including regulatory reporting requirements, tax compliance, and risk management diagnostics and assessments), representing approximately 10% of the total PwC fees (audit and non-audit).

Audit Report on the annual financial statements

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PwC in accordance with International Standards on Auditing issued by the International Accounting Standards Board. The unqualified auditor's report is set out on pages 100 to 104. The consolidated financial statements of the Group for the year ended 31 December 2020 have also been reviewed by the Audit Committee.

Risk Management, Internal Control and Legal & Regulatory Compliance

Board oversight

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

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

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfilment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Non-executive Director and Company Secretary, comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. During the year, the Company reviewed the key risk areas facing the Group in light of the current data privacy, antitrust and competition law regimes. Practical trainings, internal control measures, guidelines and policies tailor-made for key business units were introduced to strengthen the compliance programme of the Group in these areas.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the composition of the Nomination Committee prior to 1 December 2020 as explained in this report.

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

Risk management

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

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

In terms of formal risk review and reporting, the Company adopts a "top-down and bottom-up" approach, involving input from each major business unit as well as discussions and reviews by the Executive Director and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each major business unit is responsible for formally identifying the significant risks its business faces, measuring them against a defined set of criteria, and considering likelihood of occurrence and potential impact on the business, whilst the Executive Director provides input after taking a holistic assessment of all the significant risks that the Group faces. In 2020, the Group levelled up the assessment of material sustainability risks to ensure that the risks are being appropriately managed (please refer to the "Sustainability Report" in this Annual Report for more details). Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

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

Pages 27 to 31 of this report provide a description of the risk factors of the Group which could affect the financial condition or results of operations of the Group that differ materially from expected or historical results.

Internal control environment

Group structures covering all subsidiaries and a joint venture are maintained and updated on a timely and regular basis. Directors are appointed to the boards of all material operating subsidiaries for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team is accountable for the conduct and performance of the business of the Group within the agreed strategies. The Executive Director monitors the performance and reviews the risk profiles of the companies within the Group on an on-going basis.

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

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

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

The Group maintains a centralised cash management system for its subsidiary operations. The finance department of the Group oversees the investment and lending activities of the Group and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on cash and liquid investments, borrowings and movements thereof are distributed to Management weekly.

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

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

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

Legal and regulatory compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The legal department has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management on legal and commercial issues of concern. In addition, the legal department is responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations, and preparing and submitting response or filings with relevant regulatory and/or government authorities on regulatory issues and consultations. The legal department also prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group.

The legal department reports to the group legal department of the holding company of the Group on all material legal, regulatory and corporate secretarial matters. It determines and approves in conjunction with the group legal department of the holding company of the Group the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, the legal department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the legal and corporate secretarial teams.

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

Governance policies

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

Key governance policies and guidelines of the Group which were updated in 2020 include:

Code of Ethics

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

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

In line with the commitment to achieve and maintain high standard of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control, which is posted on the website of the Company. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Company will extend to them in the formal system, including anonymity and legal protection against unfair dismissal or victimisation for any genuine reports made.

Anti-Fraud and Anti-Bribery Policy

In all its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Fraud and Anti-Bribery Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and promptly to seek guidance where necessary. Each business unit is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the Chief Financial Officer and the internal audit for independent analyses and necessary follow up (see pages 86 to 87 of this Annual Report for more details).

Policy on Appointment of Third Party Representatives

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

Media, Public Engagement and Donation Policy

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

Shareholders Communication Policy

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

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

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and communication of information for stated purpose and on a need to know basis only. Whilst all employees are absolutely prohibited at all times from dealing in the securities of the Company when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from the designated members of the Board prior to any dealing in any securities of the Company is allowed). Further, certain staff members of the finance department are subject to a 60-day blackout period prior to the release of the Company's annual results and a 30-day blackout period prior to the release of interim results.

Policy on Personal Data Privacy Compliance

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

Information Security Policy

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

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

Board Diversity Policy and Director Nomination Policy

The two Board policies, Board Diversity Policy and Director Nomination Policy were adopted by the Board in August 2013 and January 2019 respectively and were further updated in December 2020. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on pages 65 to 67 of this report.

Internal audit

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

Internal audit is responsible for assessing the risk management and internal control systems of the Group, including reviewing the continuing connected transactions of the Company (refer to pages 43 to 45 of this report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the Executive Director and the executive management team concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

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

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

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2020 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting, internal audit and financial reporting function of the Group, and their training programmes and budget.

Nomination of Directors

Nomination Committee

The current Nomination Committee is chaired by Dr Wong, Independent Non-executive Director, with Chairman Mr Fok and Independent Non-executive Director Mr Ip as members, is in full compliance with the code provisions of the CG Code. Prior to 1 December 2020, the Nomination Committee comprised all Directors as members with ad hoc sub-committee comprising a majority of Independent Non-executive Directors in compliance with the code provision requirements under the CG Code for a nomination committee, established to facilitate the selection and nomination process.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of members of the Board against its needs and make recommendation on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It identifies suitable director candidates and selects or makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules, reviews the Director Nomination Policy and the Board Diversity Policy periodically and makes recommendation on any proposed revisions to the Board.

Nomination process

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

Board candidates are selected based on merit and the contribution such candidate can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board.

In the determination of the suitability of a candidate, the Nomination Committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to the general meeting at which such Directors are to be proposed for re-election, in accordance with the Listing Rules.

Shareholders of the Company may also nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association and applicable laws and regulations. The procedures for such proposal are posted on the website of the Company.

The Nomination Committee held one meeting in 2020 with 100% attendance.

Members	Attended/Eligible to attend
Wong Yick Ming, Rosanna (<i>Chairman</i>) ⁽¹⁾	1/1
Fok Kin Ning, Canning ⁽²⁾	1/1
Lui Dennis Pok Man ⁽³⁾	1/1
Woo Chiu Man, Cliff ⁽³⁾	1/1
Koo Sing Fai ⁽³⁾	1/1
Lai Kai Ming, Dominic ⁽³⁾	1/1
Edith Shih ⁽³⁾	1/1
Ip Yuk Keung	1/1
Lan Hong Tsung, David ⁽³⁾	1/1

Notes:

- (1) Appointed as Chairman on 1 December 2020.
- (2) Ceased to be Chairman on 1 December 2020.
- (3) Ceased to be member on 1 December 2020.

During 2020, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors.

The Nomination Committee also assessed the independence of all the Independent Non-executive Directors and considered all of them to be independent having regard to the annual independence confirmation provided by the Independent Non-executive Directors, the assessment of the Nomination Committee of their independence with reference to the independence criteria set out in Rule 3.13 of the Listing Rules, and in particular, considered that the Independent Non-executive Directors continue to provide a balanced and independent view to the Board and play a leading role in the Board Committees and bring independent and external dimension as well as constructive and informed comments on issues of the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct. None of the Independent Non-executive Directors have any involvement in the daily management of the Company, or any financial or other interests or relationships in the business of the Company. In addition, there are no circumstance which would materially interfere with their exercise of independent judgement.

Dr Lan and Dr Wong, who have served on the Board for more than nine years, continue to bring in fresh perspectives, objective insights and independent judgement to the Board as well as the Board Committees. There is no evidence that their tenure of over nine years has compromised or would compromise their continued independence.

In connection with the re-election of Directors at the 2020 annual general meeting, a sub-committee of the Nomination Committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Ip and Dr Wong, was established to facilitate the Nomination Committee in the nomination process described above (including the assessment of the independence of the retiring Independent Non-executive Directors).

In February 2021, the Nomination Committee reviewed again the structure, size and composition of the Board and affirmed the independence of the Independent Non-executive Directors. It also facilitated the nomination process described above to deliberate and select the Directors for retirement and re-election at the 2021 annual general meeting and recommended to the Board for consideration.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments.

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

The Remuneration Committee held one meeting in 2020 with 100% attendance.

Members	Attended/Eligible to attend
Lan Hong Tsung, David (<i>Chairman</i>)	1/1
Fok Kin Ning, Canning	1/1
Ip Yuk Keung	1/1

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

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2021 director's fees for the Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Remuneration Committee reviewed and approved the year end bonus and 2021 remuneration package of the Executive Director and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration.

Remuneration policy

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

2020 remuneration

Directors' emoluments comprise payments to Directors by the Group. The emoluments of each of the Directors exclude amounts received from a subsidiary of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. Details of emoluments paid to each Director in 2020 are set out below:

Directors	Director's fees HK \$million	Basic salaries, allowances and benefits-in-kind ⁽⁸⁾ HK\$ million	Bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Fok Kin Ning, Canning ⁽¹⁾⁽²⁾⁽³⁾	0.09	-	-	-	-	0.09
Lui Dennis Pok Man ⁽¹⁾	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff ⁽¹⁾	0.07	-	-	-	-	0.07
Koo Sing Fai ⁽⁴⁾⁽⁵⁾	0.08	2.95	1.95	0.22	-	5.20
Lai Kai Ming, Dominic ⁽¹⁾⁽⁵⁾	0.07	-	-	-	-	0.07
Edith Shih ⁽¹⁾⁽⁴⁾	0.08	-	-	-	-	0.08
Ip Yuk Keung ⁽²⁾⁽³⁾⁽⁶⁾⁽⁷⁾	0.16	-	-	-	-	0.16
Lan Hong Tsung, David ⁽²⁾⁽⁶⁾⁽⁷⁾	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna ⁽³⁾⁽⁴⁾⁽⁶⁾⁽⁷⁾	0.15	-	-	-	-	0.15
Total	0.93	2.95	1.95	0.22	-	6.05

Notes:

- (1) Non-executive Director.
- (2) Member of the Remuneration Committee.
- (3) Member of the Nomination Committee. All Directors were members of the Nomination Committee until 30 November 2020. Following the change of composition of the Nomination Committee on 1 December 2020, the Committee comprises Dr Wong Yick Ming, Rosanna (chairman of the Nomination Committee), Mr Fok Kin Ning, Canning and Mr Ip Yuk Keung.
- (4) Member of the Sustainability Committee.
- (5) Directors' fees received by these Directors from a subsidiary of the Group during the period they served as directors that have been paid to the Company or an intermediate holding company of the Company are not included in the amounts above.
- (6) Independent Non-executive Director.
- (7) Member of the Audit Committee.
- (8) Benefits-in-kind included insurance and transportation.

The remuneration paid to the members of senior management by bands in 2020 is set out below:

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

Relationship with Shareholders and Other Stakeholders

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

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

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

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

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

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

The latest shareholders' meeting of the Company was the 2020 annual general meeting (the "AGM"), which was held on 12 May 2020 at Harbour Grand Kowloon, and attended by all Directors and its external auditor. The respective chairmen of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee were all present. Directors are requested and encouraged to attend shareholders' meetings.

Separate resolutions were proposed at the AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 12 May 2020 are set out below:

Resolutions proposed at the AGM	Percentage of votes
Ordinary Resolutions	
1 Adoption of the audited financial statements together with the report of the Directors and the report of the Independent Auditor for the year ended 31 December 2019	100%
2 Declaration of a final dividend	99.82%
3(a) Re-election of Mr WOO Chiu Man, Cliff as a Director	98.29%
3(b) Re-election of Mr LAI Kai Ming, Dominic as a Director	98.29%
3(c) Re-election of Mr IP Yuk Keung as a Director	98.57%
3(d) Re-election of Dr LAN Hong Tsung, David as a Director	98.50%
3(e) Authorisation of the board of directors to fix the Directors' remuneration	99.80%
4 Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the board of directors to fix the Auditor's remuneration	99.82%
5 Granting of a general mandate to the directors to issue new shares of the Company	99.29%
6 Granting of a general mandate to the directors to repurchase shares of the Company	99.73%
Special Resolution	
7 Approval of the amendments to the Articles of Association of the Company	99.89%

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

At the AGM, a special resolution was passed to amend the Articles of Association of the Company in order to provide flexibility to the Company on the conduct of general meetings in the form of hybrid meetings at which shareholders may participate by means of electronic facilities in addition to physical attendance. The amendments also explicitly set out other related powers of the Board and chairman of the meeting, including ensuring the security and orderly conduct of meetings. Other minor amendments to the Articles of Association were also made to introduce corresponding as well as house-keeping changes.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this report. This includes, among others, dates for key corporate events for 2021 and public float capitalisation as at 31 December 2020.

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

Sustainability

Sustainability governance & approaches

The key sustainability mission of the Group is to create long-term value for all stakeholders by aligning its corporate social responsibility and sustainability objectives to the strategic development of its businesses. The Group is committed to contributing to sustainable living by providing connectivity and innovative services to its customers, while building trust with all stakeholders by behaving ethically and responsibly. Its sustainability governance structure is embedded at all levels of the Group to provide a solid foundation for developing and delivering on its commitment to sustainability.

The Sustainability Committee, chaired by Ms Shih, Non-executive Director and Company Secretary, with Mr Koo, Executive Director and Chief Executive Officer, and Dr Wong, Independent Non-executive Director, as members, was formed as a Board committee during 2020 to strengthen the Company's corporate governance and reporting framework. It advises the Board and Management on and oversees the development and implementation of corporate social responsibility and sustainability initiatives of the Group, including reviewing related policies and practices as well as assessing and making recommendations on matters pertaining to the sustainability governance, strategies, planning and risk management of the Group.

The Sustainability Committee, established in July 2020, held one meeting in 2020 with 100% attendance.

Members	Attended/Eligible to attend
Edith Shih (<i>Chairman</i>)	1/1
Koo Sing Fai	1/1
Wong Yick Ming, Rosanna	1/1

During 2020, the Sustainability Committee reviewed the framework of the sustainability governance of the Company; the forecast sustainability key performance indicators ("KPIs") for the year and future initiatives of the Company, including the sustainability initiatives taken with respect to the employees, customers, community and environment. In February 2021, the Sustainability Committee reviewed the 2020 sustainability KPIs and related activities as well as the 2021 sustainability initiatives of the Company. It also received and recommended the draft 2020 Sustainability Report of the Company to the Board for approval.

In addition to the Sustainability Committee, the Group has adopted a proactive approach to sustainability responsibility and has established the Sustainability Working Group, the Governance Working Group and the Cyber Security Working Group to assist the Sustainability Committee in discharging its duties and to spearhead the sustainability initiatives and activities of the Company.

The Sustainability Report further discusses the sustainability mission and strategies, management approach, progress, material quantitative data, as well as policies and key initiatives of the Group. It is set out on pages 72 to 99 of this Annual Report.

By Order of the Board

Edith SHIH

Non-executive Director and Company Secretary

Hong Kong, 26 February 2021

SMART

LISTINGS



Sustainability Report

LIFE

SMART



The Group is committed to contributing to sustainable living by providing connectivity and innovative services to its customers, while building trust with all stakeholders by behaving ethically and responsibly.

Sustainability Report



Hutchison Telecommunications Hong Kong Holdings Limited (the “Company” or “HTHKH”) and its subsidiaries (collectively the “Group”) present the following Sustainability Report (the “Report”) for 2020.

The Group is committed to innovation and leading-edge mobile telecommunications technology to provide superb mobile experiences for its customers. Operating under the 3Supreme, **3**, **MO** and **MO+** brands, the Group offers diverse mobile telecommunications and data solutions that create new digital value and unprecedented opportunities to consumers and businesses in the ever-changing digital landscape. The Group’s collaborative approach combined with its supreme network and advanced technology, such as artificial intelligence, Internet of Things (“IoT”) and big data, enables the delivery of seamless and agile solutions that align perfectly with customer needs.

The key sustainability mission of the Group is to create long-term value for all stakeholders by aligning its corporate social responsibility (“CSR”) and sustainability objectives of the Group to the strategic development of its businesses. The Group is committed to contributing to sustainable living by providing connectivity and innovative services to its customers, while building trust with all stakeholders by behaving ethically and responsibly.

Reporting Period

This Report provides an overview of the sustainability mission and strategies, management approach, progress, material quantitative data, as well as policies and key initiatives of the Group covering the year from 1 January 2020 to 31 December 2020.

Report Boundary

The information disclosed in this Report covers the mobile telecommunications businesses of the Group in Hong Kong and Macau.

Reporting Framework

This Report is prepared in accordance with the “Comply or Explain” provisions of the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

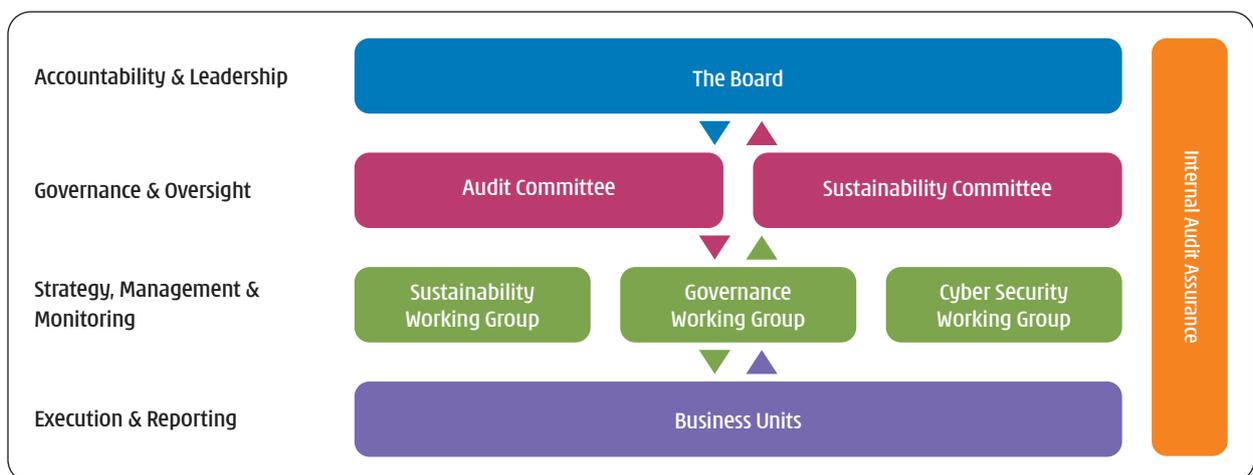
This Report should be read in conjunction with other sections in this Annual Report that contains a comprehensive review of the financial performance and corporate governance as well as the key policies of the Group which are published on HTHKH’s website.

Feedback

The Group values feedback from all stakeholders and endeavours to address their concerns. The Group welcomes feedback on this Report, its approach to sustainability and performance. Please share your views or recommendations via email at ir@hthkh.com.

1. Sustainability Governance

The sustainability governance structure of the Group provides a solid foundation for developing and delivering on its commitment to sustainability. It is embedded at all levels of the Group, including the Board, the Sustainability Committee, the Audit Committee, the Working Groups and Business Units. This governance structure guides the Group in implementing sustainability strategies, managing goals, setting targets and reporting processes, strengthening relationships with stakeholders, and ensuring accountability across its businesses.



A suite of foundational policies, including the CSR Policy, serves as the ultimate guiding principles for sustainability practices within Group. They are critical in translating the Group's values into actions, reinforcing the Group's commitments to business integrity, people, environment and the community in which it operates.

The sustainability governance of the Group is bolstered by the bi-annual self assessment review across the business units. Together with internal audit assurance, they serve as an important tool for the Group to manage its enterprise and process risks as well as to ensure statutory and regulatory compliance including sustainability-related reporting, in order to provide reasonable assurance to the Board, via the Sustainability Committee and the Audit Committee, on an ongoing basis. For more information, please refer to Section 2. Approach to Sustainability.

1.1. The Board

The Board has ultimate accountability for the sustainability strategy, management, performance and reporting of the Group through the support of the Sustainability Committee and the Audit Committee. The Board examines and approves the sustainability objectives, strategies, priorities, initiatives and goals, as well as related significant policies and framework of the Group that support their achievement.

The Sustainability Committee and the Audit Committee report to the Board on sustainability risks and opportunities, which the Board periodically examines and reviews with the committees, and their impact on business strategies, including new investments.

1.2. Sustainability Committee

This year, the Group enhanced its efforts to strengthen sustainability reporting by expanding and prioritising activities and initiatives on sustainability. One notable effort was the formation of the Sustainability Committee as a Board committee. The Sustainability Committee is chaired by Ms Edith Shih, a Non-executive Director and the Company Secretary, and comprises two other Board members. The Sustainability Committee advises the Board and management on and oversees the development and implementation of the CSR and sustainability initiatives of the Group, including reviewing related policies and practices as well as assessing and making recommendations on matters pertaining to the sustainability governance, strategies, planning and risk management of the Group. The Sustainability Committee holds meeting at least twice a year.

Key responsibilities of the Sustainability Committee include:

- Proposing and recommending to the Board on the CSR and sustainability objectives, strategies, priorities, initiatives and goals of the Group;
- Overseeing, reviewing and evaluating actions taken by the Group in pursuit of CSR and sustainability priorities and goals. These actions include coordinating with business units and ensuring that operations and practices are complied with relevant priorities and goals;
- Reviewing and reporting to the Board on sustainability risks and opportunities;
- Monitoring and reviewing emerging CSR and sustainability issues, as well as trends that could impact the business operations and performance of the Group;

- Overseeing and reviewing the CSR and sustainability-related policies, practices, frameworks and management approach of the Group, and to recommend improvements;
- Overseeing the impact of the CSR and sustainability initiatives of the Group on its stakeholders, including employees, shareholders, local communities and the environment;
- Reviewing and advising the Board on the public communications, disclosures and publications of the Group (including this Report) with regards to its CSR and sustainability performance; and
- Performing other functions related or incidental to the foregoing which the Committee deems appropriate.

For more information, please refer to the Terms of Reference [↗](#) of the Sustainability Committee.

Sustainability-related Expertise of Members of the Sustainability Committee

Ms Edith Shih (Chairman)

- Over three decades of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields
- Holds key roles in numerous committees and panels of public, regulatory and professional bodies which focus on governance, compliance and sustainability
- Chairman of the Process Review Panel for the Financial Reporting Council
- Immediate past International President and current member of the Executive Committee of The Chartered Governance Institute and a past President of The Hong Kong Institute of Chartered Secretaries
- Immediate past Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants
- A member of the Council and Executive Committee, and Chairman of the General Management Committee of The Hong Kong Management Association
- A member of the Council and Human Resources Committee of the Hong Kong University of Science and Technology and a trustee of Teachers College, Columbia University
- Vice-chairman of the Executive Committee of Helping Hand (charity for the elderly)

Mr Koo Sing Fai

- A member of the Hong Kong General Chamber of Commerce, The Hong Kong Management Association, The Employer's Federation of Hong Kong and Hong Kong Institute of Directors
- A member of telecom-industry related bodies such as the Communications Association of Hong Kong and the Hong Kong Wireless Technology Industry Association
- A member of the Hong Kong Tourism Board – Quality Tourism Services and Quality Tourism Service Association
- Mentor of Alibaba Entrepreneurs Fund
- Past speaker of a number of entrepreneurship, development and sustainability events including the Digital Transformation Series (Hong Kong) and the Hong Kong Economic Summit
- Past panellist and moderator of Jumpstarter 2019 Global Pitch Competition
- Chairman of the Windpipe Chinese Music Council
- Deputy President of the Art Troupe of The Federation of HK Guangxi Organisation
- Vice President of the Hong Kong Chinese Instrumental Music Association

Dr Wong Yick Ming, Rosanna

- Over four decades of experience in the non-profit arena and in public service
- Chairman of Asia International School Limited
- Senior Advisor to The Hong Kong Federation of Youth Groups
- A member of the 13th session of the National Committee of the Chinese People's Political Consultative Conference
- A steward of The Hong Kong Jockey Club
- Honorary Chairman of World Vision Hong Kong
- A member of the Board of Governors of Our Hong Kong Foundation
- A former member of the Executive and Legislative Councils of the Government of Hong Kong

1.3. Audit Committee

The Audit Committee maintains oversight of the effectiveness of the financial reporting, risk management and internal control systems of the Group. It is also responsible for reviewing the corporate governance policies and practices of the Group, including compliance with legal and regulatory requirements.

For more information, please refer to the Terms of Reference [🔗](#) of the Audit Committee and the Company's Corporate Governance Report on pages 50 to 71.

1.4. Sustainability Working Group

The Sustainability Working Group is co-chaired by the Chief Executive Officer and the Chief Financial Officer, and comprises senior executives from business units linked to sustainability topics which are deemed material to the Group. This broad-based involvement ensures that the wider interests of the Group in the development of sustainability strategies are adequately represented.

The Sustainability Working Group assists the Sustainability Committee in discharging its responsibilities, including but not limited to:

- Coordinating and directing the execution of the CSR and sustainability objectives, strategies, priorities, initiatives and goals of the Group;
- Establishing the CSR and sustainability-related policies of the Group, maintaining their relevance in line with the mandates and regulatory requirements of the Group, and monitoring their implementation;
- Communicating the CSR and sustainability initiatives of the Group and facilitating cross-function sharing of good sustainability practices;
- Engaging key external stakeholders on emerging CSR and sustainability issues and trends that could impact the operations and performance of the Group;
- Reviewing material sustainability risks and opportunities of the business and assessing whether they are appropriately managed (including goal and target setting) in line with the relevant priorities of the Group;
- Monitoring sustainability performance data of the business against defined goals and targets;
- Reporting to the Sustainability Committee on material sustainability issues, risks and opportunities as well as performance progress of the Group; and
- Ensuring the sustainability disclosure and publications are fair, consistent, accurate and meaningful.

Sustainability Working Group Members



1.5. Governance Working Group

The Governance Working Group is chaired by a Non-executive Director and comprises representatives from various business functions of the Group. The Governance Working Group assists the Audit Committee and Sustainability Committee on governance tasks by providing timely reviews and updates, identifying emerging matters on compliance, and establishing appropriate compliance policies and procedures for adoption.

On a quarterly basis, the Governance Working Group presents to the Audit Committee an overall corporate governance compliance review, providing updates on key compliance matters during the review period. The review includes a report on compliance status with respect to the Corporate Governance Code under the Listing Rules, a report on regulatory compliance and material legal matters, continuous professional development training undertaken by directors, as well as updates on governance policies and procedures.

1.6. Cyber Security Working Group

The Cyber Security Working Group, chaired by the Chief Financial Officer, comprises relevant technical specialists from the Information Technology department and the Business Assurance & Compliance function. It oversees the cyber security defences of the Group to ensure that its efforts in this area are effective, coherent and well-coordinated.

Key responsibilities include:

- Monitoring the cyber threat landscape to gain insights into emerging and existing attack activities and their implications;
- Setting the cyber defence strategies, priorities and plans of the Group;
- Overseeing the cyber security risks of the Group to ensure that they are appropriately managed and in line with the strategies and priorities of the Group;

- Proactively performing preventative measures to safeguard company assets;
- Establishing relevant policies, procedures and guidelines for adoption; and
- Defining key performance metrics for ongoing monitoring and improvement.

1.7. Business Units

The everyday implementation of the sustainability approach of the Group relies on the support of its business units.

Key responsibilities include:

- Implementing business-specific policies and programmes to support the CSR and sustainability objectives, strategies, priorities, initiatives and goals of the Group;
- Integrating CSR and sustainability considerations into business and investment decision-making processes;
- Carrying out CSR and sustainability risk and control management activities, where material issues or risks are identified, assessed and mitigated;
- Setting business-specific goals and targets;
- Evaluating actual performance against defined goals and targets, and continuously improving sustainability performance by applying additional measures, such as new technology;
- Responding promptly to material CSR and sustainability issues;
- Reporting to the working groups with respect to CSR and sustainability target performance and self-assessment results on the effectiveness of risk management and internal control systems in place; and
- Actively exploring opportunities from the sustainability perspective for customers.

1.8. Internal Audit

The internal audit function reports directly to the Audit Committee and provides independent assurance as to the existence and the effectiveness of risk management activities and internal controls systems in the business operations of the Group.

Key responsibilities include:

- Performing independent reviews of the Group's reporting and self-assessment on sustainability risks and controls;
- Conducting regular audits (including sustainability and corporate governance-related topics) and providing recommendations for continuous improvement;
- Following up and investigating material breaches of the Code of Ethics (fraud-related) of the Group; and
- Reporting to the Audit Committee and Sustainability Committee regarding the effectiveness of the risk management and internal control systems of the Group.

For more information on the internal audit function, please refer to the Company's Corporate Governance Report on pages 50 to 71.

2. Approach to Sustainability

As one of the leading mobile telecommunications operators in Hong Kong and Macau, the Group is committed not only to its shareholders, but also to a wide range of stakeholders including employees, customers, suppliers, creditors, regulators and the communities. Taking a proactive approach to sustainability is a core part of the Group's values and is displayed on multiple fronts of its corporate strategies. Sustainability is an integral element in maintaining the Group's position as a responsible mobile telecommunications operator and in safeguarding the well-being and prosperity of the communities in which it operates.

2.1. CSR Pillars and Policies

The overall sustainability approach and priorities of the Group are built on four pillars: Business, People, Environment and Community. Each pillar is supported by the corresponding Group policies, leadership, and the collective efforts of the entire business. These four pillars guide the Group in setting the overall direction of its sustainability strategies for implementation across its businesses. The Group has policies, procedures and guidelines in place to support management in addressing material sustainability issues across the Group, as described in this Report.



Business

- Sustainable Business
- Long-term Return
- Compliance

- Integrity
- Fair Business Practices
- Good Corporate Governance



People

- Business Ethics and Conduct
- Anti-discrimination
- Diversity

- Professional Development
- Health and Safety
- Staff Remuneration and Recognition



Environment

- Environmental Compliance
- Target Setting
- Environmental Management
- Minimising Environmental Impact

- Environmentally-friendly Products and Processes
- Supporting Conservation and Environmental Protection



Community

- Employee Volunteerism
- Education
- Medical
- Health

- Elderly Care
- Arts and Culture
- Sports
- Disaster Relief

The table below highlights relevant policies and procedures in place to support execution of the priorities of the Group under each pillar:

 Business		
Pillars	Priorities	Policies
<ul style="list-style-type: none"> Enhancing long-term return for its shareholders. Focusing on sustainable development of the businesses and communities in which it operates. Complying with all relevant and applicable laws and regulations within its operational framework. Conducting business with uncompromising integrity. Guarding against unfair business practices. Maintaining a high standard of corporate governance and emphasising a high-calibre board, sound internal control as well as transparency and accountability to all stakeholders. 	<ul style="list-style-type: none"> The Board Sustainability Committee was formed and is led by three Directors, overseeing the sustainability processes. Continue to enhance compliance with anti-bribery and corruption laws, tax compliance policies as well as data privacy and cyber security laws. Increase transparency on existing policies and procedures. Ensure fair and transparent tendering processes. Integrate sustainability objectives in global sourcing. Streamline processes, knowledge sharing and increase monitoring of suppliers using digital tools. Encourage the use of digital tools to enhance customer experience. 	<ul style="list-style-type: none"> Code of Ethics ↗ Anti-Fraud and Anti-Bribery Policy ↗ Information Security Policy ↗ Policy on Appointment of Third Party Representatives ↗ Policy on Personal Data Privacy Compliance ↗ Supplier Code of Conduct ↗ Purchasing Policy Business Partner Evaluation Policy Procedures for Reporting Possible Improperities in Matters of Financial Reporting or Internal Control ↗ Policy on Securities Dealing and Handling of Confidential and Price-Sensitive Inside Information ↗ Board Diversity Policy ↗ Director Nomination Policy ↗ Shareholders Communication Policy ↗

 People		
Pillars	Priorities	Policies
<ul style="list-style-type: none"> Upholding a high standard of business ethics and personal conduct among employees. Adhering to non-discriminatory employment practices and procedures. Providing a positive work environment that values the wide-ranging perspectives inherited to a diverse workforce. Cultivating talented individuals and fostering their growth in pursuit of achieving business goals by offering a wide range of training and development programmes, courses and activities. Maintaining proper systems to ensure internal equity and external competitiveness of staff remuneration and recognition. Providing a safe workplace for all employees. 	<ul style="list-style-type: none"> Retain and motivate talents with appropriate training. Promote workplace diversity. Improve workplace safety and well-being across the Group. Take immediate and effective measures to eradicate human trafficking and modern slavery. Work closely with suppliers to improve working conditions across the supply chain. Adopt equal employment-opportunity policies and commit to fostering an inclusive atmosphere, free of discrimination and harassment. Create a collaborative workplace that facilitates discussions among business units. 	<ul style="list-style-type: none"> Procedures for Reporting Possible Improperities in Matters of Financial Reporting or Internal Control ↗ Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information ↗ Health and Safety Policy ↗ Human Rights Policy ↗ Modern Slavery and Human Trafficking Statement ↗ Supplier Code of Conduct ↗ Code of Ethics ↗ Anti-Fraud and Anti-Bribery Policy ↗ Employment Policy



Environment

Pillars	Priorities	Policies
<ul style="list-style-type: none"> Complying with or taking initiative to surpass required levels prescribed by relevant laws and regulations to control greenhouse gas emissions and waste. Setting targets, reviewing and assessing the results periodically to ensure the efficient implementation of emission control measures. Monitoring and managing the use of resources, including energy, water and other packaging materials. Minimising the impact of its business activities on the environment and natural resources. Developing and promoting environmentally-friendly products and processes with potential commercial applications. Encouraging and providing support for conservation and environmental protection programmes. 	<ul style="list-style-type: none"> Increase training and awareness across the Group. Source more sustainable options for consumers and procure responsibly. Alleviate environmental impact on operations through reduction in carbon initiatives of the Group. Participate in educating stakeholders including employees, suppliers and consumers on being conscious of energy use. Increase efforts on recycling and upcycling programmes at retail stores and offices. Promote a digital workplace and encourage employees to be conscious of the use of resources such as office supplies. Refine monitoring process and policies on consumption of resources such as utilities and office supplies. 	<ul style="list-style-type: none"> Environmental Policy ↗ Supplier Code of Conduct ↗



Community

Pillars	Priorities	Policies
<ul style="list-style-type: none"> Focusing on community initiatives including employee volunteerism, education, medical, health, elderly care, arts and culture, sports, and disaster relief. Implementing internal guidelines and controls on donations and contributions to safeguard stakeholders' and shareholders' interests. Encouraging employees to play a positive and active role in the community. Unleashing the potential of 5G technology and be the driving force for the development of Hong Kong as a smart city, such as by promoting 5G enterprise solution offerings. 	<ul style="list-style-type: none"> Educate and recruit young talents. Launch charitable programmes and digital inclusion for the underprivileged. Promote diverse 5G applications to accelerate the development of Hong Kong as a smart city. Collaborate with community and non-profit organisations, cultural groups and small businesses, leveraging the strengths in network capabilities. Achieve diversity in outreach initiatives and engage with the wider community. 	<ul style="list-style-type: none"> Media, Public Engagement and Donation Policy ↗

These policies, procedures and guidelines have been adopted across the Group to meet operational needs as well as legal and regulatory requirements. The Group monitors the execution and compliance of these policies, procedures and guidelines through regular management reviews and reporting.

On a half-yearly basis, the Group conducts a self-assessment review to evaluate its enterprise risk management, its operations, as well as statutory and regulatory compliance matters such as tax and anti-fraud and anti-bribery practices. A review of the goals and targets addressing sustainability issues also forms part of the self-assessment review.

As an integral part of sustainability governance, the self-assessment results are subject to internal audits, which are then submitted to the Directors, the Audit Committee and the Sustainability Committee for review and approval. Relevant results are also shared with external auditors. For more information, please refer to the Company's Corporate Governance Report on pages 50 to 71.

2.2. Stakeholder Engagement

The Group engages in open and transparent dialogues with key stakeholders including employees, shareholders, investors, creditors, customers, business partners, suppliers, professional institutions, non-government organisations, regulatory authorities and public media. The Group regularly collects stakeholders' views through a variety of channels, such as meetings, workshops, surveys and feedback programmes.

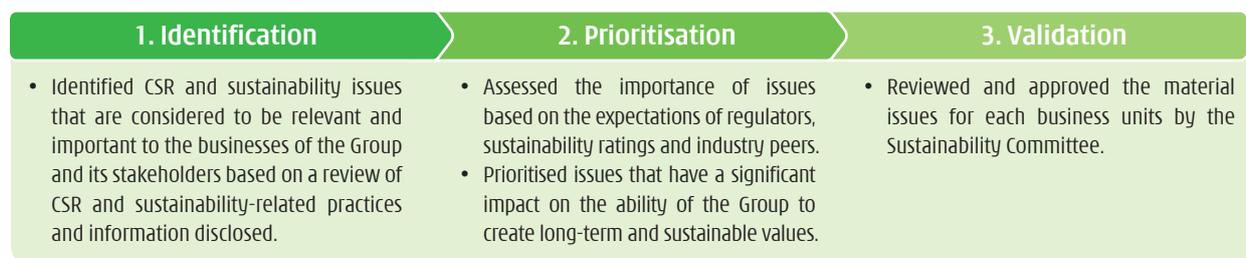
The following table summarises the channels established by the Group to engage and communicate with stakeholders and gain understanding of their views and expectations.

Key Stakeholders	How We Engage	
Business partners	<ul style="list-style-type: none"> On-site visits Physical and virtual meetings Regular business reports 	<ul style="list-style-type: none"> Regular gatherings and seminars Relationship-building events
Creditors	<ul style="list-style-type: none"> Announcements and circulars Corporate communications 	<ul style="list-style-type: none"> Interim and annual reports Meeting with banks/creditors
Customers	<ul style="list-style-type: none"> Company websites Customer feedback programmes Customer hotlines and email enquiries Customer liaison groups Customer loyalty programmes and events Customer satisfaction surveys 	<ul style="list-style-type: none"> Daily operations and storefront interactions On-site customer representatives Relationship manager visits & one-on-one meetings Seminars/conferences Social media
Employees	<ul style="list-style-type: none"> Business briefings Sustainability programmes & communications Employee newsletters Employee surveys Focus groups Graduate recruitment and internship programmes 	<ul style="list-style-type: none"> Health & safety programmes Intranet platform for internal communications Performance and development discussions Regular department meetings Staff engagement in sustainability projects Trainings and workshops
Media	<ul style="list-style-type: none"> Interviews Media events Press conferences/briefings 	<ul style="list-style-type: none"> Press releases Social gatherings
Non-government organisations	<ul style="list-style-type: none"> Community interactions, investments and donations Sustainability programmes/interviews Meetings On-site visits 	<ul style="list-style-type: none"> Staff workshops Strategic collaborations and joint-working groups Volunteering activities
Professional Institutions	<ul style="list-style-type: none"> Committees/working groups Meetings/visits/workshops 	<ul style="list-style-type: none"> Memberships Questionnaires
Regulatory Authorities	<ul style="list-style-type: none"> Ad-hoc enquiries Circulars/guidelines Compliance reporting Government liaison groups Meetings with regulators 	<ul style="list-style-type: none"> On-site inspections Representation at committees/panels of regulatory authorities Response to surveys and consultations conducted by regulatory authorities
Shareholders and Investors	<ul style="list-style-type: none"> Annual general meetings and other general meetings Announcements and circulars Corporate communications Interim and annual reports Investor relations meetings Meetings and roadshows 	<ul style="list-style-type: none"> Meetings with senior management Panel discussions Shareholder on-site visits Shareholder Q&A mailboxes Shareholder surveys
Suppliers	<ul style="list-style-type: none"> Periodic supplier performance reviews On-site visits Supplier Code of Conduct 	<ul style="list-style-type: none"> Supplier due diligence and audit processes Supplier meetings and conferences Supplier risk assessments

2.3. The Materiality Assessment Process

The Group conducted a materiality assessment to define the material CSR and sustainability issues faced by its operations that are perceived to be the most significant to the Group and its stakeholders.

Materiality Assessment Process



The following table summarises the material sustainability issues for the business:

 Business	Service & Product Responsibility Data Privacy & Information Security
 People	Labour Management
 Environment	Greenhouse Gas (GHG) Emissions
 Community	Community Engagement

The Group adopts the materiality assessment process to determine its focus areas for managing and monitoring its sustainability performance. The results facilitate the Group in steering its sustainability strategies, prioritisation of its sustainability activities, and the establishment of meaningful metrics for effective performance evaluation. The Group also sets specific targets and roadmaps to achieve its sustainability mission.

2.4. Corporate Governance

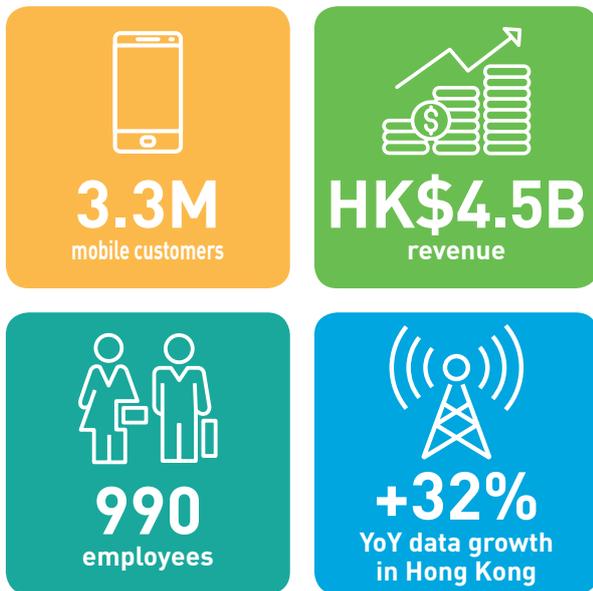
The Group strives to attain and maintain high standards of corporate governance best suited to its needs and interests. The Group believes that an effective corporate governance framework is fundamental to promoting and safeguarding the interests of its shareholders and other stakeholders.

Accordingly, the Group has adopted and implemented corporate governance principles and practices that emphasise a high-calibre board, effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. The Group is committed to continuously improving these practices and inculcating an ethical corporate culture.

For more information, please refer to the Company's Corporate Governance Report on pages 50 to 71.

3. Our Business

HCHK is a leading mobile telecommunications operator providing diverse mobile telecommunications and data solutions in Hong Kong and Macau. With more than 30 years of industry experience and proven success, HCHK channels the latest technologies into innovations that set market trends and steer industry development. Together with a range of strategies, this enables the Group to capture new business opportunities, enhance customer experience, deepen engagement, and deliver profitable growth to the business.



3.1. Service & Product Responsibility - Building Trust through Reliability and Quality

3.1.1. Commitment and Service Accessibility

The telecommunications industry is rapidly changing and is facing significant pressure with technological advancement and increased consumer expectations. Operators have to build trust and meet customers' evolving demands for higher speeds and wider coverage. Sustaining customer trust and loyalty is not merely about providing the latest handsets and digital devices, but also providing customers with flexibility and choices in services which complement and enrich their lifestyles. The various service awards the Group has received in past years were evidence of its success in delivering quality products and services that foster excellent customer experience.

The Group endeavours to deliver sustainable value to its customers through digital connectivity. The Group is committed to providing reliable, safe and high-quality products and network services that meet customer expectations.

During the year, the Group unveiled its ultra-fast, low-latency 5G network services and achieved territory-wide 5G radio sites coverage in Hong Kong, including major highways, large shopping malls, commercial buildings, hospitals, universities and hotels shortly after the service rollout in April 2020. This is a new milestone in the deployment of the Group's mobile network. The Group will continue to expand and strengthen its network coverage and introduce new 5G applications to build a supreme 5G network for its customers.

The Group is devoted to developing Hong Kong as a leading smart city. The 3Innocity programme supports start-up talents to develop and promote enterprise IoT solutions and helps enterprises to enhance their operations riding on the ultra-fast 5G network service and advanced NB-IoT network technology provided by the Group.

3.1.2. Enhanced Customer Engagement and Experience

Customer engagement is crucial to building brand loyalty. Through interactions with its customers, the Group identifies areas of improvement for its long-term sustainability. The Group connects with its customers through a wide range of communication channels such as customer service centres, social networking platforms, service hotlines, live webchat, online enquiry, email, websites and mobile applications.

The Group's website at three.com.hk and the My3 application not only connect the Group to its customers, but also build long-lasting relationships by connecting to its customers anywhere, anytime. Through these digital media, customers can access information on the Group's latest promotions and offers, manage their data and call time usage, top-up or pay their bills, manage roaming services, purchase handsets and accessories, and reach the 24/7 online 3iChat customer interface.



The Group connects with its customers through a wide range of communication channels.

The Group values customer feedback to guide improvements to the customer experience and to empower positive change in its businesses. The Group has established guidelines to ensure consistency in handling customer enquiries and complaints. Customer service representatives are trained to professionally address customer concerns. Complaints received are acknowledged, investigated, and duly followed up. Reviews and analyses of complaints are conducted periodically for continuous improvement. Details of the service performance targets and actual performance of the Group on areas such as service hotline performance and complaints handling are available on the website at three.com.hk.

3.2. Data Privacy and Information Security

3.2.1. Commitment

The rapid development of regulations on data privacy and security is increasingly affecting the telecommunications industry, posing a growing challenge for operators in maintaining customer relationships. As such, the protection of personal data is fundamental to preserving customer trust.

The Group is committed to protecting customers' personal data. Employees must collect and use personal data only in accordance with applicable data protection laws, the Group policies, procedures and guidelines pertaining to data privacy and security. Employees must not disclose any

confidential information on the operation of the Group, nor that of its customers, suppliers, business partners or shareholders, except when disclosure is authorised in accordance with the Information Security Policy.

3.2.2. Enhancement of Data Privacy Policies and Control Systems

The Regulatory Advisory Committee, supported by the Data Protection Committee, is responsible for the Group's data governance structure and oversees personal data protection. The Policy on Personal Data Privacy Compliance and Information Security Policy together with the Code of Ethics and other related policies, procedures and guidelines of the Group, set out the governance framework for safeguarding customers' personal data. These policies are reviewed and updated periodically to allow timely communication with employees. Employees are required to submit a self-declaration annually to acknowledge and confirm compliance with all applicable Group policies.

The Group is also committed to ensuring effective customer data management. Legislative and regulatory requirements concerning personal data processing are embedded in all business activities. Appropriate technical and organisational measures have also been implemented. These measures are designed to implement data privacy principles effectively.

Data Privacy Principles

Data Collection	<ul style="list-style-type: none"> • Collect only necessary and relevant personal data for specified, clear and legitimate purposes
Use of Data / Data Access	<ul style="list-style-type: none"> • Use personal data in a lawful, fair and transparent manner • Provide a clear, transparent, understandable and updated Privacy Notice • Ensure the use of personal data in compliance with applicable data protection laws • Restrict employee access to personal data on a need-to-know basis only
Data Accuracy	<ul style="list-style-type: none"> • Take appropriate steps to ensure personal data held are accurate and up-to-date
Data Security	<ul style="list-style-type: none"> • Use encryption techniques to retain, use and transmit personal data • Maintain stringent and adequate security measures to protect personal data from unauthorised or unlawful access • Review security measures regularly to ensure protection level is appropriate
Data Retention	<ul style="list-style-type: none"> • Keep only personal data that are necessary for the fulfilment of the purposes for which they are being used, and in accordance with internal guidelines for document retention periods • Erase personal data from the system that are no longer required for the purpose for which they were collected
Rights of Individuals	<ul style="list-style-type: none"> • Process personal data in accordance with the rights of individuals under applicable data protection laws • Handle requests from customers to access, amend or delete their personal data in a manner compliant with applicable data protection laws

3.2.3. Data Privacy Guidelines and Awareness Campaign

All employees are required to fully adhere to the Policy on Personal Data Privacy Compliance, Internal Guidelines on Record Retention and Access to Personal Data as well as other relevant policies, procedures and guidelines of the Group. Access to physical or computer records containing personal data is strictly controlled and requires management approval granted only on a “need-to-know” basis.

Regular trainings are organised to ensure that employees staying up-to-date on the latest requirements and developments of the relevant rules and regulations. The Group issues operational guidelines, handbooks and periodic internal communications and conducts workshops to reinforce the importance of customer data protection among its customer-facing employees. The Group also conducts regular privacy risk assessments to evaluate prevailing privacy risks and the adequacy of mitigating controls.

3.2.4. Data Security and Incident Management

Data Security Incidents (“DSIs”) have increased in frequency, scale and severity in recent years globally. Loss or leakage of data, including customers’ or employees’ personal data as well as technical and trade information, could have significant consequences on the operations of the Group and could result in third-party claims and regulatory investigations.

The Cyber Security Working Group, chaired by the Chief Financial Officer, comprises relevant technical specialists from the Information Technology department and the Business Assurance & Compliance function. It oversees the cyber security defences of the Group to ensure that its efforts are effective, coherent and well-coordinated. The Cyber Security Working Group also monitors the cyber threat landscape to gain insights into emerging and existing attacks and their implications. For more information on its key responsibilities, please refer to Section 1.6 Cyber Security Working Group.

In the event of a DSI involving personal data, the Group will respond immediately according to applicable procedures to mitigate the potential consequences and secure personal data from further unauthorised access, use or damage. The Group’s Legal Department will be alerted and the relevant authorities and affected individuals will be notified if required. Guidance on handling DSIs and the notification process is reviewed and updated periodically.

To raise cyber security awareness among employees, periodic training workshops are held. These equip them with adequate skills in handling customer and company information, as well as knowledge relating to the development of relevant cyber security rules and regulations. Through issuing security alerts, the Group also keeps its employees up-to-date and vigilant against fraudulent and phishing emails. Internal measures and policies are in place to minimise the risks associated with data exfiltration by restricting the use of mobile devices and removable drives.



The Group organised periodic training workshops to raise the awareness on cyber security among employees.

3.3. Anti-Corruption

3.3.1. Commitment

The Group has zero-tolerance for bribery, corruption and fraud in any form. Stringent policies, guidelines and procedures are in place to uphold high standards of business ethics and integrity. All business partners, suppliers and third-party representatives are also encouraged to adopt the standards.

3.3.2. Anti-Fraud & Anti-Bribery (“AFAB”) Policy and Code of Ethics

All employees must comply with the ethical standards and legal requirements set out in the AFAB policy, the Code of Ethics, and other relevant policies and guidelines of the Group. All employees are required to annually declare their acknowledgement and compliance with the Code of Ethics and related policies. The Code of Ethics, AFAB and other relevant policies are available on the Company’s website and intranet.

3.3.3. Confidential Whistleblowing Mechanism

The Group has monitoring measures and procedures in place to detect bribery, fraud or other acts of malpractice. Employees and all other relevant stakeholders are encouraged to raise their concerns of suspected acts of misconduct, malpractice or fraud through the Group's whistleblowing mechanisms. All cases will be investigated and followed up independently and reported by the internal audit function of the Group to the Audit Committee and senior management. All cases will be treated in a highly confidential manner and whistleblowers will be protected from unfair treatment.

3.3.4. Monitoring Compliance

The Group is committed to ensuring that it operates in compliance with all applicable local laws, rules and regulations of the jurisdictions in which it operates. Regulatory frameworks within which the Group operates are scrutinised and monitored, whereby relevant internal policies are prepared and updated accordingly. Periodic trainings and workshops are conducted to strengthen employee awareness and understanding of the internal controls and compliance procedures of the Group.

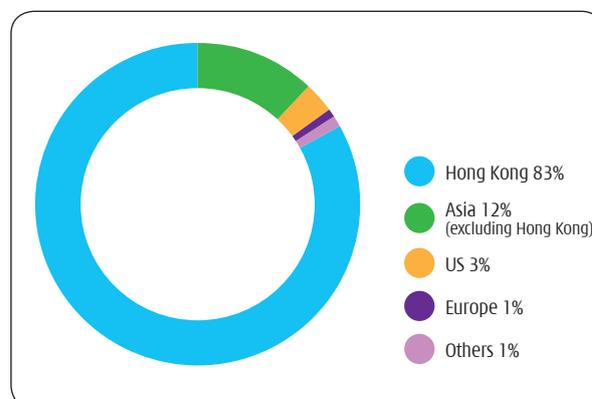
For more information, please refer to the Company's Corporate Governance Report on pages 50 to 71.

3.4. Supply Chain Management

3.4.1. Commitment

The Group engages a broad range of business partners and suppliers in its operations. In 2020, the Group conducted business with over 400 suppliers, of which approximately 83% were based in Hong Kong. The Group is committed to maintaining the integrity of its supply chain by managing associated complex legal, social, ethical and environmental risks. Through regular dialogue and cooperation, the Group extends its high level of business ethics and integrity standards to its business partners and suppliers. As a responsible industry leader, the Group is a proponent of sound environmental performance, social well-being and sustainable practices.

Suppliers by Geographical Region



3.4.2. Sourcing Responsibly and Engaging Suppliers

The Group recognises its far-reaching influence on its supply chain. The Supplier Code of Conduct sets out the standards expected of its business partners and suppliers, encompassing specific criteria and standards in terms of quality, environmental performance, ethics, health and safety, and regulatory compliance. The Supplier Code of Conduct is also addressed in the Human Rights Policy and Modern Slavery and Human Trafficking Statement of the Group.

Suppliers are required to acknowledge compliance with the Supplier Code of Conduct in the course of their business activities with the Group. Regular assessments and thorough evaluations are also conducted on the business partners and suppliers of the Group.

3.4.3. Approach to Supply Chain Management

The Group follows international best practices and employs a fair, unbiased and transparent tendering process. All tenderers are required to declare any conflicts of interest and be vigilant against fraud, bribery and misconduct. Supplier relationships will be suspended or terminated if breaches are discovered.

The Group encourages business partners and suppliers to consider the risks posed to their operations by climate change, and be proactive in mitigating the environmental

impact of their activities. The Group also invites business partners and suppliers to emulate the standards, practices and principles outlined below, as well as those contained in the Environmental Policy of the Group:

- Abiding by relevant environmental legislation and ensuring environmental preservation;
- Minimising energy consumption and carbon footprint through implementation of environmental policies and management systems;
- Encouraging use of environmentally-friendly technology to reduce energy consumption;
- Minimising business travel, reducing reliance on resources such as paper;
- Advocating use of environmentally-friendly, recycled and/or sustainably sourced products; and
- Promoting recycling and ensuring compliance with legislation on the handling or disposal of hazardous materials.

3.4.4. Monitoring Compliance

Group policies including but not limited to the Purchasing Policy, Business Partner Evaluation Policy and AFAB Policy, in conjunction with various controls and procedures, provide direction and guidelines on evaluating and engaging with business partners and suppliers. The procurement teams of the Group are trained to apply these policies and procedures with due care and diligence when engaging with business partners and suppliers.

4. Our People

4.1. Commitment

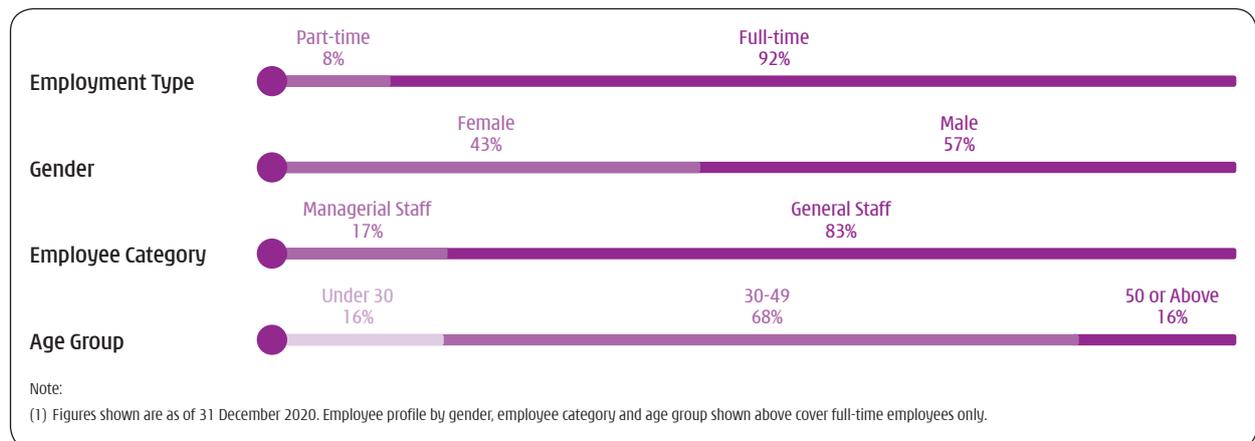
The Group aims to create superb customer experiences that connect people. To do so, the Group is committed to fostering a collaborative and diverse working environment for its employees, underpinned by the principle of treating people with dignity and respect, and by offering equal opportunities to all stakeholders.

As of 31 December 2020, the Group had approximately 990 employees in Hong Kong and Macau. The Group believes that effective talent management is critical to maintaining market leadership and sustaining long-term success. The Group strives to be an employer-of-choice through cultivation of talents with ongoing skills development, training and workplace inclusivity. The success of its employment practices is reflected by the variety of awards the Group has received over the years.

4.2. Talent Development and Training

The performance of the Group and its customers' experience are dependent on its ability to attract, retain and develop suitable talents in a competitive labour market. The Group is committed to creating opportunities for youth and providing them with aspirational goals. The Group works closely with educational institutions to recruit young talents that can support its growth. The Group also offers internship opportunities to university students who are interested in pursuing careers in telecommunications.

Employee Profile ⁽¹⁾



Interactions with youth enable the Group to share its vision of the future while kindling a passion for the industry and the communities it serves. The process of empowering and engaging youth includes participation in the Group's businesses and interactions with management as they begin to establish business contacts. Exposure to the workplace facilitates participants to learn the importance of collaboration, develop leadership qualities, and grow as responsible individuals with an awareness of the social implications of their work.

During the year, the Group recruited 31 high-calibre university graduates to its one-year Management Trainee Programme, which aims to groom the future leaders of the telecommunications industry. New recruits participate in cross-functional rotations, with their placement enhanced with comprehensive training and mentoring. Mentors assigned to the management trainees are all experienced executives of the Group with an interest in nurturing the leaders of tomorrow. The management trainees are encouraged to develop new perspectives, contribute with different skillsets, and share their knowledge of shifting trends. The mentors will continue to be a resource to the management trainees beyond the year-long programme, especially as the trainees navigate the early stages of their careers. Upon completing the programme, the management trainees will take on different roles as they bring new impetus to the growth of the Group. Apart from traditional mentoring by experienced executives, the management trainees also act as reverse mentors for the executives. This programme facilitates the exchange of insights on social media, culture, technology,

business ideas and trends.

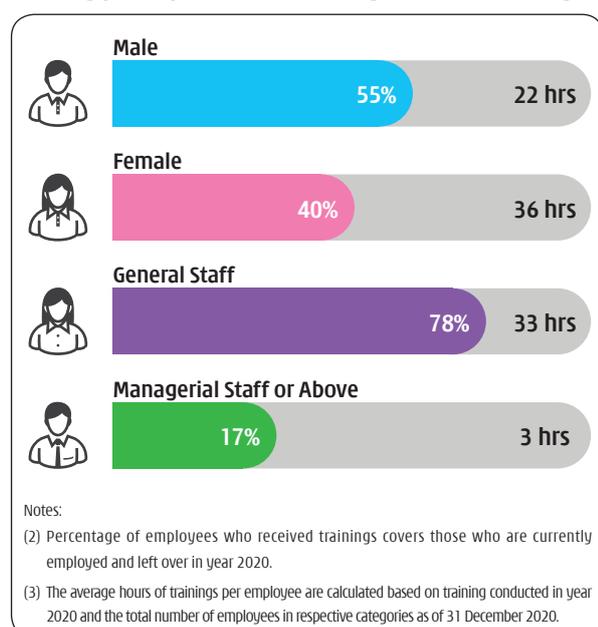
The Group recognises that building employee skills through continuous development programmes is essential for driving business performance and sustainability. Employees are encouraged to broaden their horizons with further knowledge by participating in the Group's comprehensive training programmes (including industry knowledge, information technology, digital skills and interpersonal communication skills), stimulating personal growth and supporting their job functions. In addition, site visits of the mobile telecommunications operations facilities as well as other operations within the CKHH Group were organised for employees to understand the needs of different industries.

4.3. Connecting with Employees

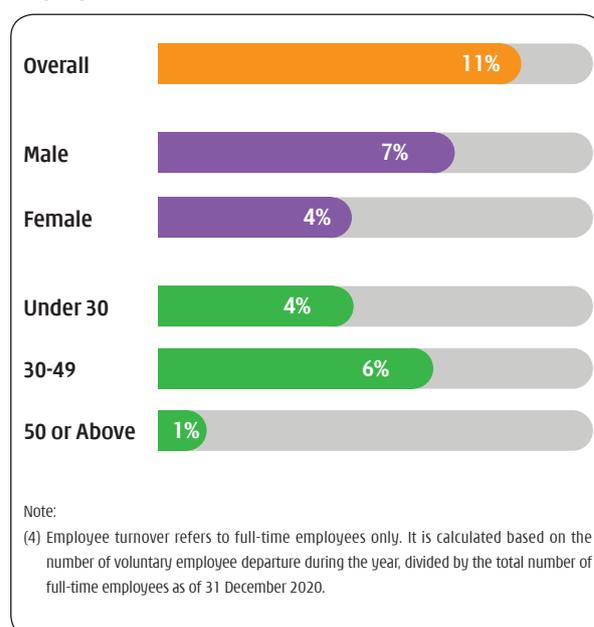


One-year Management Trainee Programme aims to groom future leaders of the telecommunications industry.

Training participation ⁽²⁾ and average hours of trainings ⁽³⁾



Employee Turnover ⁽⁴⁾



The Group respects the rights of its employees to express their views. The Group has established a number of communication channels, including seminars and workshops, which are designed to facilitate open dialogue with employees. Employees are encouraged to exchange viewpoints and ideas through these media. Feedback and suggestions from employees are important in shaping the talent management practices of the Group.

The Group regularly shares latest business development information with employees via emails and newsletters. The intranet and 3Connect mobile application platforms not only connect employees but also enhance their digital experience. Employees can also access the latest Group policies and guidelines as well as comprehensive information on topics such as office mobility, staff welfare and shuttle bus schedules. 3recreative, comprising a group of employees from different departments, was formed in late 2019 to enhance staff engagement with focus in five elements, namely communication, relationship, recognition, wellness and growth. It also reinforces employees' sense of belonging by organizing events, sharing sessions and group purchases. In the event of crisis, the Crisis Management Team distributes critical real-time information to alert and protect employees while ensuring business continuity.

4.4. Health, Safety and Well-being

The health, safety and well-being of employees is an integral part of the Group's culture. It is a core value for the delivery of superior network performance and exceptional customer experience. The Group offers a robust welfare programme to employees which covers a broad range of areas related to well-being, including work-life balance, physical health, fitness and sports, balanced and nutritious diets, and mental health. The Group also provides flexible paid leave entitlements to its employees.

The Group is committed to creating a safe and healthy workplace that allows employees to enjoy a quality of life while driving performance and productivity. Health and safety management programmes and related trainings are offered to employees based on the nature of their work and applicable safety standards. Employees can also access the latest health and safety information on the intranet. Periodic refresher courses are provided to employees to stress the importance of the relevant safety guidelines.

During the COVID-19 pandemic, the Group has taken a variety of precautionary measures to protect employee health and safety. Arrangements were made for non-frontline and non-customer facing employees to work from home in an effort to reduce the risk of spreading COVID-19 in the workplace and the community. Cleaning and sanitising procedures have been strengthened in all offices and retail shops to maintaining a safe working

environment. Employees required for duty at offices and retail shops are supplied with surgical masks and hand sanitisers.

4.5. Monitoring Compliance

The Group is committed to providing a positive, respectful and safe working environment for its employees. The Group adheres to fair employment practices and promotes diversity and equal opportunity in its recruitment and promotion processes. Employees are hired and selected based on their skillsets and abilities, regardless of their race, gender or religion.

The Group has zero tolerance for discrimination and harassment of any kind, including but not limited to unwelcome and offensive conduct (whether verbal, physical or visual) based on a person's gender, marital status, disability or otherwise. The Group also strictly prohibits the use of child and/or forced labour. Rigorous measures and audits are taken to prevent these unethical practices.

The Group complies with all applicable labour standards, employment guidelines and regulations, and all labour-related legislation relevant to its operations. Regulatory frameworks within the Group are also evaluated and monitored, with internal policies prepared and updated accordingly. The employment policies, the Code of Ethics and other related policies, procedures and guidelines of the Group, collectively form a governance framework for ensuring regulatory compliance and protecting employee rights and benefits. The Group holds dedicated workshops to strengthen employee awareness and understanding of its internal controls and compliance procedures.



The Group offers a robust welfare programme to employees covering a broad range of areas related to their well-being.

5. Our Environment

5.1. Managing GHG Emissions

5.1.1. Commitments and Challenges

The Group is conscious of the environmental impact associated with its business activities. It strives to be a positive contributor to environmental sustainability and is committed to protecting the environment by managing its footprint across its network and operations.

Climate change is a global challenge that poses an imminent threat to communities and businesses. Its impacts present both risks and opportunities to the assets and businesses of the Group. The Group strives to be more resilient to risks attributable to climate change by integrating climate change considerations across its businesses and actively identifying and developing strategies to address challenges.

HTHKH is a member of CK Hutchison Group Telecom Holdings Limited ("CKHGT"), which comprises the telecommunications business units of the CKHH Group in Austria, Denmark, Ireland, Italy, Sweden and the UK (under 3 Group Europe), Hong Kong and Macau. One of the CKHGT's key initiatives is the establishment of a Climate Working Group to drive and accelerate climate-related mitigation and policy adoption across business units and set emission reduction targets.

The Environmental Policy of the Group represents its ongoing effort to instil operational efficiency whilst managing environmental impact. The Group encourages its suppliers, business partners and customers to respect the practices outlined in its policy.

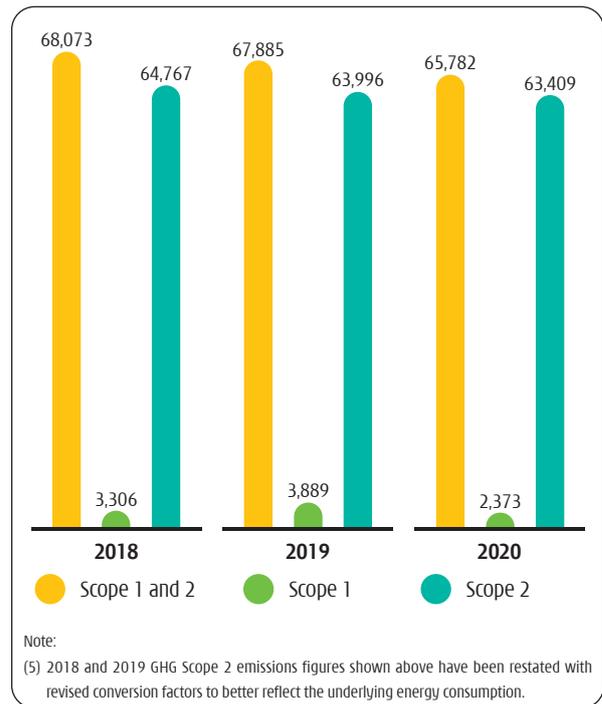
5.1.2. Energy Efficiency Improvement for Network Infrastructure

The operations of the Group rely heavily on a network infrastructure which requires a continuous supply of power. As the number of connected devices and amount of transmitted data grow, energy consumption correspondingly increases. This

is the most substantial challenge to the telecommunications industry seeking to reduce its carbon footprint.

Energy efficiency is a key in managing GHG emissions. The mobile network infrastructure accounts for the bulk of the total energy consumption of the Group. The Group is proactive in upgrading network equipment and installing energy-saving features to reduce energy usage, such as setting optimal temperature environments at offices and general facilities. The Group is increasingly employing energy-efficient technology while reducing the number of asset locations. As a result of these initiatives, the Group reduced its electricity consumptions from 110,157,880 kwh in 2019 to 109,432,820 kwh in 2020. This reflects the Group's efforts to of the Group address GHG emissions issues without compromising network infrastructure performance.

GHG Scope 1 and 2 Emissions ⁽⁵⁾ (tonne CO₂e)



5.2. Optimising Resource Use

The Group endeavours to cut waste in its operations through reduction, reuse and recycling. Its continuous efforts to this end include streamlining procedures and processes to increase efficiency, digitalising internal workflows to reduce consumption of supplies such as paper, and procuring from recycled or sustainable sources.

Aside from managing the environmental impacts of its operations, the Group encourages its customers to adopt a sustainable lifestyle. Customers can contribute to sustainability efforts at ease. The Group offers a one-stop trade-in service that includes complimentary handset content transfer and content and setting clearance on old handsets in stores. In addition to trade-in service made convenient to customers, customers can help to protect the environment through "Recycling Handsets and Accessories" programme by simply disposing their old or unwanted handsets and accessories (such as batteries, chargers, headphones, earpieces, USB cables, stylus pens) in recycling boxes located at selected 3Shops. Items collected under this programme are passed onto the "Computer and Communication Products Recycling" programme run by the Government, industry and other voluntary organisations involved in recycling or reuse practices. Equipment still in working condition is refurbished and donated to people in need, while remaining parts and useful materials are recycled.

The Group also provides innovative digital services and solutions to enable customers in making environmentally responsible choices on how they live and work. For example, as part of the Group's long-term commitment to reducing paper consumption and its carbon footprint, customers are encouraged to opt for electronic

billing via email or SMS. Alternatively, customers are encouraged to view their account billings through the My3 application.

The Group has been awarded the Energywi\$e and Wastewi\$e Certificates by the Hong Kong Green Organisation Certification of the Environmental Campaign Committee for consecutive years in recognition of its ongoing adoption of measures to reduce waste and conserve energy. During the recent assessment period, the Group received Energywi\$e and Wastewi\$e Certificates at the Excellence Level and Basic Level respectively.

5.3. Ensuring Environment and Monitoring Compliance

The Group aims to set a positive example for stakeholders in environmental protection, and endeavours to integrate sustainability and climate change impact considerations into its business activities. The Group seeks to share this vision with its business partners, and aims to build a more sustainable future collectively. This is achieved by raising business partners' awareness of environmental issues, eco-friendly practices and professional environmental considerations as outlined in the Supplier Code of Conduct of the Group.

The Group conducts its businesses in accordance with applicable environmental laws, rules and regulations. Regulatory frameworks within the Group are analysed and monitored, with internal policies prepared and updated accordingly. The Group strives to cultivate a greater internal awareness of environmental issues as it spearheads reductions in energy consumption and waste production. Internal communications, training and workshops are used to bolster employee awareness. Internal policies and compliance procedures are in place to reinforce understanding while stimulating change in employee behaviour.

5.4. Environmental Key Performance Indicators

		2020	2019
Emission			
Scope 1 emissions	tonne CO ₂ e	2,373	3,889
Scope 2 emissions ⁽⁶⁾	tonne CO ₂ e	63,409	63,996
GHG Scope 1 and 2 emissions ⁽⁶⁾	tonne CO ₂ e	65,782	67,885
GHG Scope 1 and 2 emissions ⁽⁶⁾ intensity	tonne CO ₂ e/revenue HK\$'000	0.014	0.012
Energy			
Electricity	kWh	109,432,820	110,157,880
Gasoline and diesel	kWh	125,040	156,074
Total energy consumption intensity	kWh/revenue HK\$'000	24.1	19.8
Paper			
Paper	tonne	36	44
Paper recycled	tonne	13	12
Water			
Water	m ³	1,903	4,384
Water consumption intensity	m ³ /revenue HK\$'000	0.0004	0.0008
Waste management			
General office waste	tonne	62	59
Computer and network equipment	piece	2,796	914
Note: (6) 2019 GHG Scope 2 emissions figures shown above have been restated with revised conversion factors to better reflect the underlying energy consumption.			

6. Our Community

6.1. Commitment and Achievements

The Group is dedicated to making the local community a better place and creating long-lasting value for its stakeholders. The Group seeks to maintain long-term partnerships with local communities and charities by developing programmes that are mutually beneficial to its businesses and the communities. The Group also encourages employees to participate in volunteering opportunities to amplify its positive contribution.

In line with sound corporate governance practice, donations and contributions are subject to internal compliance guidelines and controls to protect stakeholders' interests. During the year, cash and in-kind donations to charitable organisations benefitting community projects in Hong Kong and Macau amounted to approximately HK\$2.7 million.

The Group has been granted "Caring Company" status for many consecutive years by the Hong Kong Council of Social Service. This is a remarkable recognition of its achievement in incorporating social responsibility and environmental protection

into its business operations. The Group will remain committed to its mission of building a sustainable community with an outlook for the future.

6.2. Overcoming the Pandemic Together

Since the beginning of 2020, the COVID-19 pandemic has made a devastating impact on individuals and businesses around the world. During these challenging times, the Group has remained strongly committed to maintaining its outstanding service level, while at the same time continuing its outreach initiatives to support those adversely affected in the community.

The Group is concerned about the disruptions to the education of needy students due to school closures during the pandemic. The Group has donated telecommunications service packs to students from up to 1,000 primary and secondary schools under the "Bandwidth Support for E-learning at Home Scheme" initiated by The Hong Kong Jockey Club along with the assistance of the Hong Kong Federation of Youth Groups and The Boys' and Girls' Clubs Association of Hong Kong. These included free accounts for Zoom classrooms and mobile data services to students in need to facilitate online learning with

a stable and fast internet connection. The Group has also sponsored a project jointly organised by Hong Kong Lutheran Social Service, Lutheran Church - Hong Kong Synod and V Foundation Hong Kong to give away one-year data SIM cards to students in need.



The Group has donated telecommunications service packs to students from up to 1,000 primary and secondary schools under the "Bandwidth Support for E-learning at Home Scheme" initiated by The Hong Kong Jockey Club.

In March 2020, the Group collaborated with Microsoft Hong Kong to provide corporate customers with free subscriptions to Microsoft Office 365 applications and services. This initiative is part of Microsoft Hong Kong's "#EmpowerHK Work-From-Anywhere Support Programme" to help enterprises transcend geographical constraints and enable staff to work from home with peace of mind and remain connected.

6.3. Other Community Outreach Initiatives

Giving back to the communities it serves is part of the Group's philosophy. The Group takes advantage of the connective nature of its business to bring community members closer together via its outreach initiatives. These initiatives are broad and diverse, encompassing arts, education, youth engagement and more. The Group's efforts reflect its sense of the role of CSR in collectively realising sustainable community development.

6.3.1. Inspiring Entrepreneurship & Empowering Youth

The Group recognises the importance of entrepreneurship and innovation in driving future sustainable development. The Group proudly supports the "Jumpstarter 2021" Global

Pitch Competition organised by the Alibaba Entrepreneurs Fund. This event supports young start-ups by giving them a platform where business ideas can be showcased and connecting them with industry leaders or investors. It is an empowering platform where ideas can be tested, developed and subsequently realised. Cultivating entrepreneurial spirit is a priority for the Board and management of the Group. Notably the Chief Executive Officer is a mentor of the Alibaba Entrepreneurs Fund, taking a hands-on approach in sharing his expertise and providing valuable guidance to future entrepreneurs.

6.3.2. Cultural Contributions

In June 2020, the Group organised Hong Kong's first 5G 4K live streaming Chinese music charity concert with the Hong Kong Chinese Orchestra ("HKCO"). Entitled "5G. Syncs with the Power of Drums", this initiative was one key means of exploring the role of telecommunications technology in the advancement of culture. The Group tailored the 5G LIVE Up Broadcasting Solution for the orchestra, demonstrating the power of 5G in delivering high-quality content at ultra-fast speeds as well as the applications of such technology in widening access to the arts. Young professional wind and percussion players from the HKCO delighted viewers with their performances, encouraging the Hong Kong audience at home to stay strong during the pandemic. The concert was solely sponsored by HSBC, with all proceeds after deducting production costs donated to The Community Chest of Hong Kong.



The Group brings community members closer together through its outreach initiatives encompassing arts, education, youth engagement and more.



Senior citizens from a number of charitable organisations continue to benefit from the Group's Lo-Yau-Kei Monthly Service Plans Sponsorship.

6.3.3. Connecting with the Elderly and Vulnerable

The year 2020 marked the 10th anniversary of the Group's Lo-Yau-Kei Monthly Service Plans Sponsorship. Senior citizens from a number of charitable organisations continue to benefit from this "waiver-of-service-fee" scheme, which has enabled more senior citizens to stay connected with friends and family during the COVID-19 pandemic.

The Group supported Yan Chai Hospital's Smart Electronics Product Recycling Programme by donating display handsets to low-income families and senior citizens, along with a one-year service fee waiver.

Since 2017, the Group has sponsored the Hong Chi Association's ("Hong Chi") hc:Corner. Hong Chi is a non-profit organisation dedicated to serving people of all ages and all grades of intellectual disability. hc:Corner offers light food and beverages in a relaxing environment for employees in the Hutchison Telecom Tower, and in return provides job opportunities and assists Hong Chi's trainees in developing to their full potential.

6.3.4. Advocating Energy Saving Habits

As part of a city-wide effort in promoting innovation, the Group joins force with HK Electric to develop a solution that enhances consumers' understanding of electricity consumption habits. The solution takes advantage of 3 Hong Kong's supreme mobile network to provide secure and reliable data transmission to HK Electric's Advanced Metering Infrastructure scheme, which commenced in April 2020. Once deployed, the information available will facilitate customers to optimise their energy use, empowering them to protect the environment and supporting Hong Kong's transformation into a smart city.

6.3.5. Leveraging Network Capabilities to Widen Accessibility to Information

Leveraging the strengths of its network and extensive customer base, the Group disseminates free text messages for the Hong Kong Committee for UNICEF's "for every child, hygiene" campaign on information about child face mask giveaways. Other organisations, including the HKCO, the Narcotics Division of the Security Bureau, WWF - Hong Kong and Sheng Kung Hui St Christopher's Home, have also benefitted from free SMS and MMS disseminations.

In Macau, the Group continued to support charitable events organised by the Charity Fund from the Readers of *Macao Daily News*. 3 Macau made cash donations and offered free donation platforms that enabled customers to make contributions to the fund. 3 Macau's employees and their friends and family continued to participate in the annual charity "Walk for a Million" virtual walk to raise funds for the underprivileged.

7. References to the HKEx ESG Guide

The ESG Guide Content Index set out below contains information about the extent to which the Group has applied the HKEx ESG Guide and cross-references the Group policies and initiatives outlined in this Report.

A. Environmental			
Aspect A1: Emissions		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1 5.1 5.3	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy ↗ • Environmental Policy ↗ • Supplier Code of Conduct ↗ <p>The Group complies with relevant environmental laws and regulations that have a significant impact on it in the markets that it operates.</p>
KPI A1.1	The types of emissions and respective emissions data.	5.1 5.4	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG (in tonnes) and, where appropriate, intensity.	5.1 5.4	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	-	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	5.4	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	5.1 5.2 5.3 5.4	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.2 5.3	
Aspect A2: Use of Resources		Section	Remarks
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.1 5.1 5.2 5.3	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy ↗ • Environmental Policy ↗ • Supplier Code of Conduct ↗
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	5.1 5.4	
KPI A2.2	Water consumption in total and intensity.	5.4	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.1 5.2 5.3	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	-	Not applicable
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	-	The Group is primarily engaged in provision of mobile telecommunications and other related services.
Aspect A3: The Environment and Natural Resources		Section	Remarks
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	2.1 5.1 5.2 5.3	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy ↗ • Environmental Policy ↗ • Supplier Code of Conduct ↗
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.1 5.2	

A. Environmental

Aspect A4: Climate Change		Section	Remarks
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.1 5.2 5.3	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy ↗ • Environmental Policy ↗ • Supplier Code of Conduct ↗
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.1 5.2 5.3	

B. Social

Employment and Labour Practices

Aspect B1: Employment		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	2.1 4.1 4.3 4.5	<ul style="list-style-type: none"> • Code of Ethics ↗ <p>The Group complies with relevant employment and labour laws and regulations that have a significant impact on it in the markets that it operates.</p>
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1	Not applicable for geographical region.
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.3	Not applicable for geographical region.
Aspect B2: Health and Safety		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	2.1 4.4	<ul style="list-style-type: none"> • Health and Safety Policy ↗ <p>The Group complies with relevant health and safety laws and regulations that have a significant impact on it in the markets that it operates.</p>
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	-	No such case recorded in each of the past three years including the reporting year.
KPI B2.2	Lost days due to work injury.	-	No significant work injury recorded during the reporting year.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4	<ul style="list-style-type: none"> • Health and Safety Policy ↗
Aspect B3: Development and Training		Section	Remarks
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	2.1 4.2	
KPI B3.1	The percentage of employees trained by gender and employee category.	4.2	
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.2	

B. Social			
Aspect B4: Labour Standards		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	2.1 4.5	<ul style="list-style-type: none"> • Human Rights Policy ↗ • Modern Slavery and Human Trafficking Statement ↗ • Supplier Code of Conduct ↗
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.5	The Group complies with relevant laws and regulations that have a significant impact in relation to preventing child and forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.5	

Operating Practices			
Aspect B5: Supply Chain Management		Section	Remarks
General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.1 3.4	<ul style="list-style-type: none"> • Human Rights Policy ↗ • Modern Slavery and Human Trafficking Statement ↗ • Supplier Code of Conduct ↗
KPI B5.1	Number of suppliers by geographical region.	3.4	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.4	<ul style="list-style-type: none"> • Purchasing Policy • Business Partner Evaluation Policy • Policy on Appointment of Third Party Representatives ↗
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.4	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.4	
Aspect B6: Product Responsibility		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 3.2	<ul style="list-style-type: none"> • Code of Ethics ↗ • Policy on Personal Data Privacy Compliance ↗ <p>No substantial complaints regarding health and safety, advertising, labelling and privacy matters relating to the provision of products and services are recorded during the reporting period.</p>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	-	Not applicable
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	3.1	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	-	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures.	-	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2	<ul style="list-style-type: none"> • Information Security Policy ↗ • Policy on Personal Data Privacy Compliance ↗

Operating Practices			
Aspect B7: Anti-corruption		Section	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.1 3.3 3.4	<ul style="list-style-type: none"> • Code of Ethics ↗ • Anti-Fraud and Anti-Bribery Policy ↗ • Policy on Appointment of Third Party Representatives ↗ <p>No recorded cases of non-compliance with laws and regulations relating to anti-fraud and anti-bribery during the reporting period.</p>
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.3	No such cases recorded during the reporting period.
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	3.3	<ul style="list-style-type: none"> • Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control ↗
KPI B7.3	Description of anti-corruption training provided to directors and staff.	3.3	

Community			
Aspect B8: Community Investment		Section	Remarks
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	2.1 6.1	<ul style="list-style-type: none"> • Corporate Social Responsibility Policy ↗
KPI B8.1	Focus areas of contribution.	6.2 6.3	
KPI B8.2	Resources contributed to the focus area.	6.1 6.2 6.3	

Independent Auditor's Report

To the Shareholders of Hutchison Telecommunications Hong Kong Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 105 to 167, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Goodwill; and
- Revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill</p> <p><i>Refer to note 14 to the consolidated financial statements</i></p> <p>As at 31 December 2020, the Group had goodwill amounted to HK\$2,155 million.</p> <p>Goodwill is subject to impairment assessments annually and when there is an indication of impairment.</p> <p>In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the Group's telecommunications businesses and to determine the key assumptions, including the growth rates used in the cash flow projections and the discount rate applied to bring the future cash flows back to their present values.</p> <p>Based on the results of the impairment assessments conducted, the Group determined that there is sufficient headroom and therefore there is no impairment of goodwill. This conclusion is based on the recoverable amounts exceeding the book amounts of the cash generating units including goodwill and telecommunications related assets.</p> <p>The significant assumptions are disclosed in note 14 to the consolidated financial statements.</p>	<p>The procedures to evaluate the Group's assessments included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions used in the estimation of recoverable amounts based on our knowledge of the business and industry and with the involvement of our valuation specialists; • Testing source data to supporting evidence, such as approved budgets and available market data, on a sample basis and considering the reasonableness of these budgets; and • Performing sensitivity analyses on the key assumptions to evaluate the potential impacts on the recoverable amounts, where we flexed the growth rates and discount rate as these are the key assumptions to which the value-in-use calculations are most sensitive to. <p>We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p><i>Refer to note 5 to the consolidated financial statements</i></p> <p>The Group recognised revenue of HK\$4,545 million from the provision of mobile telecommunications services and from hardware sales during the year ended 31 December 2020.</p> <p>Significant effort was spent in auditing the revenue recognised by the Group because the systems are complex and involve frequent changes in tariff structure. In addition, there is a large volume of transactions arising from a combination of different hardware or services sold, some of which are bundled transactions under contracts with customers, and these are processed through a number of different systems.</p> <p>Significant management judgement is required to assess the relative standalone selling price of each performance obligation to allocate revenue to distinct goods or services identified in the contracts with customers.</p>	<p>The procedures performed in addressing the risk around the accuracy of revenue recognised included:</p> <ul style="list-style-type: none">• Testing the IT environment in which billing, rating and other relevant support systems reside;• Testing a sample of transaction records in the systems to the respective customer contracts, underlying invoices and cash receipts;• Assessing the judgements exercised by the Group when allocating revenue to each performance obligation identified in the contracts with customers, by reference to the standalone selling price of each performance obligation and other observable data; and• Testing the key controls over the accuracy of calculation and allocation of revenue to each performance obligation identified in the contracts with customers. <p>We found the revenue recorded to be supportable by the available evidence.</p>

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Nga Sze.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 February 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Revenue	5	4,545	5,582
Cost of inventories sold		(1,238)	(1,941)
Staff costs	7	(316)	(376)
Expensed customer acquisition and retention costs		(60)	(202)
Depreciation and amortisation		(1,224)	(1,207)
Other operating expenses	8	(1,321)	(1,470)
		386	386
Interest and other finance income	9	104	188
Interest and other finance costs	9	(42)	(35)
Share of result of a joint venture	21	(4)	(4)
Profit before taxation		444	535
Taxation	10	(83)	(98)
Profit for the year		361	437
Attributable to:			
Shareholders of the Company		361	429
Non-controlling interests		-	8
		361	437
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	11	7.49	8.90
- diluted	11	7.49	8.90

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$ million	2019 HK\$ million
Profit for the year	361	437
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
- Remeasurements of defined benefit plans	13	8
Item that may be reclassified subsequently to income statement in subsequent periods:		
- Currency translation differences	1	-
Total comprehensive income for the year, net of tax	375	445
Total comprehensive income attributable to:		
Shareholders of the Company	375	437
Non-controlling interests	-	8
	375	445

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

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Non-current assets			
Property, plant and equipment	13	2,551	2,326
Goodwill	14	2,155	2,155
Telecommunications licences	15	2,174	2,238
Right-of-use assets	16	540	435
Customer acquisition and retention costs	17	145	142
Contract assets	18	148	173
Other non-current assets	19	310	227
Deferred tax assets	20	86	169
Investment in a joint venture	21	282	336
Total non-current assets		8,391	8,201
Current assets			
Cash and cash equivalents	22	5,251	5,416
Trade receivables and other current assets	23	839	564
Contract assets	18	241	240
Inventories	24	92	55
Total current assets		6,423	6,275
Current liabilities			
Trade and other payables	25	1,495	1,509
Contract liabilities	26	183	142
Lease liabilities	27	335	300
Current income tax liabilities		-	24
Total current liabilities		2,013	1,975
Non-current liabilities			
Lease liabilities	27	189	129
Other non-current liabilities	28	565	409
Total non-current liabilities		754	538
Net assets		12,047	11,963
Capital and reserves			
Share capital	29	1,205	1,205
Reserves	30	10,842	10,758
Total equity		12,047	11,963

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

LUI Dennis Pok Man
Director

KOO Sing Fai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to shareholders of the Company								
	Share capital HK\$ million	Share premium HK\$ million	(Accumulated losses)/ retained earnings HK\$ million	Exchange reserve HK\$ million	Pension reserve HK\$ million	Other reserves HK\$ million	Total HK\$ million	Non-controlling interests HK\$ million	Total equity HK\$ million
At 1 January 2020	1,205	11,185	(286)	-	148	(289)	11,963	-	11,963
Profit for the year	-	-	361	-	-	-	361	-	361
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	13	-	13	-	13
Currency translation differences	-	-	-	1	-	-	1	-	1
Total comprehensive income, net of tax	-	-	361	1	13	-	375	-	375
Dividend paid (Note 12)	-	-	(291)	-	-	-	(291)	-	(291)
Transfer between reserves	-	-	(25)	-	25	-	-	-	-
At 31 December 2020	1,205	11,185	(241)	1	186	(289)	12,047	-	12,047
At 1 January 2019	1,205	11,185	3,435	-	140	4	15,969	170	16,139
Profit for the year	-	-	429	-	-	-	429	8	437
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	8	-	8	-	8
Total comprehensive income, net of tax	-	-	429	-	8	-	437	8	445
Dividend paid	-	-	(4,150)	-	-	-	(4,150)	-	(4,150)
Acquisition of non-controlling interests (Note 32)	-	-	-	-	-	(293)	(293)	(178)	(471)
At 31 December 2019	1,205	11,185	(286)	-	148	(289)	11,963	-	11,963

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Cash flows from operating activities			
Cash generated from operations	31	1,348	1,512
Interest and other finance costs paid		(27)	(27)
Tax paid		(24)	-
Net cash from operating activities		1,297	1,485
Cash flows from investing activities			
Purchases of property, plant and equipment		(593)	(503)
Additions to telecommunications licences		(202)	(203)
Proceeds from disposals of property, plant and equipment		-	1
Interest received		101	200
Loan to a joint venture		(55)	(50)
Net cash used in investing activities		(749)	(555)
Cash flows from financing activities			
Principal elements of lease payments		(422)	(448)
Dividends paid to the shareholders of the Company	12	(291)	(4,150)
Acquisition of non-controlling interests	32	-	(471)
Net cash used in financing activities		(713)	(5,069)
Decrease in cash and cash equivalents		(165)	(4,139)
Cash and cash equivalents at 1 January		5,416	9,555
Cash and cash equivalents at 31 December	22	5,251	5,416

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

Notes to the Consolidated Financial Statements

1 General Information

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

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

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

These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These financial statements set out on pages 105 to 167 were approved for issuance by the Board of Directors on 26 February 2021.

The COVID-19 pandemic evolved rapidly during 2020 and continued to spread around the world. Travel restrictions and other precautionary measures imposed by various governments to contain the virus have adversely affected the global economic activities. In response to this adversity, the Group has taken a number of proactive measures to reduce the impact of the pandemic on its business. The Group's roaming revenue has inevitably been affected to some extent during the year but the related impact to the overall operating results has been largely offset by the continuous cost improvement exercise to further streamline the daily operations. Given the extent and duration of the COVID-19 pandemic remain uncertain, the Group's estimates and assumptions may evolve as conditions change. The Group will remain vigilant and closely monitor the development of the COVID-19 situation and will evaluate its impact on the Group's financial position and operating results accordingly.

2 Significant Accounting Policies

The significant 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 ultimate impact of the COVID-19 pandemic on the Group remained uncertain at the date on which the consolidated financial statements were approved for issuance. Management has assessed the potential cash generation and the liquidity of the Group, and mitigating actions which have been and may be taken to reduce discretionary spending, other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, the Group has determined that, at the date on which the consolidated financial statements were approved for issuance, the use of the going concern basis to prepare the consolidated financial statements is appropriate.

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, except that defined benefit plans plan assets are measured at fair values, 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) Amendments to existing standards adopted by the Group

During the year, the Group has adopted the following amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2020 (except IFRS 16 (Amendment)):

IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of a Business
IFRS 7, IFRS 9 and IAS 39 (Amendments)	Interest Rate Benchmark Reform
IFRS 16 (Amendment) ⁽ⁱ⁾	COVID-19 - Related Rent Concessions

(i) The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group has early adopted the amendment ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2020.

The adoption of these amendments to existing standards does not have a material impact to the Group's results of operations or financial position.

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

The following new standard and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2020:

Annual Improvement Projects ⁽ⁱⁱ⁾	Annual Improvements 2018 - 2020 Cycle
IAS 1 (Amendments) ⁽ⁱⁱⁱ⁾	Classification of Liabilities as Current or Non-Current
IAS 16 (Amendments) ⁽ⁱⁱ⁾	Proceeds before Intended Use
IAS 37 (Amendments) ⁽ⁱⁱ⁾	Onerous Contracts - Cost of Fulfilling a Contract
IFRS 3 (Amendments) ⁽ⁱⁱ⁾	Reference to the Conceptual Framework
IFRS 4 (Amendments) ⁽ⁱⁱⁱ⁾	Expiry Date of the Deferral Approach
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 (Amendments) ⁽ⁱ⁾	Interest Rate Benchmark Reform - Phase 2
IFRS 10 and IAS 28 (Amendments) ^(iv)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 17 ⁽ⁱⁱⁱ⁾	Insurance Contracts

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

(ii) Effective for annual periods beginning on or after 1 January 2022

(iii) Effective for annual periods beginning on or after 1 January 2023

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

The Group is in the process of making an assessment of the impact of these new standard and amendments to existing standards upon initial application.

2 Significant Accounting Policies (continued)

(d) 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(j)). 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)

(e) 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.

(f) 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 does not recognise further losses, unless it 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.

(g) 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)

(h) 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)

(i) 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 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 and 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(m)).

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.

2 Significant Accounting Policies (continued)

(j) 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.

(k) 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 with a finite useful life are carried at cost less accumulated amortisation and are tested for impairment when there is any indication that they may be impaired. Amortisation is calculated using the straight-line basis to allocate the cost of the telecommunications licences over their estimated useful lives from the date they are available for use. The telecommunications licences' useful lives are reviewed annually.

(l) 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.

(m) 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 when there is any indication that they may be impaired. Assets that are subject to depreciation and amortisation are tested 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 dispose 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)

(n) Financial assets

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

(o) 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.

(p) 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)

(q) 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(n)).

(r) 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.

(s) 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.

(t) 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.

(u) 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)

(v) 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.

(w) 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.

(x) 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)

(y) 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)

(y) 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.

(z) 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(t)).

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)

(z) 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 may 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(r)).

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.

(aa) 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)

(ab) 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.

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.

2 Significant Accounting Policies (continued)

(ab) Leases (continued)

(i) Lease liabilities (continued)

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.

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.

(ac) Government grant

Grants/subsidies from the government are recognised at their fair values where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions. The amounts are recognised within "other operating expenses" in the consolidated income statement.

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\$.

	2020 HK\$ million	2019 HK\$ million
US\$	(24)	(51)
EURO	(94)	(181)
GBP	(5)	(16)
Total net exposure: net liabilities	(123)	(248)

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.

	2020 HK\$ million	2019 HK\$ million
US\$	(1)	(2)
EURO	(4)	(8)
GBP	-	(1)
	(5)	(11)

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:

	2020 HK\$ million	2019 HK\$ million
Cash at banks and short-term bank deposits	5,134	5,312
Loan to a joint venture (Note 21)	329	378
	5,463	5,690

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 2020 and 2019 would have increased by approximately HK\$54 million and HK\$56 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, 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:

	2020 HK\$ million	2019 HK\$ million
Cash and cash equivalents (Note 22)	5,251	5,416
Trade and other receivables (Note 23)	316	362
Contract assets (Note 18)	389	413
Deposits	205	113
Loan to a joint venture (Note 21)	329	378
	6,490	6,682

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 in 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 2020 or 31 December 2019 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 2020 and 2019 are determined as follows for trade receivables and contract assets:

	Trade receivables			Contract assets		
	Expected loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million	Expected loss rate	Gross carrying amount HK\$ million	Loss allowance provision HK\$ million
At 31 December 2020:						
Not yet due	1% - 3%	96	3	2%	397	8
Past due 1 - 30 days	2% - 9%	81	4			
Past due 31 - 60 days	9% - 16%	19	3			
Past due 61 - 90 days	19% - 35%	14	3			
Past due over 90 days	43% - 45%	78	34			
		288	47			

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

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	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
At 1 January	42	41	9	8
Increase in provision recognised in the consolidated income statement	26	21	5	5
Amounts recovered in respect of brought forward balance	(3)	(4)	(6)	(4)
Write-off during the year	(18)	(16)	-	-
At 31 December	47	42	8	9

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 is adopted. Due to the dynamic nature of the underlying business, the Group maintains sufficient cash for operating and investing activities.

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

	Carrying amount HK\$ million	Contractual liabilities HK\$ million	Non-contractual liabilities HK\$ million	Contractual undiscounted cash flow HK\$ million	Within 1 year HK\$ million	After 1 year but within 2 years HK\$ million	After 2 years but within 5 years HK\$ million	After 5 years HK\$ million
At 31 December 2020								
Trade payables (Note 25)	221	221	-	221	221	-	-	-
Other payables and accruals (Note 25)	1,125	399	726	399	399	-	-	-
Licence fees liabilities (Notes 25 and 28)	402	402	-	473	61	28	90	294
Lease liabilities (Note 27)	524	524	-	539	341	158	40	-
	2,272	1,546	726	1,632	1,022	186	130	294

	Carrying amount HK\$ million	Contractual liabilities HK\$ million	Non-contractual liabilities HK\$ million	Contractual undiscounted cash flow HK\$ million	Within 1 year HK\$ million	After 1 year but within 2 years HK\$ million	After 2 years but within 5 years HK\$ million	After 5 years HK\$ million
At 31 December 2019								
Trade payables (Note 25)	325	325	-	325	325	-	-	-
Other payables and accruals (Note 25)	1,009	256	753	256	256	-	-	-
Licence fees liabilities (Notes 25 and 28)	277	277	-	320	75	48	44	153
Lease liabilities (Note 27)	429	429	-	444	308	108	28	-
	2,040	1,287	753	1,345	964	156	72	153

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, 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, trade and other receivables, deposits 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 2020, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK\$1,911 million (2019: HK\$1,722 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) Estimated useful life for telecommunications licences

Telecommunications licences with a finite useful life are carried at cost less accumulated amortisation and are tested for impairment when there is any indication that they may be impaired. Judgement is required to estimate the useful lives of the telecommunications licences. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the consolidated income statement.

(c) Impairment of goodwill and other non-financial assets

Goodwill is tested for impairment annually and when there is indication that it may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

In assessing whether these assets have suffered any impairment, the carrying value of the CGU is compared with its recoverable amount, which is the higher of the fair value less costs to dispose and value in use. The recoverable amounts of CGUs have been determined based on value-in-use calculation, which is based on a discounted cash flow model. The cash flows are based on the latest approved financial budgets for the next five years. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. The value-in-use amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimating the recoverable amount of the CGU requires the use of significant judgements that are based on a number of factors including actual operating results, internal forecasts, determination of an appropriate discount rate, long-term growth rate and the estimated terminal value assumptions. It is reasonably possible that the judgements and estimates described above could change in future periods.

4 Critical Accounting Estimates and Judgements (Continued)

(d) 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.

(e) 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 judgements, 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 2020, the Group has recognised deferred tax assets of approximately HK\$86 million (2019: HK\$169 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:

	2020 HK\$ million	2019 HK\$ million
Mobile telecommunications and other related service	3,285	3,613
Telecommunications hardware	1,260	1,969
	4,545	5,582

5 Revenue (Continued)

(a) Disaggregation of revenue

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

	2020 HK\$ million	2019 HK\$ million
Timing of revenue recognition:		
Over time	3,285	3,613
At a point in time	1,260	1,969
	4,545	5,582

(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 2020 was HK\$2,672 million (2019: HK\$2,804 million). Management expects that the transaction price allocated to these unsatisfied contracts will be recognised as revenue in the following future years:

	2020 HK\$ million	2019 HK\$ million
Not later than 1 year	1,700	1,769
After 1 year but within 5 years	965	1,029
After 5 years	7	6
	2,672	2,804

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, which is mobile telecommunications business.

7 Staff Costs

	2020 HK\$ million	2019 HK\$ million
Wages and salaries	442	500
Pension costs		
- defined benefit plans	20	18
- defined contribution plans	8	8
Termination benefits	3	14
	473	540
Less: - Amounts capitalised as property, plant and equipment	(106)	(97)
- Amounts capitalised as customer acquisition and retention costs	(51)	(67)
	316	376

(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 2020 and 2019 are as follows:

	2020					
	Director's fees HK\$ million	Basic salaries, allowances and benefits- in-kind ⁽ⁱ⁾ 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 ⁽ⁱⁱ⁾	0.08	2.95	1.95	0.22	-	5.20
Lai Kai Ming, Dominic ⁽ⁱ⁾	0.07	-	-	-	-	0.07
Edith Shih	0.08	-	-	-	-	0.08
Ip Yuk Keung	0.16	-	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.15	-	-	-	-	0.15
Total	0.93	2.95	1.95	0.22	-	6.05

7 Staff Costs (continued)

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

	2019					
	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind ^(iv) 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 ⁽ⁱⁱ⁾	0.07	2.90	1.95	0.22	-	5.14
Lai Kai Ming, Dominic ⁽ⁱ⁾	0.07	-	-	-	-	0.07
Edith Shih	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry ⁽ⁱⁱⁱ⁾	0.16	-	-	-	-	0.16
Ip Yuk Keung ^(iv)	-	-	-	-	-	-
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.90	2.90	1.95	0.22	-	5.97

(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 the chief executive for the years ended 31 December 2020 and 2019 whose emoluments have been shown in directors' emoluments above.

(iii) Resigned on 31 December 2019.

(iv) Appointed on 31 December 2019.

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

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

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

7 Staff Costs (continued)

(c) Five highest paid individuals

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

	2020 Number of individual	2019 Number of individual
Director of the Company	1	1
Management executives	4	4

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

	2020 HK\$ million	2019 HK\$ million
Basic salaries, allowances and benefits-in-kind	10	11
Bonuses	5	5
Provident fund contributions	1	1
	16	17

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

	2020 Number of individual	2019 Number of individual
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	2	1
HK\$3,000,001 - HK\$3,500,000	-	1
HK\$3,500,001 - HK\$4,000,000	1	1
HK\$5,000,001 - HK\$5,500,000	1	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 2020 (2019: Nil).

8 Other Operating Expenses

	2020 HK\$ million	2019 HK\$ million
Cost of services provided ⁽ⁱ⁾	1,246	1,255
General administrative and distribution costs	107	162
Rental expenses in respect of buildings	25	27
Loss on disposals of property, plant and equipment	-	1
Auditors' remuneration	6	7
Loss allowance provision	22	18
Wage, salary and other subsidies ⁽ⁱⁱ⁾	(85)	-
Total	1,321	1,470

(i) Include interconnection charges, roaming costs and other network operating costs.

(ii) Benefits received from the governments and other companies mainly derived from the Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region.

9 Interest and Other Finance Income, Net

	2020 HK\$ million	2019 HK\$ million
Interest and other finance income:		
Bank interest income	89	167
Interest income from a joint venture	15	21
	104	188
Interest and other finance costs:		
Notional non-cash interest accretion ⁽ⁱ⁾	(30)	(23)
Guarantee and other finance fees	(12)	(12)
	(42)	(35)
Interest and other finance income, net	62	153

(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

	2020		
	Current taxation HK\$ million	Deferred taxation HK\$ million	Total HK\$ million
Hong Kong	1	83	84
Outside Hong Kong	(1)	-	(1)
	-	83	83

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

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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:

	2020 HK\$ million	2019 HK\$ million
Tax calculated at domestic rates	75	89
Income not subject to tax	(22)	(28)
Expenses not deductible for taxation purposes	43	42
Over provision in prior years	(13)	(5)
Total taxation charge	83	98

11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$361 million (2019: HK\$429 million) and on the weighted average number of 4,819,096,208 (2019: 4,819,033,194) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2020 is the same as basic earnings per share as there is no potential dilutive shares during the year.

The diluted earnings per share for the year ended 31 December 2019 was calculated by adjusting the weighted average number of 4,819,033,194 ordinary shares in issue with the weighted average number of 43,183 ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2020 HK\$ million	2019 HK\$ million
Interim, paid of 2.28 HK cents per share (2019: 2.93 HK cents per share)	110	141
Final, proposed of 5.21 HK cents per share (2019: 3.75 HK cents per share)	251	181
	361	322

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2020 and 2019 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
Cost					
At 1 January 2020	87	5,935	3,007	260	9,289
Additions	-	405	33	155	593
Disposals/write-off	-	(1,629)	(655)	-	(2,284)
Transfer between categories	-	49	61	(110)	-
At 31 December 2020	87	4,760	2,446	305	7,598
Accumulated depreciation					
At 1 January 2020	19	4,213	2,731	-	6,963
Charge for the year	3	265	100	-	368
Disposals/write-off	-	(1,629)	(655)	-	(2,284)
At 31 December 2020	22	2,849	2,176	-	5,047
Net book value					
At 31 December 2020	65	1,911	270	305	2,551

13 Property, Plant and Equipment (Continued)

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

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

14 Goodwill

	2020 HK\$ million	2019 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 CGUs containing goodwill and other non-financial assets (including telecommunications licences)

Goodwill and other non-financial assets (including telecommunications licences) are allocated to the Group's mobile telecommunications business according to the business segment. In accordance with the Group's accounting policy on asset impairment (Note 2(m)), the carrying values of goodwill and other non-financial assets were tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In assessing whether these assets have suffered any impairment, the carrying value of the CGU is compared with its recoverable amount. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period to 2025 and the estimated terminal value at the end of the budget period. Information about the estimates and judgements relating to the impairment test are disclosed in Note 4(c).

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

- (i) The expected growth in revenues, gross margin, operating costs, timing of future capital expenditures and growth rate. With reference to the impairment test model of the telecommunications industry, a long-term growth rate of 2.0% into perpetuity, instead of EBITDA multiples used in previous periods, is used to extrapolate cash flows beyond the budget period in order to determine the terminal value of the Group's respective CGUs.
- (ii) 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 pre-tax discount rate applied in the value-in-use calculations is 9.4% (2019: 9.7%) per annum.

A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective CGUs. The results of the tests undertaken as at 31 December 2020 indicated no impairment charge was necessary (2019: Same).

15 Telecommunications Licences

	HK\$ million
At 1 January 2019	
Cost	3,473
Accumulated amortisation	(1,184)
Net book value	2,289
Year ended 31 December 2019	
Opening net book value	2,289
Additions	203
Amortisation for the year	(254)
Closing net book value	2,238
At 31 December 2019	
Cost	3,676
Accumulated amortisation	(1,438)
Net book value	2,238
Year ended 31 December 2020	
Opening net book value	2,238
Additions	202
Amortisation for the year	(266)
Closing net book value	2,174
At 31 December 2020	
Cost	3,878
Accumulated amortisation	(1,704)
Net book value	2,174

As a result of the bid of a block of 40 MHz spectrum at the 3500 MHz band, the Group acquired telecommunications licences of HK\$202 million during the year ended 31 December 2020.

During the year ended 31 December 2019, the Group acquired telecommunications licences of HK\$203 million following 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.

16 Right-of-use Assets

The Group leases various network sites, retail stores, office and warehouse. 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.

	2020 HK\$ million	2019 HK\$ million
Network sites	445	367
Retail stores	52	58
Office	43	9
Warehouse	-	1
	540	435

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 the assets retirement obligations during the year ended 31 December 2020 were HK\$517 million (2019: HK\$263 million) and HK\$21 million (2019: HK\$3 million) respectively.

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

	2020 HK\$ million	2019 HK\$ million
Network sites	371	380
Retail stores	41	51
Office	20	20
Warehouse	1	1
	433	452

17 Customer Acquisition and Retention Costs

	HK\$ million
At 1 January 2019	
Cost	467
Accumulated amortisation	(335)
Net book value	132
Year ended 31 December 2019	
Opening net book value	132
Additions	158
Amortisation for the year	(148)
Closing net book value	142
At 31 December 2019	
Cost	625
Accumulated amortisation	(483)
Net book value	142
Year ended 31 December 2020	
Opening net book value	142
Additions	160
Amortisation for the year	(157)
Closing net book value	145
At 31 December 2020	
Cost	306
Accumulated amortisation	(161)
Net book value	145

18 Contract Assets

	Non-current		Current		Total	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Contract assets	151	177	246	245	397	422
Less: Loss allowance provision (Note 3(a)(iii))	(3)	(4)	(5)	(5)	(8)	(9)
Contract assets, net of provision	148	173	241	240	389	413

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

	2020 HK\$ million	2019 HK\$ million
Prepayments	256	186
Non-current deposits	35	29
Pension assets (Note 35(a))	19	12
	310	227

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 2019	7	251	1	259
Net charge to consolidated income statement for the year (Note 10)	(42)	(49)	1	(90)
At 31 December 2019	(35)	202	2	169
At 1 January 2020	(35)	202	2	169
Net charge to consolidated income statement for the year (Note 10)	(39)	(45)	1	(83)
At 31 December 2020	(74)	157	3	86

20 Deferred Tax Assets (continued)

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

	2020 HK\$ million	2019 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 2020, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK\$7 million (2019: HK\$6 million) can be carried forward indefinitely.

21 Investment in a Joint Venture

	2020 HK\$ million	2019 HK\$ million
Loan to a joint venture	329	378
Share of undistributed post acquisition reserves	(47)	(42)
	282	336

As at 31 December 2020, the loan to a joint venture of HK\$329 million (2019: HK\$378 million) was unsecured, had no fixed term of repayment and bore interest at Hong Kong inter-bank offered rate plus 3% per annum (2019: 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:

	2020 HK\$ million	2019 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	6	11

As at 31 December 2020, there were no contingent liabilities related to the Group's interest in a joint venture (2019: Nil) and no contingent liabilities of joint venture itself (2019: Nil).

As at 31 December 2020, 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 (2019: Same).

22 Cash and Cash Equivalents

	2020 HK\$ million	2019 HK\$ million
Cash at banks and in hand	131	117
Short-term bank deposits	5,120	5,299
	5,251	5,416

As at 31 December 2020, the weighted average interest rate on short-term bank deposits was 0.55% (2019: 2.85%) per annum.

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

23 Trade Receivables and Other Current Assets

	2020 HK\$ million	2019 HK\$ million
Trade receivables	288	303
Less: Loss allowance provision (Note 3(a)(iii))	(47)	(42)
Trade receivables, net of provision ^(a)	241	261
Other receivables ^(b)	75	101
Prepayments and deposits ^(b)	523	202
	839	564

(a) Trade receivables, net of provision

	2020 HK\$ million	2019 HK\$ million
The ageing analysis of trade receivables, by invoice date, net of loss allowance provision is as follows:		
0 - 30 days	146	146
31 - 60 days	36	43
61 - 90 days	9	14
Over 90 days	50	58
	241	261

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 2020, the amount of inventories carried at net realisable value was approximately HK\$5 million (2019: HK\$4 million).

25 Trade and Other Payables

	2020 HK\$ million	2019 HK\$ million
Trade payables ^(a)	221	325
Other payables and accruals	1,125	1,009
Receipts in advance	89	102
Current portion of licence fees liabilities (Note 28)	60	73
	1,495	1,509

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

(a) Trade payables

	2020 HK\$ million	2019 HK\$ million
The ageing analysis of trade payables is as follows:		
0 - 30 days	129	180
31 - 60 days	12	20
61 - 90 days	10	13
Over 90 days	70	112
	221	325

26 Contract Liabilities

	2020 HK\$ million	2019 HK\$ million
Contract liabilities		
- mobile telecommunications service contracts	183	142

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\$142 million, was recognised during the year ended 31 December 2020 (2019: HK\$132 million). No revenue is recognised from performance obligations satisfied in previous periods during the year ended 31 December 2020 (2019: Nil).

27 Lease Liabilities

	2020 HK\$ million	2019 HK\$ million
Current	335	300
Non-current	189	129
	524	429

Movement of lease liabilities is as follows:

	2020 HK\$ million	2019 HK\$ million
At 1 January	429	614
Additions	517	263
Interest accretion	15	15
Payments for lease liabilities (including interest)	(437)	(463)
At 31 December	524	429

The total cash outflow for short-term leases for the year ended 31 December 2020 was HK\$25 million (2019: HK\$27 million).

28 Other Non-Current Liabilities

	2020 HK\$ million	2019 HK\$ million
Non-current licence fees liabilities ^(a)	342	204
Assets retirement obligations ^(b)	223	205
	565	409

28 Other Non-Current Liabilities (continued)

(a) Licence fees liabilities

	2020 HK\$ million	2019 HK\$ million
Licence fees liabilities - minimum annual fees payments:		
Not later than 1 year	61	75
After 1 year but within 5 years	118	92
After 5 years	294	153
	473	320
Future finance charges on licence fees liabilities	(71)	(43)
Carrying amount of licence fees liabilities	402	277
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 25)	60	73
Non-current licence fees liabilities:		
After 1 year but within 5 years	109	84
After 5 years	233	120
	342	204
Total licence fees liabilities	402	277

(b) Assets retirement obligations

	2020 HK\$ million	2019 HK\$ million
At 1 January	205	204
Additions	21	3
Interest accretion	3	3
Utilisations	(6)	(5)
At 31 December	223	205

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 (2019: 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 2019	4,818,896,208	1,205
Issuance of shares arising from exercise of employee share options ^(c)	200,000	-
At 31 December 2019, 1 January 2020 and 31 December 2020	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 executive directors, non-executive directors or employees of the Group. The share option scheme was valid and effective during the period from 21 May 2009 to 20 May 2019. After 20 May 2019, no further share options could be granted under the share option scheme.

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 2019	1.00	200,000
Exercised	1.00	(200,000)
At 31 December 2019, 1 January 2020 and 31 December 2020		-

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). Share options exercised during the year ended 31 December 2019 resulted in 200,000 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 2020, no share options were outstanding (2019: Nil).

30 Reserves

	Share premium HK\$ million	Retained earnings/ (accumulated losses) HK\$ million	Exchange reserve HK\$ million	Pension reserve HK\$ million	Other reserves HK\$ million	Total HK\$ million
At 1 January 2019	11,185	3,435	-	140	4	14,764
Profit for the year	-	429	-	-	-	429
Remeasurements of defined benefit plans	-	-	-	8	-	8
Dividend paid	-	(4,150)	-	-	-	(4,150)
Acquisition of non-controlling interests (Note 32)	-	-	-	-	(293)	(293)
At 31 December 2019	11,185	(286)	-	148	(289)	10,758
At 1 January 2020	11,185	(286)	-	148	(289)	10,758
Profit for the year	-	361	-	-	-	361
Remeasurements of defined benefit plans	-	-	-	13	-	13
Currency translation differences	-	-	1	-	-	1
Dividend paid (Note 12)	-	(291)	-	-	-	(291)
Transfer between reserves	-	(25)	-	25	-	-
At 31 December 2020	11,185	(241)	1	186	(289)	10,842

31 Cash Generated from Operations

	2020 HK\$ million	2019 HK\$ million
Cash flows from operating activities		
Profit before taxation	444	535
Adjustments for:		
- Interest and other finance income	(104)	(188)
- Interest and other finance costs	42	35
- Depreciation and amortisation	1,224	1,207
- Capitalisation of customer acquisition and retention costs (Note 17)	(160)	(158)
- Loss on disposals of property, plant and equipment (Note 8)	-	1
- Share of result of a joint venture (Note 21)	4	4
Changes in working capital		
- (Increase)/decrease in trade receivables and other assets	(339)	18
- (Increase)/decrease in inventories	(37)	52
- Increase in trade and other payables	268	1
- Changes in retirement benefits	6	5
Cash generated from operations	1,348	1,512

31 Cash Generated from Operations (Continued)

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 2020 include (i) the network access fee payable to a joint venture of HK\$120 million (2019: HK\$127 million) and (ii) the interest income from the loan to a joint venture of HK\$15 million (2019: HK\$21 million), which have been settled by offsetting the loan to 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 held 100% interests in Hutchison Telephone (Macau) Company Limited ("HTMCL"), and Hutchison 3G HK Holdings Limited ("H3GHK") from NTT DOCOMO, Inc., a subsidiary of Nippon Telegraph and Telephone Corporation ("NTTC"), at a consideration of US\$60 million (approximately HK\$471 million). Consequently, HTCL, HTMCL and H3GHK became wholly-owned subsidiaries of the Group.

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

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

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

33 Contingent Liabilities

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

	2020 HK\$ million	2019 HK\$ million
Performance guarantees	184	34
Financial guarantees	146	72
	330	106

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:

	2020 HK\$ million	2019 HK\$ million
Property, plant and equipment	502	271
Telecommunications licences	2,040	2,242
	2,542	2,513

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. 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% ("15 Instalments"). As at 31 December 2019, standby letters of credit of HK\$2,040 million that cover the aggregate SUF for the 2018 Re-assigned and Bidded Spectrums were issued in favour of the Communications Authority of Hong Kong ("CA").

In November 2020, HTCL determined to settle the SUF for 900 MHz band by 15 Instalments. Financial guarantee of approximately HK\$180 million was issued in favour of the Government of the Hong Kong Special Administrative Region and a standby letter of credit of HK\$500 million issued in favour of the CA for the 900 MHz band was released.

In addition, HTCL successfully bid a block of 40 MHz spectrum at the 3500 MHz band ("2019 Bidded Spectrum") in 2019, with SUF of approximately HK\$202 million for a 15-year period commencing April 2020. In January 2020, HTCL determined to settle the SUF for the 2019 Bidded Spectrum by 15 Instalments. The 2019 Bidded Spectrum of HK\$202 million has been recognised as telecommunications licences during the year ended 31 December 2020.

34 Commitments (Continued)

(b) Telecommunications licence fees

HTCL acquired various blocks of spectrum bands for the provision of mobile telecommunications services in Hong Kong, certain of which over various assignment years or 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 2020, 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 (2019: Same).

	2020 HK\$ million	2019 HK\$ million
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	(229)	(219)
Less: Fair value of plan assets	248	231
Pension assets recognised in the consolidated statement of financial position (Note 19)	19	12

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

	Present value of obligations HK\$ million	Fair value of plan assets HK\$ million	Total HK\$ million
At 1 January 2020	(219)	231	12
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
- Current service cost	(20)	-	(20)
- Net interest (expense)/income	(3)	3	-
	(23)	3	(20)
Amounts recognised in other comprehensive income			
Remeasurements:			
- Gain on plan assets, excluding amounts included in interest income	-	25	25
- Loss from change in financial assumptions	(16)	-	(16)
- Experience gains	4	-	4
	(12)	25	13
Contributions:			
- Employers	-	14	14
Actual benefits paid	24	(24)	-
Net transfer	1	(1)	-
At 31 December 2020	(229)	248	19

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

35 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2020 HK\$ million	2019 HK\$ million
Equity instruments	170	170
Debt instruments	59	53
Other assets	19	8
	248	231

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

	2020		
	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	0.3% - 0.6%	-2.2%	+2.3%
Future salary rate	3.5%	+0.4%	-0.4%

	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%

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.

35 Employee Retirement Benefits (continued)

(a) Defined benefit plans (continued)

	2020	2019
Weighted average duration of defined benefit obligations	9 years	9 years

Expected contributions to defined benefit plans for the year ending 31 December 2021 are approximately HK\$15 million.

Forfeited contributions totalling HK\$2 million (2019: 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 2020 (2019: HK\$0.1 million) to reduce future years' contributions.

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

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 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 2020, 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\$0.1 million (2019: HK\$0.2 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2020 (2019: insignificant amounts) to reduce future years' contributions.

36 Ultimate Holding Company

As at 31 December 2020 and 2019, 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 in 2019:

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

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

(a) Key management personnel remuneration

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

37 Related Party Transactions (Continued)

(b) Transactions with related parties

	2020 HK\$ million	2019 HK\$ million
CKHH Group		
Provision of mobile telecommunications services	20	22
Sharing of services arrangement income	3	4
Purchase of telecommunications services	(4)	(6)
Purchase of telecommunications products	(2)	-
Rental expenses on lease arrangements	(6)	(5)
Dealership service expenses	(11)	(3)
Billing collection service expenses	(5)	(4)
Purchase of office supplies	(5)	(6)
Advertising and promotion expenses	(1)	(3)
Global procurement service arrangement expenses	(14)	(19)
Sharing of services arrangement expenses	(25)	(24)
Corporate guarantee expenses	(8)	(8)
NTT Group		
Provision of mobile telecommunications services	-	4
Purchase of telecommunications services	-	(15)
Purchase of property, plant and equipment	-	(2)
Joint Venture of the Group		
Interest income	15	21
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(118)	(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 2020	2020 HK\$ million	2019 HK\$ million
Non-current assets		
Investments in subsidiaries, at cost	4,071	4,071
Receivables from subsidiaries	5,218	5,218
Total non-current assets	9,289	9,289
Current assets		
Other current assets	6	17
Cash and cash equivalents	4,971	4,973
Total current assets	4,977	4,990
Current liabilities		
Other payables	7	49
Current income tax liabilities	-	18
Payables to subsidiaries	531	279
Total current liabilities	538	346
Net assets	13,728	13,933
Capital and reserves		
Share capital	1,205	1,205
Reserves ^(a)	12,523	12,728
Total equity	13,728	13,933

LUI Dennis Pok Man
Director

KOO Sing Fai
Director

38 Statement of Financial Position of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK\$ million	Retained earnings HK\$ million	Total HK\$ million
At 1 January 2019	11,185	5,522	16,707
Profit for the year	-	171	171
Dividend paid	-	(4,150)	(4,150)
At 31 December 2019	11,185	1,543	12,728
At 1 January 2020	11,185	1,543	12,728
Profit for the year	-	86	86
Dividend paid (Note 12)	-	(291)	(291)
At 31 December 2020	11,185	1,338	12,523

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2020 amounted to HK\$12,523 million (2019: HK\$ 12,728 million).

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2020 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Direct interest held	Indirect interest held
Hutchison Telecommunications (HK) Holdings Limited	The British Virgin Islands, limited liability company	Investment holding	10 ordinary shares of US\$1 each	100%	-
Hutchison Telecommunications (Hong Kong) Limited	Hong Kong, limited liability company	Investment holding	HK\$5,000,020	-	100%
Hutchison Telecommunication Services Limited	Hong Kong, limited liability company	Telecommunications retail operations in Hong Kong	HK\$20	-	100%
Hutchison Telephone Company Limited	Hong Kong, limited liability company	Mobile telecommunications business in Hong Kong	HK\$2,730,684,340	-	100%
Hutchison Telephone (Macau) Company Limited	Macau, limited liability company	Mobile telecommunications business in Macau	MOP10,000,000	-	100%

Supplementary Financial Information

(1) Reconciliation of key financial information between Consolidated Income Statement and Management Discussion and Analysis Section

	2020			2019		
	Company and Subsidiaries HK\$ million	Joint Venture HK\$ million	Total HK\$ million	Company and Subsidiaries HK\$ million	Joint Venture HK\$ million	Total HK\$ million
EBITDA ⁽ⁱ⁾	1,610	62	1,672	1,593	69	1,662
Depreciation and amortisation	(1,224)	(45)	(1,269)	(1,207)	(46)	(1,253)
EBIT ⁽ⁱⁱ⁾	386	17	403	386	23	409
Interest and other finance income	104	-	104	188	-	188
Interest and other finance costs	(42)	(15)	(57)	(35)	(21)	(56)
Share of result of a joint venture	(4)	4	-	(4)	4	-
Profit before taxation	444	6	450	535	6	541
Taxation	(83)	(6)	(89)	(98)	(6)	(104)
Profit attributable to non-controlling interests	-	-	-	(8)	-	(8)
Profit attributable to shareholders of the Company	361	-	361	429	-	429

(i) EBITDA is defined as earnings before interest and other finance income, interest and other finance costs, taxation, and depreciation and amortisation.

(ii) EBIT is defined as earnings before interest and other finance income, interest and other finance costs, and taxation.

(2) Five-year financial summary ⁽ⁱ⁾

	2020 HK\$ million	2019 HK\$ million	2018 HK\$ million	2017 ⁽ⁱⁱ⁾ HK\$ million	2016 ⁽ⁱⁱ⁾ HK\$ million
RESULTS					
Revenue - continuing operations	4,545	5,582	7,912	6,752	8,332
Profit for the year	361	437	433	4,354	754
Non-controlling interests	-	(8)	(29)	412	(72)
Net profit attributable to shareholders of the Company	361	429	404	4,766	682
ASSETS					
Total non-current assets	8,391	8,201	7,854	7,700	19,512
Cash and cash equivalents	5,251	5,416	9,555	13,717	357
Other current assets	1,172	859	929	1,075	1,880
Total assets	14,814	14,476	18,338	22,492	21,749
LIABILITIES					
Short-term borrowings	-	-	-	3,900	-
Other current liabilities	2,013	1,975	1,903	2,307	4,134
Long-term borrowings	-	-	-	-	4,467
Other non-current liabilities	754	538	288	330	1,087
Total liabilities	2,767	2,513	2,191	6,537	9,688
Net assets	12,047	11,963	16,147	15,955	12,061
CAPITAL AND RESERVES					
Share capital	1,205	1,205	1,205	1,205	1,205
Reserves	10,842	10,758	14,771	14,639	10,273
Total shareholders' funds	12,047	11,963	15,976	15,844	11,478
Non-controlling interests	-	-	171	111	583
Total equity	12,047	11,963	16,147	15,955	12,061

(i) Details of the basis of preparation of the consolidated financial statements are set out in Note 2 to the consolidated financial statements.

(ii) The financial information of 2016 and 2017 included the fixed-line telecommunications business which was disposed on 3 October 2017. A net gain on disposal of subsidiaries was recognised in 2017.

Glossary

In this Annual Report, unless the context otherwise requires, the following expressions have the following meanings:

Terms	Definitions
"Articles of Association"	the Articles of Association of the Company as amended from time to time
"Board"	the Board of Directors of the Company
"CACs"	expensed customer acquisition and retention costs plus the related staff costs, rental and other expenses
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"CKI"	CK Infrastructure Holdings Limited
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215)
"COVID-19"	coronavirus disease 2019
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HKEX"	Hong Kong Exchanges and Clearing Limited
"HPHM"	Hutchison Port Holdings Management Pte. Limited
"HTAL"	Hutchison Telecommunications (Australia) Limited
"HTCL"	Hutchison Telephone Company Limited

Terms	Definitions
"HTHK"	Hutchison Telecommunications (Hong Kong) Limited
"HTIL"	Hutchison Telecommunications International Limited
"HWL"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares were previously listed on the Main Board of the Stock Exchange (Stock Code: 13) and was privatised by way of a scheme of arrangement on 3 June 2015; the then substantial shareholder of the Company
"HWL Group"	HWL and its subsidiaries
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"PricewaterhouseCoopers" or "PwC"	PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor
"service EBITDA/EBIT"	EBITDA/EBIT excluding standalone handset sales margin
"SFO"	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Information for Shareholders

Listing

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

Stock Code

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Public Float Capitalisation

As at 31 December 2020:
Approximately HK\$1,408 million (approximately 25.19% of the issued share capital of the Company)

Financial Calendar

Payment of 2020 Interim Dividend:	4 September 2020
2020 Final Results Announcement:	26 February 2021
Closure of Register of Members:	5 May 2021 to 10 May 2021
Annual General Meeting:	10 May 2021
Record Date for 2020 Final Dividend:	14 May 2021
Payment of 2020 Final Dividend:	26 May 2021
2021 Interim Results Announcement:	July 2021

Registered Office

P.O. Box 31119 Grand Pavilion, Hibiscus Way,
802 West Bay Road, Grand Cayman,
KY1-1205 Cayman Islands

Head Office and Principal Place of Business

48th Floor, Cheung Kong Center, 2 Queen's Road Central,
Hong Kong
Telephone: +852 2128 1188
Facsimile: +852 2128 1778

Principal Executive Office

19th Floor, Hutchison Telecom Tower, 99 Cheung Fai Road,
Tsing Yi, Hong Kong
Telephone: +852 2128 2828
Facsimile: +852 2128 3388

Cayman Islands Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D,
P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman,
KY1-1100, Cayman Islands
Telephone: +1 345 949 9107
Facsimile: +1 345 949 5777

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: +852 2862 8628
Facsimile: +852 2865 0990

Investor Information

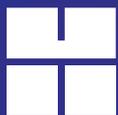
Corporate press releases, financial reports and other investor information are available online at the website of the Company.

Investor Relations Contact

Please direct enquiries to:
Telephone: +852 2128 6828
Facsimile: +852 3909 0966
Email: ir@hthkh.com

Website Address

www.hthkh.com



Hutchison Telecom
Hong Kong Holdings

Hutchison Telecommunications Hong Kong Holdings Limited

19/F, Hutchison Telecom Tower, 99 Cheung Fai Road, Tsing Yi, Hong Kong
Telephone: +852 2128 2828 Facsimile: +852 2128 3388



www.hthkh.com