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長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
 (Stock code: 1)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

	Post-IFRS 16 ⁽¹⁾ Basis		
	For the six months ended 30 June 2020 HK\$ million	For the six months ended 30 June 2019 HK\$ million	Reported currency change
Total Revenue ⁽²⁾	189,942	217,062	-12%
Total EBITDA ⁽²⁾	59,341	65,689	-10%
Total EBIT ⁽²⁾	28,619	36,268	-21%
Profit attributable to ordinary shareholders	13,000	18,324	-29%
Earnings per share ⁽³⁾	HK\$3.37	HK\$4.75	-29%
Interim dividend per share	HK\$0.614	HK\$0.870	-29%

	Pre-IFRS 16 ⁽¹⁾ Basis			
	For the six months ended 30 June 2020 HK\$ million	For the six months ended 30 June 2019 HK\$ million	Local currencies change	Reported currency change
Total Revenue ⁽²⁾	189,942	217,062	-9%	-12%
Total EBITDA ⁽²⁾	46,946	53,988	-10%	-13%
Total EBIT ⁽²⁾	26,677	34,238	-19%	-22%
Profit attributable to ordinary shareholders	13,168	18,200	-25%	-28%

- (1) As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 “Leases” (“IFRS 16”) and the precedent lease accounting standard International Accounting Standard 17 “Leases” (“IAS 17”) are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”) and Hong Kong Accounting Standard 17 “Leases” (“HKAS 17”), respectively. The Group believes that the IAS 17 basis (“Pre-IFRS 16 basis”) metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis (“Post-IFRS 16 basis”), better reflects management’s view of the Group’s underlying operational performance. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. As a result, the Group has provided an alternative presentation of the Group’s EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the six months ended 30 June 2019 and 2020. Unless otherwise specified, the discussion of the Group’s operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.
- (2) Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation (“EBITDA”) and earnings before interest expenses and other finance costs and tax (“EBIT”) include the Group’s proportionate share of associated companies and joint ventures’ respective items.
- (3) Earnings per share for the six months ended 30 June 2020 and 2019 is calculated based on profit attributable to ordinary shareholders.

CHAIRMAN'S STATEMENT

In the first half of 2020, the world experienced an abrupt collapse in crude prices and suffered widespread disruptions in social and economic activities arising from the rapid and continued spread of COVID-19. The global pandemic has resulted in the most severe economic shock since the 1930's, affecting most business sectors across both advanced and developing economies. Impacts vary from business to business and country to country reflecting different degrees of severity of the pandemic and different monetary, fiscal and government policy responses. Common impacts include abrupt increases in unemployment, steep declines in consumer confidence and spending, and trade and supply chain disruptions.

In our Energy business, the price collapse in crude market combined with a demand shock for refined products resulted in Husky Energy's ("Husky") worst performance in memory. Operating losses and impairments at Husky resulted in a year on year decline of over HK\$6.1 billion in Husky's contribution to the Group's net profit attributable to shareholders compared to the first half of 2019 and a 90% reduction in Husky's dividend. Our Retail and Ports divisions also reported earnings declines related to the effects of the pandemic. These businesses suffered the most impact in the period from March to May, with some meaningful recovery seen in June and July.

However, liquidity and access to bank and debt capital markets remained robust. Compared to the first half of 2019, the Group's free cash flow in 2020 was higher resulting in a 1.1% improvement in the Group's net debt to net total capital ratio to 25.1% as well as significant reduction in interest and financing costs. Improved free cashflow was the result of reducing or deferring expenditure, disciplined working capital management, lower interest and financing costs and lower cash tax costs.

On a Pre-IFRS 16 basis, EBITDA and EBIT decreased 13% and 22% respectively against the same period last year in reported currency. Excluding the adverse translation exchange impacts, EBITDA and EBIT dropped 10% and 19% respectively against the same period last year in local currencies, primarily reflecting the adverse underlying performances in Husky and Retail.

The Group's first half results also included a net gain attributable to ordinary shareholders⁽¹⁾ of HK\$9.2 billion arising from the dilution of the Group's attributable interest in Vodafone Hutchison Australia ("VHA"), renamed TPG Telecom Limited, following the merger of VHA with TPG Corporation Limited ("TPG", formerly known as TPG Telecom Limited) effective in late June 2020. This more than offsets the Group's attributable share of losses from Husky of HK\$4.5 billion, which included the Group's attributable share of Husky's impairment and other charges (after-tax) of HK\$2.3 billion recognised in the first quarter of 2020 as well as write-downs on certain non-strategic equity investments totalling approximately HK\$1.4 billion under the Finance & Investments and Others segment.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the first half of 2020 of HK\$13,168 million was a decrease of 28% in reported currency and 25% in local currencies compared to the same period in 2019.

On a Post-IFRS 16 basis and in reported currency, EBITDA, EBIT and profit attributable to ordinary shareholders decreased by 10%, 21% and 29% respectively compared to the first half of 2019. Earnings per share were HK\$3.37 for the six months ended 30 June 2020, a decrease of 29%.

⁽¹⁾ Under Post-IFRS 16 basis, the net gains attributable to shareholders was HK\$9.2 billion. For further information, please see Note 5(b)(xvii) to the Financial Statements of this Announcement.

Dividend

The Board of Directors declares an interim dividend of HK\$0.614 per share (30 June 2019 – HK\$0.870 per share), payable on Thursday, 17 September 2020, to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 8 September 2020, being the record date for determining shareholders' entitlement to the interim dividend.

Ports and Related Services

The ports and related services division handled 38.7 million twenty-foot equivalent units (“TEU”) through 291 operating berths in the first half of 2020, an 8% decline compared to the same period in 2019. Lower volumes were primarily attributable to a slowdown in global trade and supply chain disruption resulting from the pandemic. In reported currency, Revenue of HK\$16,031 million, EBITDA⁽²⁾ of HK\$5,539 million and EBIT⁽²⁾ of HK\$3,454 million were 9%, 14% and 19% lower respectively against the same period last year, mainly due to weaker performances from lower throughput across majority of the portfolio, higher mix of low margin transshipment volume and increased number of blank sailings reflecting reduced cargo demand due to the pandemic. In local currencies, Revenue, EBITDA and EBIT decreased 4%, 11% and 15% respectively.

In June, the division has seen recovery across ports in Mainland China and Hong Kong, with quarter-on-quarter throughput growth, while ports in the rest of the world remain adversely affected by operational and trade disruptions due to the pandemic. The division maintains cost discipline and a prudent approach to capital expenditures and investments in order to maximise free cashflow in the current uncertain market environment. Furthermore, its geographical diversity, strategic alliances and ongoing operational enhancements ensure that it remains resilient and well positioned to benefit from any recovery in global trade volumes.

Retail

The Retail division had 15,836 stores across 25 markets at the end of June 2020, a 4% increase compared to the same period last year. The division’s businesses have experienced deterioration in profitability in the first half of 2020 due to material reduction in sales starting from February due to temporary store closures and lower footfall as the pandemic spread. In reported currency, Revenue, EBITDA⁽³⁾ and EBIT⁽³⁾ of HK\$73,627 million, HK\$4,626 million and HK\$2,970 million decreased by 11%, 43% and 55% respectively. Excluding a one-off dilution gain recognised in the first half of 2019 and adverse foreign currency translation impacts, Revenue, EBITDA and EBIT decreased by 9%, 37% and 48% respectively in local currencies.

The pandemic mostly impacted the Health and Beauty segment, which represented 80% of the Retail division’s revenue in the first half of 2020. In the Mainland, temporary store closures peaked at around 2,500 stores in February with an 78% year-on-year sales reduction. As the pandemic related restriction measures gradually ease off, almost all stores in the Mainland reopened by the end of April, resulting in a robust sales recovery with year-on-year sales reduction narrowing to 16% in the month of June.

⁽²⁾ Under Post-IFRS 16 basis, EBITDA was HK\$6,958 million (30 June 2019: HK\$7,766 million); EBIT was HK\$4,122 million (30 June 2019: HK\$4,826 million).

⁽³⁾ Under Post-IFRS 16 basis, EBITDA was HK\$9,627 million (30 June 2019: HK\$13,065 million); EBIT was HK\$3,381 million (30 June 2019: HK\$6,994 million).

In Europe and the rest of Asia, footfall on high streets and shopping centres was also severely impacted by lockdown measures beginning in late March, as well as consumers consolidating their shopping into supermarkets. The division's major operations are in "mass essential" businesses which allowed most of the stores to remain open during the lockdown period. Depending on the severity and duration of the lockdowns, this partially mitigated losses. Currently, less than 1% of our stores are closed and with the gradual reopening of Western European markets since mid-May, footfall is improving. This, together with store reopening promotional activities, have resulted in meaningful sales recovery in these markets.

With the gradual relaxation of the confinement measures in the European markets and in the Mainland, this division has reported an EBIT of slightly below HK\$1 billion in the month of June. Depending on the easing of the lockdown restrictions and the success in containment of the pandemic, the market environment should be more constructive in the second half of 2020, but will likely continue to operate under pandemic related pressures. Furthermore, the accelerated development of the Retail division's online and e-commerce sales capabilities has resulted in a very rapid growth in sales through these channels. This encouraging trend along with the strength of the division's loyalty customers, currently standing at 137 million globally, position the division well for the future. Coupled with strong cost disciplines, margin management and working capital management, but subject to the success of the pandemic containment, the Retail division should enjoy a solid recovery as the effects of the pandemic minimise.

Infrastructure

The Infrastructure division comprises a 75.67%⁽⁴⁾ interest in CK Infrastructure Holdings Limited ("CKI"), a subsidiary listed in Hong Kong as well as 10% of the economic benefits deriving from the Group's direct holdings in six co-owned infrastructure investments with CKI.

Total EBITDA⁽⁵⁾ and EBIT⁽⁵⁾ of this division of HK\$13,768 million and HK\$8,989 million respectively were 4% and 9% lower than the same period in 2019 respectively in reported currency. The decline was mainly due to adverse foreign currency translation impacts and lower earnings contribution from Northumbrian Water which entered a new regulatory regime in April 2020 imposing a lower than anticipated allowable return. In local currencies, EBITDA increased by 1% while EBIT decreased by 5% against the same period last year.

CKI

CKI announced a net profit attributable to shareholders under Post-IFRS 16 basis of HK\$2,860 million, 52% lower than the same period last year. The decline was primarily due to lower contribution from Northumbrian Water and recognition of a deferred tax charge of HK\$1.4 billion in the first half of the year as a result of the revision of the UK corporate tax rate glide path from 17% to 19% in 2020. First half result of 2019 also included a gain on partial disposal of Power Assets of HK\$427 million⁽⁶⁾.

⁽⁴⁾ Based on the Group's profit sharing ratio in CKI.

⁽⁵⁾ Under Post-IFRS 16 basis, EBITDA was HK\$13,911 million (30 June 2019: HK\$14,481 million); EBIT was HK\$9,010 million (30 June 2019: HK\$9,919 million).

⁽⁶⁾ As the Group rebased Power Assets' assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI in first half of 2019 resulted in a loss on disposal of HK\$302 million in the Group's reported EBITDA and EBIT.

Husky Energy

Husky Energy, our associated company listed in Canada, announced Post-IFRS 16 net loss before the non-cash impairment in the first half of 2020, of C\$956 million, as compared to the net earnings of C\$698 million for the same period last year. In response to the collapse in crude prices and in demand for refined products, Husky reduced capital expenditures, shut in cash-negative margin production, and implemented company wide cost saving measures, with an aim to maintain its balance sheet while protecting value in an extended low commodity price environment.

In the first quarter of 2020, Husky has recognised a non-cash before-tax impairment of C\$1.4 billion, primarily related to the upstream assets in North America largely due to lower crude oil price assumptions. Included in the Group's EBITDA and EBIT results for the first half of 2020 was the Group's 40.19% share of this impairment charge of HK\$3,102 million. Together with the adverse underlying operating results, the Group's share of LBITDA⁽⁷⁾ and LBIT⁽⁷⁾ in the first half of 2020 were HK\$2,751 million and HK\$5,487 million respectively, compared to an EBITDA and EBIT of HK\$4,713 million and HK\$1,787 million respectively in the same period last year.

Average production for the first half of 2020 was 272,700 barrels of oil equivalent per day ("boe/day"), 1% below average production of 276,800 boe/day for the same period in 2019. Refinery throughput was also reduced by 13% to 294,000 barrels per day for the first half of 2020 which reflected Husky's flexibility to adjust upstream production under the low price environment, as well as the ability to optimise throughput and refined product slate to meet market demands.

Husky's management is committed to prioritise its balance sheet and maintain strong liquidity. With the long established structure, including deep physical integration of its upstream, midstream and downstream assets in the integrated corridor business and long-term contracts in Liwan and Indonesia, together with the balance sheet and liquidity protection measures implemented, Husky will manage its business through this unprecedented market cycle.

⁽⁷⁾ Under Post-IFRS 16 basis, the Group's share of LBITDA was HK\$2,609 million (30 June 2019: EBITDA of HK\$4,839 million); LBIT was HK\$5,452 million (30 June 2019: EBIT of HK\$1,803 million).

CKH Group Telecom

Revenue, EBITDA⁽⁸⁾ and EBIT⁽⁸⁾ of this division of HK\$42,702 million (€5,021 million), HK\$14,921 million (€1,753 million) and HK\$7,777 million (€913 million) were 8%, 15% and 28% lower than the same period last year respectively in reported currency, and were 4%, 11% and 25% lower respectively in local currencies.

3 Group Europe

As at 30 June 2020, 3 Group Europe's active customer base stands at 38.7 million, 7% lower against the same period last year mainly from lower customer bases in Wind Tre and UK, partly offset by net additions in other operations.

3 Group Europe's Revenue, EBITDA⁽⁹⁾ and EBIT⁽⁹⁾ of HK\$40,524 million, HK\$14,449 million and HK\$7,722 million were 3%, 7% and 19% lower against the same period last year respectively in local currencies. The telecommunication businesses have been less affected by the pandemic than the Group's other businesses, with total margin % remaining relatively stable. Total margin was 1% higher than same period of 2019 in local currencies, primarily driven by growth in total margin from an increased proportion of higher margin customers, mostly offset by lower roaming revenues and certain regulatory impacts introduced since mid-2019. Except for the UK, which was adversely impacted by the full six-month impact of regulatory changes in both the UK and EU, all other operations reported a growth in total margin. 3 Group Europe's EBITDA and EBIT were slightly more adverse year-on-year, primarily reflecting a one-time income of around €110 million recognised by Wind Tre in the first half of 2019 as well as the higher operating costs in the UK from the escalating annual licence fees and continued IT transformation spend. Senior management in the UK operation has been replaced during the year and meaningful improvements have been seen. EBIT of the 3 Group Europe was further impacted by the increase in depreciation and amortisation from a higher asset base due to the Group's significant investments in IT and network upgrades. Underlying EBIT performances of 3 Group Europe, ex. UK, was in line with the first half of 2019 in local currencies.

3 Group Europe operations are in varying stages of introducing 5G capabilities, with strong network and spectrum assets available to deploy and support the development of emerging 5G opportunities within Europe.

⁽⁸⁾ Under Post-IFRS 16 basis, EBITDA was HK\$18,665 million (30 June 2019: HK\$21,070 million); EBIT was HK\$7,946 million (30 June 2019: HK\$11,253 million).

⁽⁹⁾ Under Post-IFRS 16 basis, EBITDA was HK\$17,974 million (30 June 2019: HK\$19,625 million); EBIT was HK\$7,887 million (30 June 2019: HK\$10,435 million).

CK Hutchison Networks

The structural separation to form a new telecommunication infrastructure company, CK Hutchison Networks (“CKHN”), into a wholly-owned subsidiary of CKH Group Telecom, is now completed and a separate management team is in place to manage 29,100 sites across the six European countries with the mandate to optimise costs, achieve better operational efficiencies and enhance the revenue base through increasing tenancy ratios from the existing 1.2 times. The Group continues to actively explore options to maximise the value to the Group of this important business.

Hutchison Telecommunications Hong Kong

HTHKH, our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced Post-IFRS 16 profit attributable to shareholders of HK\$146 million and earnings per share of 3.03 HK cents. As of 30 June 2020, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 30 June 2020, Hutchison Asia Telecommunications (“HAT”) had approximately 48.8 million active customer accounts, 7% higher than the same period last year, primarily driven by the growth in Indonesia operation.

HAT reported Revenue and EBITDA⁽¹⁰⁾ of HK\$4,521 million and HK\$872 million respectively, representing 5% and 20% increase in reported currency, or 8% and 25% in local currencies when compared to the same period last year. HAT’s largest operation, Indonesia, reported revenue and margin growth from the same period last year. However, EBITDA was lower than in the first half of 2019 primarily due to the higher operating costs from network expansion. HAT’s EBIT⁽¹⁰⁾ of HK\$194 million was slightly below the same period last year EBIT of HK\$216 million, as the EBITDA growth was more than offset by higher depreciation and amortisation with network rollouts advancing in all operations.

⁽¹⁰⁾ Under Post-IFRS 16 basis, EBITDA was HK\$2,065 million (30 June 2019: HK\$1,761 million); EBIT was HK\$708 million (30 June 2019: HK\$687 million).

Finance & Investments and Others

The Group's liquidity and financial profile remained healthy. Consolidated cash and liquid investments totalled HK\$149,015 million and consolidated total bank and other debts⁽¹¹⁾ amounted to HK\$354,890 million, resulting in consolidated net debt⁽¹¹⁾ of HK\$205,875 million and net debt to net total capital ratio⁽¹¹⁾ of 25.1% (30 June 2019 – 26.2%). The improvement in the net debt to net total capital ratio was primarily due to a year-on-year improvement in working capital management, savings in interest costs and cash taxes, rigorous capital expenditure and investment controls, and favourable foreign exchange translation of net debt, partly offset by lower EBITDA contribution from underlying performances.

Completion of the merger of VHA with TPG in Australia resulted in net gains attributable to shareholders⁽¹²⁾ of HK\$9.2 billion in the first half of 2020, arising from the dilution of the Group's attributable interest in VHA from 43.93% to 22.01%. VHA has been renamed TPG Telecom Limited and commenced trading on the Australian Securities Exchange on 30 June 2020.

Environmental, Social and Governance (“ESG”)

The Group has issued the first standalone Sustainability Report in July, which aims to provide further information on actions the Group has taken in the sustainability arena and better understanding of the latest progress of each core divisions and the direction the Group is heading in long term sustainability strategies and implementations.

The COVID-19 pandemic had an unprecedented effect on businesses and the world in 2020. Many of the Group's businesses provide essential services to the community from pharmaceuticals to electricity and water distribution. Safety and hygiene measures have been introduced for retail customers including ensuring adequate supply of daily necessities. In response to the unstable global supply of hygienic face masks, the Group's Retail division transformed part of its water and beverage manufacturing factory into a dust-free plant for producing own-brand face masks in Hong Kong. The Group's telecommunications networks are instrumental in keeping people connected during lockdowns and restriction measures imposed in various countries. Ensuring safety of all employees remains a priority and in particular, the Group is taking great care of the employees who have to work to provide these essential services, and continue to improve the hygiene and work policies to reflect the latest information and guidelines.

⁽¹¹⁾ Total bank and other debts are defined, for the purpose of “Net debt” calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net debt is defined as total bank and other debts less total cash, liquid funds and other listed investments. Net total capital is defined as total bank and other debts plus total equity (adjusted to exclude IFRS 16 effects) and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments. The consolidated net debt to net total capital ratio under IFRS 16 basis, after including IFRS 16 impact in total equity, was 25.6% (30 June 2019: 26.7%).

⁽¹²⁾ Under Post-IFRS 16 basis, the net gains attributable to shareholders was HK\$9.2 billion. For further information, please see Note 5(b)(xvii) to the Financial Statements of this Announcement.

Outlook

The world has experienced many unexpected shocks in first half of 2020. However, recent developments in June and July suggest some signs of moderate stabilisation with various markets in Europe and in the Mainland gradually relaxing the restrictive measures. Should these trends continue, the second half could provide a more constructive operating environment for the Group.

The forward trajectory of the pandemic – its spread, morbidity, longer term health impacts, geographic and demographic distribution, and duration – remains uncertain at this time. In addition, geopolitical and trade stresses have increased materially since 2019, as have strained central bank and government balance sheets globally. As a result, it is impossible at the present time to predict the vectors for recovery in any economic sector or, indeed, in the global economy as a whole. While economic growth recovery in the Mainland in the second quarter, gradual re-opening of economic activities in Europe and the current more stable crude pricing environment offer a level of encouragement, the global economy remains challenging. It is premature to draw any clear conclusion as to the outlook for 2020. Inevitably, the Group's Energy business will be operating under pressure in the current low oil price environment and the unpredictable crude market outlook and it will remain challenging to our core businesses in Ports and Retail divisions to achieve profitability similar to that of the second half last year. Our Infrastructure and Telecommunication divisions are relatively sheltered as these are considered essential and critical infrastructure services.

Under these exceptional circumstances, operationally, the Group will continue to focus on recovering revenue, maintaining stringent but flexible cost, capital expenditure and investment controls, as well as accelerating digital solutions and access capabilities. Financially, the Group will maintain strong and resilient financial fundamentals through prudent management of debt levels and liquidity across all businesses.

I would like to thank the Board of Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

Victor T K Li

Chairman

Hong Kong, 6 August 2020

Financial Performance Summary

	Pre-IFRS 16 ⁽¹⁾ Unaudited Results for the six months ended 30 June 2020 HK\$ million		Pre-IFRS 16 ⁽¹⁾ Unaudited Results for the six months ended 30 June 2019 HK\$ million		Change %	Local currencies change %
		%		%		
Revenue⁽²⁾						
Ports and Related Services ⁽²⁾	16,031	8%	17,550	8%	-9%	-4%
Retail	73,627	39%	83,161	38%	-11%	-9%
Infrastructure	25,181	13%	25,625	12%	-2%	3%
Husky Energy	14,884	8%	23,465	11%	-37%	-35%
CKH Group Telecom ⁽⁴⁾	42,702	23%	46,199	21%	-8%	-4%
Hutchison Asia Telecommunications	4,521	2%	4,325	2%	5%	8%
Finance & Investments and Others ⁽⁴⁾	12,996	7%	16,737	8%	-22%	-18%
Total Revenue	189,942	100%	217,062	100%	-12%	-9%
EBITDA⁽²⁾						
Ports and Related Services ⁽²⁾	5,539	12%	6,450	12%	-14%	-11%
Retail	4,626	10%	8,182	15%	-43%	-42%
Infrastructure	13,768	29%	14,356	27%	-4%	1%
Husky Energy	(2,751)	-6%	4,713	9%	-158%	-160%
<i>Underlying</i>	<i>351</i>	<i>1%</i>	<i>4,713</i>	<i>9%</i>	<i>-93%</i>	<i>-94%</i>
<i>One-off impairment charge⁽³⁾</i>	<i>(3,102)</i>	<i>-7%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
CKH Group Telecom ⁽⁴⁾	14,921	32%	17,509	32%	-15%	-11%
Hutchison Asia Telecommunications	872	2%	724	1%	20%	25%
Finance & Investments and Others ⁽⁴⁾	9,971	21%	2,054	4%	385%	392%
Total EBITDA	46,946	100%	53,988	100%	-13%	-10%
EBIT⁽²⁾						
Ports and Related Services ⁽²⁾	3,454	13%	4,250	12%	-19%	-15%
Retail	2,970	11%	6,590	19%	-55%	-53%
Infrastructure	8,989	34%	9,901	29%	-9%	-5%
Husky Energy	(5,487)	-21%	1,787	5%	-407%	-416%
<i>Underlying</i>	<i>(2,385)</i>	<i>-9%</i>	<i>1,787</i>	<i>5%</i>	<i>-233%</i>	<i>-243%</i>
<i>One-off impairment charge⁽³⁾</i>	<i>(3,102)</i>	<i>-12%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
CKH Group Telecom ⁽⁴⁾	7,777	29%	10,779	32%	-28%	-25%
Hutchison Asia Telecommunications	194	1%	216	1%	-10%	-7%
Finance & Investments and Others ⁽⁴⁾	8,780	33%	715	2%	1128%	1132%
Total EBIT	26,677	100%	34,238	100%	-22%	-19%
Interest Expenses and other finance Costs ⁽²⁾	(7,434)		(7,796)		5%	
Profit Before Tax	19,243		26,442		-27%	
Tax ⁽²⁾						
Current tax	(2,675)		(3,784)		29%	
Deferred tax	326		(531)		161%	
	(2,349)		(4,315)		46%	
Profit after tax	16,894		22,127		-24%	
Non-controlling interests and perpetual capital securities holders' interests	(3,726)		(3,927)		5%	
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	13,168		18,200		-28%	-25%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively. The Group believes that the IAS 17 basis ("Pre-IFRS 16 basis") metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), better reflects management's view of the Group's underlying operational performance. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and perpetual capital securities holders' interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the six months ended 30 June 2019 and 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Represents the Group's share of Husky's impairment charge.

Note 4: Revenue of HK\$220 million, EBITDA of HK\$549 million and EBIT of HK\$549 million in the six months ended 30 June 2019 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the six months ended 30 June 2020 presentation.

Financial Performance Summary

	Post-IFRS 16 ⁽¹⁾ Unaudited Results for the six months ended 30 June 2020 HK\$ million		Post-IFRS 16 ⁽¹⁾ Unaudited Results for the six months ended 30 June 2019 HK\$ million		Change %
		%		%	
Revenue⁽²⁾					
Ports and Related Services ⁽²⁾	16,031	8%	17,550	8%	-9%
Retail	73,627	39%	83,161	38%	-11%
Infrastructure	25,181	13%	25,625	12%	-2%
Husky Energy	14,884	8%	23,465	11%	-37%
CKH Group Telecom ⁽⁴⁾	42,702	23%	46,199	21%	-8%
Hutchison Asia Telecommunications	4,521	2%	4,325	2%	5%
Finance & Investments and Others ⁽⁴⁾	12,996	7%	16,737	8%	-22%
Total Revenue	189,942	100%	217,062	100%	-12%
EBITDA⁽²⁾					
Ports and Related Services ⁽²⁾	6,958	12%	7,766	12%	-10%
Retail	9,627	16%	13,065	20%	-26%
Infrastructure	13,911	23%	14,481	22%	-4%
Husky Energy	(2,609)	-4%	4,839	7%	-154%
<i>Underlying</i>	<i>493</i>	<i>1%</i>	<i>4,839</i>	<i>7%</i>	<i>-90%</i>
<i>One-off impairment charge⁽³⁾</i>	<i>(3,102)</i>	<i>-5%</i>	<i>-</i>	<i>-</i>	<i>-</i>
CKH Group Telecom ⁽⁴⁾	18,665	31%	21,070	32%	-11%
Hutchison Asia Telecommunications	2,065	4%	1,761	3%	17%
Finance & Investments and Others ⁽⁴⁾	10,724	18%	2,707	4%	296%
Total EBITDA	59,341	100%	65,689	100%	-10%
EBIT⁽²⁾					
Ports and Related Services ⁽²⁾	4,122	14%	4,826	13%	-15%
Retail	3,381	12%	6,994	19%	-52%
Infrastructure	9,010	31%	9,919	27%	-9%
Husky Energy	(5,452)	-19%	1,803	5%	-402%
<i>Underlying</i>	<i>(2,350)</i>	<i>-8%</i>	<i>1,803</i>	<i>5%</i>	<i>-230%</i>
<i>One-off impairment charge⁽³⁾</i>	<i>(3,102)</i>	<i>-11%</i>	<i>-</i>	<i>-</i>	<i>-</i>
CKH Group Telecom ⁽⁴⁾	7,946	28%	11,253	31%	-29%
Hutchison Asia Telecommunications	708	3%	687	2%	3%
Finance & Investments and Others ⁽⁴⁾	8,904	31%	786	3%	1033%
Total EBIT	28,619	100%	36,268	100%	-21%
Interest Expenses and other finance Costs ⁽²⁾	(9,625)		(9,765)		1%
Profit Before Tax	18,994		26,503		-28%
Tax ⁽²⁾					
Current tax	(2,657)		(3,785)		30%
Deferred tax	352		(498)		171%
	(2,305)		(4,283)		46%
Profit after tax	16,689		22,220		-25%
Non-controlling interests and perpetual capital securities holders' interests	(3,689)		(3,896)		5%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	13,000		18,324		-29%

Note 1: As Hong Kong Financial Reporting Standards are fully converged with International Financial Reporting Standards in the accounting for leases, for ease of reference, International Financial Reporting Standard 16 "Leases" ("IFRS 16") and the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") are referred to in this results announcement interchangeably with Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") and Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"), respectively.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 3: Represents the Group's share of Husky's impairment charge.

Note 4: Revenue of HK\$220 million, EBITDA of HK\$549 million and EBIT of HK\$549 million in the six months ended 30 June 2019 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the six months ended 30 June 2020 presentation.

Operations Highlights

Ports and Related Services

	30 June 2020 HK\$ million	30 June 2019 HK\$ million	Change	Local currencies change
Total Revenue ⁽¹⁾	16,031	17,550	-9%	-4%
EBITDA ⁽¹⁾⁽⁴⁾	5,539	6,450	-14%	-11%
EBIT ⁽¹⁾⁽⁴⁾	3,454	4,250	-19%	-15%
Throughput (million TEU)	38.7	42.1	-8%	
Number of berths ⁽³⁾	291	288	+3 berths	

	Throughput (million TEU)			Number of Berths ⁽³⁾		
	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2019	Change
HPH Trust	10.3	11.3	-9%	52	52	-
Mainland China and Other Hong Kong	6.1	6.5	-6%	42	42	-
Europe	7.2	8.2	-12%	62	61	+1 berth
Asia, Australia and Others ⁽²⁾	15.1	16.1	-6%	135	133	+2 berths
Total	38.7	42.1	-8%	291	288	+3 berths

HK\$ million	Total Revenue ⁽¹⁾				Total EBITDA ⁽¹⁾⁽⁴⁾			
	30 June 2020	30 June 2019	Change	Local currencies change	30 June 2020	30 June 2019	Change	Local currencies change
HPH Trust	1,111	1,248	-11%	-11%	602	645	-7%	-7%
Mainland China and Other Hong Kong	1,077	1,183	-9%	-5%	444	506	-12%	-8%
Europe	4,926	5,603	-12%	-8%	1,209	1,538	-21%	-18%
Asia, Australia and Others ⁽²⁾	8,329	8,939	-7%	-1%	2,775	3,149	-12%	-7%
Corporate costs & other related services	588	577	+2%	+2%	509	612	-17%	-17%
Total	16,031	17,550	-9%	-4%	5,539	6,450	-14%	-11%

Note 1: Total Revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 2: Asia, Australia and Others includes Panama, Mexico and Middle East.

Note 3: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Note 4: Under Post-IFRS 16 basis, EBITDA was HK\$6,958 million (30 June 2019: HK\$7,766 million); EBIT was HK\$4,122 million (30 June 2019: HK\$4,826 million).

Throughput decreased by 8% to 38.7 million TEU in the first half of 2020, with 63% and 37% local and transshipment volume respectively (1H 2019: 65% and 35% local and transshipment volume respectively).

Throughput decline across majority of the portfolio was primarily attributable to global trade disruptions and reduced cargo demand due to the pandemic, resulting in increased number of blank sailings (particularly in Hong Kong, Shanghai, Ningbo, the UK, Rotterdam and Pakistan). Temporary suspension of factories in Mainland China together with border control and regional lockdowns in many countries including the US and Europe led to a sharp deceleration of economic activities in the first half of 2020. As a result, underlying performance in the first half of 2020 has declined, with total revenue being 9% and 4% lower against the same period last year in reported currency and local currencies respectively. EBITDA and EBIT decreased 14% and 19% respectively in reported currency against the same period last year. In local currencies, EBITDA and EBIT decreased 11% and 15% respectively, mainly due to volume decline as mentioned above and higher mix of low margin throughput from shift in trade flows.

Retail

	30 June 2020 HK\$ million	30 June 2019 HK\$ million	Change	Local currencies change
Total Revenue	73,627	83,161	-11%	-9%
EBITDA ⁽¹⁾	4,626	8,182	-43%	-42%
EBIT ⁽¹⁾	2,970	6,590	-55%	-53%
Store Numbers	15,836	15,213	+4%	

	Store Numbers			Net Store Additions	Comparable Stores Sales Growth (%) ⁽²⁾			
	30 June 2020	30 June 2019	Change	30 June 2020	30 June 2020		30 June 2019	
H&B China	3,951	3,666	+8%	285	-29.2%	-27.4% ⁽³⁾	+2.2%	+5.4% ⁽³⁾
H&B Asia	3,375	3,221	+5%	154	-18.5%		+6.9%	
H&B China & Asia Subtotal	7,326	6,887	+6%	439	-23.3%		+4.7%	
H&B Western Europe	5,649	5,551	+2%	98	-5.7%		+1.6%	
H&B Eastern Europe	2,388	2,303	+4%	85	-6.0%		+3.1%	
H&B Europe Subtotal	8,037	7,854	+2%	183	-5.7%		+1.9%	
H&B Subtotal	15,363	14,741	+4%	622	-12.7%		+2.9%	
Other Retail ⁽⁴⁾	473	472	–	1	+10.8%		-7.3%	
Total Retail	15,836	15,213	+4%	623	-9.5%		+1.5%	

Note 1: Under Post-IFRS 16 basis, EBITDA was HK\$9,627 million (30 June 2019: HK\$13,065 million); EBIT was HK\$3,381 million (30 June 2019: HK\$6,994 million).

Note 2: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

Note 3: Adjusted to include loyalty members' sales recovered in proximate new stores.

Note 4: Other Retail includes PARKnSHOP, PARKnSHOP Yonghui, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The division's businesses have experienced deterioration in profitability in the first half of 2020 due to reduction in sales starting from February due to temporary store closures and lower footfall as the pandemic spread. As a result, EBITDA and EBIT were 43% and 55% lower than the first half of 2019 respectively in reported currency. Included in the first half of 2019 was a one-off gain of approximately HK\$633 million recognised upon formation of the joint venture in the division's China supermarket business. Excluding this one-off gain and adverse foreign currency translation impacts, EBITDA and EBIT decreased by 37% and 48% respectively in local currencies.

HK\$ million	Total Revenue						Total EBITDA ⁽¹⁾							
	30 June 2020	%	30 June 2019	%	Change	Local currencies change	30 June 2020	%	EBITDA Margin	30 June 2019	%	EBITDA Margin	Change	Local currencies change
H&B China	8,805	12%	12,512	15%	-30%	-26%	927	20%	11%	2,412	29%	19%	-62%	-60%
H&B Asia	12,906	18%	15,700	19%	-18%	-17%	917	20%	7%	1,502	18%	10%	-39%	-38%
H&B China & Asia Subtotal	21,711	30%	28,212	34%	-23%	-21%	1,844	40%	8%	3,914	47%	14%	-53%	-52%
H&B Western Europe	29,838	40%	32,819	39%	-9%	-5%	1,274	28%	4%	2,255	28%	7%	-43%	-41%
H&B Eastern Europe	7,299	10%	8,026	10%	-9%	-2%	711	15%	10%	984	12%	12%	-28%	-22%
H&B Europe Subtotal	37,137	50%	40,845	49%	-9%	-5%	1,985	43%	5%	3,239	40%	8%	-39%	-36%
H&B Subtotal	58,848	80%	69,057	83%	-15%	-11%	3,829	83%	7%	7,153	87%	10%	-46%	-44%
Other Retail ⁽⁴⁾ and others ⁽⁵⁾	14,779	20%	14,104	17%	+5%	+5%	797	17%	5%	1,029	13%	7%	-23%	-23%
Total Retail	73,627	100%	83,161	100%	-11%	-9%	4,626	100%	6%	8,182	100%	9%	-43%	-42%

Health and Beauty loyalty members' participation & exclusives sales contribution

	30 June 2020	30 June 2019
Total loyalty members in Health and Beauty segment (million)	136	135
Loyalty members' sales participation (%)	63%	63%
Exclusives sales contribution to total Health and Beauty sales (%)	34%	34%

Note 5: During the first half of 2019, the division formed a joint venture with Yonghui and Tencent and recognised a one-off gain of approximately HK\$633 million, which was included in EBITDA, with its interest in China supermarket business reduced to 40%.

The overall Health and Beauty segment, which represents 83% of the division's EBITDA, reported a revenue and EBITDA reduction of 11% and 44% respectively in local currencies.

Comparable stores sales recorded a decline of 12.7%, with temporary store closures for H&B China peaked at around 2,500 stores in February, while H&B Eastern Europe peaked at around 130 stores in March. Temporary store closures of H&B Asia and H&B Western Europe reached their maximum at around 750 and 1,100 stores respectively in April. As the pandemic related restriction measures gradually ease off, almost all H&B China stores reopened by the end of April. H&B Eastern Europe also started to reopen its stores in April, while major store reopenings for both H&B Asia and H&B Western Europe gradually took place in May.

Despite the significant disruptions to operations, the Health and Beauty segment opened 261 new stores during the first half of 2020 with the store numbers increased to 15,363 stores as at 30 June 2020. The quality of new store opening remains high with an average new store cash payback period within 14 months.

The Other Retail segment reported a growth in revenue of 5% in the first half of 2020, mainly arising from the improved performance of PARKnSHOP Hong Kong due to the increased demand in hygiene products and groceries with more people staying at home during the pandemic.

Infrastructure

	30 June 2020 HK\$ million	30 June 2019 HK\$ million	Change	Local currencies change
Total Revenue⁽¹⁾	25,181	25,625	-2%	+3%
- CKI	24,714	24,945	-1%	+4%
- Co-owned infrastructure assets	467	680	-31%	-28%
EBITDA⁽¹⁾⁽²⁾	13,768	14,356	-4%	+1%
- CKI	13,498	14,046	-4%	+1%
- Co-owned infrastructure assets	270	310	-13%	-9%
EBIT⁽¹⁾⁽²⁾	8,989	9,901	-9%	-5%
- CKI	8,824	9,703	-9%	-4%
- Co-owned infrastructure assets	165	198	-17%	-13%
CKI Reported Net Profit (under Post-IFRS 16 basis)	2,860	5,943	-52%	

Note 1: Total revenue, EBITDA and EBIT reflect the Group's share of results on the remaining 10% direct interest in the co-owned infrastructure assets with CKI after the divestment of 90% of the direct economic benefits in October 2018.

Note 2: Under Post-IFRS 16 basis, EBITDA for CKI was HK\$13,641 million (30 June 2019: HK\$14,171 million) and co-owned infrastructure assets was HK\$270 million (30 June 2019: HK\$310 million); EBIT for CKI was HK\$8,845 million (30 June 2019: HK\$9,721 million) and co-owned infrastructure assets was HK\$165 million (30 June 2019: HK\$198 million).

The infrastructure division comprises the Group's 75.67%⁽³⁾ interest in CK Infrastructure Holdings Limited ("CKI") and the Group's 10% economic benefits deriving from the Group's direct holdings in six co-owned infrastructure assets.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure-related businesses. CKI operates in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand and Canada. CKI announced profit attributable to shareholders under Post-IFRS 16 basis of HK\$2,860 million in the first half of 2020, 52% lower against the same period last year. The Group's share of CKI's EBITDA and EBIT of HK\$13,498 million and HK\$8,824 million respectively were 4% and 9% lower than the same period last year in reported currency, mainly due to adverse foreign currency translation impacts and lower earnings contribution from Northumbrian Water which entered new regulatory regime in April 2020 imposing a lower than anticipated allowable return, partly offset by the loss on partial disposal of 2.05% interest in Power Assets ("PAH") of HK\$302 million⁽⁴⁾ included in the results of first half of 2019.

CKI has always been committed to prudent financial management and the risk management approach is conservative with the underlying financial position closely monitored. CKI's financial strength continues to be robust, with HK\$15.7 billion cash on hand and a net debt to net total capital ratio of 13.9% as at 30 June 2020. Credit rating from Standard & Poor's maintained at "A/ Stable".

Note 3: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group holds a 71.93% interest. As these new shares are disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 4: As the Group rebased PAH's assets to their fair values in the 2015 Reorganisation, after consolidation adjustment, the disposal gain recognised by CKI in the first half of 2019 resulted in a loss on disposal in the Group's reported results.

Husky Energy

	30 June 2020 HK\$ million	30 June 2019 HK\$ million	Change	Local currencies change
Total Revenue	14,884	23,465	-37%	-35%
(LBITDA) / EBITDA ⁽¹⁾	(2,751)	4,713	-158%	-160%
- Underlying	351	4,713	-93%	-94%
- One-off impairment charge ⁽²⁾	(3,102)	—		
(LBIT) / EBIT ⁽¹⁾	(5,487)	1,787	-407%	-416%
- Underlying	(2,385)	1,787	-233%	-243%
- One-off impairment charge ⁽²⁾	(3,102)	—		
Production (mboe/day)	272.7	276.8	-1%	
	C\$ million	C\$ million		
Husky's reported net (loss) / earnings ⁽³⁾	(2,009)	698	-388%	
- Underlying	(956)	698	-237%	
- One-off impairment charge ⁽⁴⁾	(1,053)	—		

Note 1: Under Post-IFRS 16 basis, the Group's share of LBITDA was HK\$2,609 million (30 June 2019: EBITDA of HK\$4,839 million); LBIT was HK\$5,452 million (30 June 2019: EBIT of HK\$1,803 million).

Note 2: Represents the Group's share of non-cash impairment charge (before-tax) recognised in the first half of 2020.

Note 3: Net earnings for the six months ended 30 June 2019 and 2020 are under Post-IFRS 16 basis.

Note 4: Represents non-cash impairment charge (after-tax) recognised in Q1 2020.

Husky Energy ("Husky") Post-IFRS 16 net loss of C\$(2,009) million in the first half of 2020, which included recognition of the non-cash asset impairment charge (after-tax) in Q1 2020 of C\$1,053 million. Net loss for the first half of 2020, excluding this impairment charge, was C\$(956) million, compared to net earnings of C\$698 million for the same period last year, primarily due to lower earnings from the Lloydminster Heavy Oil Value Chain and US Refining operations due to the lower realised crude oil and refined product pricing and lower refining margins, as a result of the significant decline in global crude oil and refined product prices since March 2020.

In Q1 2020, Husky recognised C\$1,416 million (before-tax) or C\$1,053 million (after-tax) of non-cash asset impairment charge, primarily related to Husky's upstream assets in North America largely due to lower crude oil price assumptions. Included in the Group's EBITDA and EBIT results for the first half of 2020 was the Group's 40.19% share of this impairment charge of HK\$3,102 million. Together with this impairment charge, after translation into Hong Kong dollars and including consolidation adjustments based on Pre-IFRS 16, the Group's share of LBITDA and LBIT were HK\$2,751 million and HK\$5,487 million respectively, compared to an EBITDA and EBIT of HK\$4,713 million and HK\$1,787 million in the same period last year, reflecting the aforementioned adverse underlying performance.

Cash flow from operating activities was C\$345 million for the first half of 2020 as compared to C\$1,305 million for the first half of 2019, with the decrease primarily attributed to lower net earnings as mentioned above.

Capital expenditures were C\$922 million for the first half of 2020, compared to C\$1,670 million in the same period in 2019. Spending in the first half of 2020 was primarily directed towards the safe ramp-down of activities at the West White Rose Project and the Superior Refinery, the crude oil flexibility project at the Lima Refinery, and completing the offshore project in Asia Pacific and the 10,000 barrel-per-day Spruce Lake Central thermal bitumen project in Saskatchewan, which has commenced steaming operations as a result of improving market conditions.

Husky reported a 1% decrease of average production in the first half of 2020, from 276,800 barrels of oil equivalent per day ("boe/day") in first half of 2019 to 272,700 boe/day in first half of 2020, primarily due to:

- Lower production from Integrated Corridor operations in Q2 2020, as throughput was adjusted and optimised in line with the changing market conditions, resulting in the safe and orderly reduction, or shut-in, of production to align with upgrading and refining requirements; and
- Lower production from the Terra Nova field in Atlantic due to continued suspended operations;

partly offset by:

- Higher production from Asia Pacific and White Rose field in Atlantic.

During Q2 2020, approximately 50,000 barrels per day ("bbls/day") of heavy oil production in the Integrated Corridor was shut-in.

Downstream throughput was also reduced by 13% to 294 thousand barrels per day ("mbbls/day") for the first half of 2020, compared to 337 mbbls/day in the same period last year, primarily due to the decision to reduce refinery operating rates early in Q2 2020, in response to the reduced demand for refined products. At the end of Q2 2020, throughput reached 85% of capacity following increased product demand in the US Midwest region.

2020 Latest Capital Guidance and Financial Strategic Plan

In the first half of 2020, Husky announced to reduce its 2020 capital program by C\$1.6 billion and additional cost-saving measures. These initiatives reflect Husky's commitment to capital discipline, which includes maintaining the strength of its balance sheet while protecting value in an extended lower commodity price environment.

Husky has the flexibility to reduce annual capital spending to the range of C\$1.2 billion - C\$1.4 billion (excluding Superior Refinery rebuild costs) in 2021, while maintaining a strong production base and current downstream throughput capacity.

Following recent rating agency reviews, Husky has maintained its investment-grade credit rating. In addition, Husky has reinforced its liquidity in Q2 2020 with a C\$500 million term loan that is due in 2022, with no other near-term debt maturities.

Husky also continues to work on lowering operating costs and ongoing sustaining capital requirements. Approximately C\$150 million in cost efficiencies have been identified to date and Husky is evaluating additional opportunities for operating and capital cost reductions.

CKH Group Telecom

In million	30 June 2020 HK\$	30 June 2019 HK\$	Change	Local currencies change	30 June 2020 EURO	30 June 2019 EURO
Total Revenue	42,702	46,199	-8%	-4%	5,021	5,209
Total Margin	30,494	31,672	-4%	–	3,586	3,570
Total CACs	(7,326)	(8,569)	+15%		(860)	(967)
Less: Handset revenue	5,509	6,907	-20%		646	780
Total CACs (net of handset revenue)	(1,817)	(1,662)	-9%		(214)	(187)
Operating Expenses	(13,756)	(12,501)	-10%		(1,619)	(1,412)
<i>Opex as a % of total margin</i>	45%	40%			45%	40%
EBITDA ⁽²⁾	14,921	17,509	-15%	-11%	1,753	1,971
<i>EBITDA Margin % ⁽¹⁾</i>	40%	45%			40%	45%
Depreciation & Amortisation	(7,144)	(6,730)	-6%		(840)	(758)
EBIT ⁽²⁾	7,777	10,779	-28%	-25%	913	1,213

Note 1: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$18,665 million (30 June 2019: HK\$21,070 million); EBIT was HK\$7,946 million (30 June 2019: HK\$11,253 million).

3 Group Europe

In million	30 June 2020 HK\$	30 June 2019 HK\$	Change	Local currencies change
Total Revenue	40,524	43,464	-7%	-3%
Total Margin	28,899	29,871	-3%	+1%
Total CACs	(7,068)	(8,198)	+14%	
Less: Handset revenue	5,360	6,694	-20%	
Total CACs (net of handset revenue)	(1,708)	(1,504)	-14%	
Operating Expenses	(12,742)	(12,070)	-6%	
<i>Opex as a % of total margin</i>	44%	40%		
EBITDA ⁽⁴⁾	14,449	16,297	-11%	-7%
<i>EBITDA Margin % ⁽³⁾</i>	41%	44%		
Depreciation & Amortisation	(6,727)	(6,327)	-6%	
EBIT ⁽⁴⁾	7,722	9,970	-23%	-19%

Note 3: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 4: Under Post-IFRS 16 basis, EBITDA was HK\$17,974 million (30 June 2019: HK\$19,625 million); EBIT was HK\$7,887 million (30 June 2019: HK\$10,435 million).

CKH Group Telecom - Results by operations

In million	UK GBP		Italy ⁽⁵⁾ EURO		Sweden SEK		Denmark DKK		Austria EURO		Ireland EURO		3 Group Europe HK\$		HTHKH HK\$		Corporate and Others HK\$		CKHGT HK\$		CKHGT EURO	
	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
Total Revenue	1,116	1,167	2,324	2,398	3,249	3,238	1,127	1,054	417	425	294	296	40,524	43,464	1,982	2,515	196	220	42,702	46,199	5,021	5,209
% change	-4%		-3%		-		+7%		-2%		-1%		-7%		-21%		-11%		-8%		-4%	
Total margin	713	721	1,740	1,718	2,019	1,935	880	837	309	308	229	224	28,899	29,871	1,570	1,770	25	31	30,494	31,672	3,586	3,570
% change	-1%		+1%		+4%		+5%		-		+2%		-3%		-11%		-19%		-4%		-	
TOTAL CACS	(391)	(408)	(176)	(230)	(1,105)	(1,166)	(123)	(124)	(50)	(60)	(39)	(42)	(7,068)	(8,198)	(258)	(371)	-	-	(7,326)	(8,569)	(860)	(967)
Less: Handset Revenue	280	323	141	201	877	913	49	49	45	53	35	39	5,360	6,694	149	213	-	-	5,509	6,907	646	780
Total CACS (net of handset revenue)	(111)	(85)	(35)	(29)	(228)	(253)	(74)	(75)	(5)	(7)	(4)	(3)	(1,708)	(1,504)	(109)	(158)	-	-	(1,817)	(1,662)	(214)	(187)
Operating Expenses	(351)	(302)	(747)	(664)	(665)	(617)	(403)	(373)	(115)	(121)	(119)	(123)	(12,742)	(12,070)	(830)	(949)	(184)	518	(13,756)	(12,501)	(1,619)	(1,412)
Opex as a % of total margin	49%	42%	43%	39%	33%	32%	46%	45%	37%	39%	52%	55%	44%	40%	53%	54%	N/A	N/A	45%	40%	45%	40%
EBITDA - Underlying	251	334	958	910	1,126	1,065	403	389	189	180	106	98	14,449	15,269	631	663	(159)	549	14,921	16,481	1,753	1,856
% change	-25%		+5%		+6%		+4%		+5%		+8%		-5%		-5%		-129%		-9%		-6%	
One-time income	-	-	-	115	-	-	-	-	-	-	-	-	-	1,028	-	-	-	-	-	1,028	-	115
EBITDA	251	334	958	1,025	1,126	1,065	403	389	189	180	106	98	14,449	16,297	631	663	(159)	549	14,921	17,509	1,753	1,971
% change	-25%		-7%		+6%		+4%		+5%		+8%		-11%		-5%		-129%		-15%		-11%	
EBITDA margin % ⁽⁶⁾	30%	40%	44%	47%	47%	46%	37%	39%	51%	48%	41%	38%	41%	44%	34%	29%	-81%	250%	40%	45%	40%	45%
Depreciation & Amortisation	(165)	(163)	(386)	(333)	(559)	(469)	(206)	(180)	(75)	(67)	(61)	(59)	(6,727)	(6,327)	(415)	(403)	(2)	-	(7,144)	(6,730)	(840)	(758)
EBIT - Underlying	86	171	572	577	567	596	197	209	114	113	45	39	7,722	8,942	216	260	(161)	549	7,777	9,751	913	1,098
% change	-50%		-1%		-5%		-6%		+1%		+15%		-14%		-17%		-129%		-20%		-17%	
One-time income	-	-	-	115	-	-	-	-	-	-	-	-	-	1,028	-	-	-	-	-	1,028	-	115
EBIT	86	171	572	692	567	596	197	209	114	113	45	39	7,722	9,970	216	260	(161)	549	7,777	10,779	913	1,213
% change	-50%		-17%		-5%		-6%		+1%		+15%		-23%		-17%		-129%		-28%		-25%	
Capex (excluding licence)	(192)	(155)	(348)	(352)	(606)	(549)	(82)	(80)	(58)	(68)	(72)	(56)	(6,650)	(6,320)	(105)	(154)	(7)	(2)	(6,762)	(6,476)	(772)	(729)
EBITDA less Capex	59	179	610	673	520	516	321	309	131	112	34	42	7,799	9,977	526	509	(166)	547	8,159	11,033	981	1,242
Licence ⁽⁷⁾	-	-	-	-	-	-	-	(488)	-	(52)	-	-	-	(1,045)	(202)	-	-	-	(202)	(1,045)	(24)	(117)
HK dollar equivalents of EBITDA and EBIT are summarised as follows:																						
EBITDA-pre IFRS 16 basis (HK\$)	2,429	3,381	8,150	9,093	898	898	459	462	1,608	1,596	905	867	14,449	16,297	631	663	(159)	549	14,921	17,509	€1,753	€1,971
EBITDA-post IFRS 16 basis (HK\$)	2,936	3,772	10,553	11,435	1,038	1,034	544	549	1,821	1,813	1,082	1,022	17,974	19,625	850	896	(159)	549	18,665	21,070	€2,193	€2,373
EBIT-pre IFRS 16 basis (HK\$)	828	1,729	4,860	6,142	452	502	225	248	970	1,002	387	347	7,722	9,970	216	260	(161)	549	7,777	10,779	€913	€1,213
EBIT-post IFRS 16 basis (HK\$)	923	1,798	4,832	6,430	465	516	233	257	1,015	1,045	419	389	7,887	10,435	220	269	(161)	549	7,946	11,253	€934	€1,267

Note 5: Wind Tre's results include fixed line business revenue of €504 million (30 June 2019: €552 million) and EBITDA of €123 million (30 June 2019: €168 million).

Note 6: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 7: 1H 2019 licence cost for Austria represents investment for 10x10 MHz of 3500 MHz spectrum acquired in March 2019 and the licence cost for Denmark represents investment for 2x10 MHz of 700 MHz spectrum and 2x10 MHz of 900MHz spectrum acquired in March 2019. 1H 2020 licence cost for Hong Kong mainly represents investment for 40 MHz of 3500 MHz spectrum acquired in October 2019 for 15 years from 2020.

	UK		Italy		Sweden		Denmark		Austria		Ireland ⁽⁸⁾		3 Group Europe ⁽⁸⁾		HTHKH	
	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019	1H 2020	1H 2019
Total registered customer base (million)	13.3	13.3	22.5	25.7	2.1	2.0	1.5	1.4	3.6	3.7	2.4	2.3	45.4	48.4	3.9	3.8
Total active customer base (million)	9.5	10.2	20.3	22.9	2.1	2.0	1.5	1.4	2.9	2.9	2.4	2.3	38.7	41.7	3.3	3.3
Contract customers as a % of the total registered customer base	56%	53%	45%	42%	69%	72%	59%	59%	72%	70%	67%	61%	53%	50%	37%	40%
Average monthly churn rate of the total contract registered customer base (%)	1.3%	1.2%	1.3%	1.5%	1.5%	1.6%	1.7%	1.8%	0.2%	0.2%	0.9%	1.0%	1.2%	1.3%	1.1%	1.1%
Active contract customers as a % of the total contract registered customer base	98%	99%	95%	93%	100%	100%	100%	100%	100%	100%	100%	100%	97%	96%	100%	100%
Active customers as a % of the total registered customer base	72%	77%	90%	89%	97%	97%	100%	97%	81%	80%	100%	100%	85%	86%	85%	89%
LTE coverage by population (%)	94%	94%	100%	99%	91%	87%	100%	99%	98%	98%	99%	98%	-	-	90%	90%
Six month data usage per active customer (Gigabyte)													68.6	46.0	35.2	25.8

Note 8: 3 Ireland's closing registered customer base as at 30 June 2020 represented the closing active base as the new system will not identify registered base separately from the active base following the completion of system integration and migration in the first half of 2020. The comparative registered base and the corresponding KBIs of 3 Ireland and 3 Group Europe have been restated to enable a like-for-like comparison.

Key Business Indicators

	Registered Customer Base								
	Registered Customers at 30 June 2020 ('000)			Registered Customer Growth (%) from 31 December 2019 to 30 June 2020			Registered Customer Growth (%) from 30 June 2019 to 30 June 2020		
	Non-contract	Contract	Total	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	5,915	7,384	13,299	-8%	+2%	-3%	-5%	+4%	–
Italy ⁽⁹⁾	12,285	10,185	22,470	-8%	-3%	-6%	-17%	-6%	-12%
Sweden	656	1,481	2,137	+6%	+1%	+2%	+14%	+1%	+4%
Denmark	600	855	1,455	-2%	–	-1%	+2%	+1%	+2%
Austria	1,008	2,609	3,617	-7%	–	-2%	-9%	+2%	-2%
Ireland ⁽¹¹⁾	788	1,587	2,375	-9%	+7%	+1%	-11%	+13%	+4%
3 Group Europe Total⁽¹¹⁾	21,252	24,101	45,353	-7%	–	-4%	-12%	–	-6%
HTHKH	2,435	1,458	3,893	-13%	-1%	-9%	+8%	-2%	+4%

	Active ⁽¹⁰⁾ Customer Base								
	Active Customers at 30 June 2020 ('000)			Active Customer Growth (%) from 31 December 2019 to 30 June 2020			Active Customer Growth (%) from 30 June 2019 to 30 June 2020		
	Non-contract	Contract	Total	Non-contract	Contract	Total	Non-contract	Contract	Total
United Kingdom	2,303	7,259	9,562	-27%	+1%	-7%	-29%	+4%	-7%
Italy ⁽⁹⁾	10,643	9,683	20,326	-10%	–	-6%	-17%	-3%	-11%
Sweden	589	1,481	2,070	+7%	+1%	+2%	+17%	+1%	+5%
Denmark	595	855	1,450	+4%	–	+2%	+9%	+1%	+5%
Austria	330	2,602	2,932	-7%	–	-1%	-10%	+2%	–
Ireland	788	1,587	2,375	-9%	+7%	+1%	-11%	+13%	+4%
3 Group Europe Total	15,248	23,467	38,715	-12%	+1%	-5%	-17%	+1%	-7%
HTHKH	1,851	1,458	3,309	-15%	-1%	-9%	+1%	-2%	-1%

Note 9: In addition to the above, Wind Tre has 2.8 million fixed line customers.

Note 10: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 11: 3 Ireland's closing registered customer base as at 30 June 2020 represented the closing active base as the new system will not identify registered base separately from the active base following the completion of system integration and migration in the first half of 2020. The comparative registered base and the corresponding KBIs of 3 Ireland and 3 Group Europe have been restated to enable a like-for-like comparison.

**12-month Trailing Average Revenue per Active User ("ARPU")⁽¹²⁾
to 30 June 2020**

	Non-contract	Contract	Blended Total	% Variance compared to 30 June 2019
United Kingdom	£4.53	£23.21	£17.77	-3%
Italy	€10.57	€11.53	€11.00	+1%
Sweden	SEK117.46	SEK335.73	SEK276.22	-5%
Denmark	DKK89.05	DKK149.34	DKK125.16	—
Austria	€11.15	€21.87	€20.56	-2%
Ireland	€15.31	€20.60	€18.66	-5%
3 Group Europe Average⁽¹⁵⁾	€9.95	€19.44	€15.42	—
HTHKH	HK\$8.44	HK\$196.12	HK\$87.55	-13%

**12-month Trailing Net Average Revenue per Active User ("Net ARPU")⁽¹³⁾
to 30 June 2020**

	Non-contract	Contract	Blended Total	% Variance compared to 30 June 2019
United Kingdom	£4.53	£15.94	£12.62	-6%
Italy	€10.57	€11.53	€11.00	+1%
Sweden	SEK117.46	SEK214.79	SEK188.26	-3%
Denmark	DKK89.05	DKK138.99	DKK118.96	+1%
Austria	€11.15	€17.94	€17.11	-2%
Ireland	€15.31	€16.29	€15.93	-5%
3 Group Europe Average⁽¹⁵⁾	€9.95	€15.40	€13.09	-1%
HTHKH	HK\$8.44	HK\$170.40	HK\$76.71	-11%

**12-month Trailing Net Average Margin per Active User ("Net AMPU")⁽¹⁴⁾
to 30 June 2020**

	Non-contract	Contract	Blended Total	% Variance compared to 30 June 2019
United Kingdom	£3.89	£13.87	£10.96	-6%
Italy	€8.91	€9.69	€9.26	+5%
Sweden	SEK96.61	SEK183.83	SEK160.05	-3%
Denmark	DKK74.70	DKK116.03	DKK99.45	—
Austria	€9.79	€16.11	€15.33	-1%
Ireland	€14.05	€14.45	€14.30	-4%
3 Group Europe Average⁽¹⁵⁾	€8.46	€13.29	€11.24	+1%
HTHKH	HK\$6.37	HK\$150.72	HK\$67.22	-14%

Note 12: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the period.

Note 13: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the period.

Note 14: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the period.

Note 15: 3 Group Europe 12-month trailing ARPU, Net ARPU and Net AMPU in the first half of 2019 were calculated based on 50% contribution from Wind Tre from June to August 2018 and 100% contribution from September 2018 onwards.

CKH Group Telecom (continued)

United Kingdom

EBITDA and EBIT decreased by 25% and 50% in local currency respectively compared to the same period last year, mainly due to lower margin driven by regulatory changes in the UK and within EU since 2019, increased annual spectrum licence fee imposed by Ofcom, as well as increased network and IT transformation spend and higher commissions, partly offset by improvements in other margins from MVNOS and various initiatives.

Italy

Wind Tre's EBITDA and EBIT decreased by 7% and 17% respectively, as the 2019 results included a one-time income of around €110 million, excluding which, the underlying EBITDA of Wind Tre increased by 5% through realisation of cost synergies while underlying EBIT decreased by 1%. Encouragingly, despite fierce market competition, Wind Tre's total margin increased by 1% driven by higher net AMPU from better network quality and improved other margins.

Sweden

Sweden, where the Group has a 60% interest, reported 6% growth in EBITDA in local currency compared to the same period last year, mainly due to 4% growth in total margin driven by higher customer base as well as stringent control on total CACs, partly offset by higher operating costs incurred from enlarged network. EBIT in local currency decreased by 5% from the same period last year due to higher depreciation and amortisation from enlarged asset base, particularly the ongoing LTE network rollout.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 4% growth in EBITDA in local currency compared to the same period last year, mainly due to 5% growth in total margin driven by higher customer base. EBIT in local currency decreased by 6% from the same period last year as the EBITDA growth was more than offset by higher depreciation and amortisation from enlarged asset base.

Austria

EBITDA and EBIT grew by 5% and 1% in local currency respectively compared to the same period last year, mainly driven by stringent control on total CACs and operating cost. The EBITDA growth was partly offset by higher depreciation and amortisation from an enlarged asset base.

Ireland

EBITDA and EBIT in local currency increased by 8% and 15% respectively compared to the same period last year driven by 2% higher total margin mainly from improved MVNO margin, as well as stringent control on total CACs and operating cost. EBIT also reflected slightly higher depreciation and amortisation from an enlarged asset base.

Hutchison Telecommunications Hong Kong Holdings

Total revenue of HK\$1,982 million was 21% lower as compared to the same period last year, primarily driven by the decrease in roaming service revenue and sales of low margin hardware in the first half of 2020. EBITDA and EBIT of HK\$631 million and HK\$216 million were 5% and 17% lower respectively as compared to the same period last year, mainly due to lower interest income following the distribution of special dividend and the cash settlement for the acquisition of 24.1% interest in the mobile business in May 2019, together with lower net customer service margin from less roaming revenue following restriction in travelling affected by the pandemic, partly offset by stringent control on operating costs.

Hutchison Asia Telecommunications

	30 June 2020 HK\$ million	30 June 2019 HK\$ million	Change	Local currencies change
Total Revenue	4,521	4,325	+5%	+8%
- Indonesia	3,952	3,734	+6%	+10%
- Vietnam	363	329	+10%	+12%
- Sri Lanka	206	262	-21%	-17%
EBITDA⁽¹⁶⁾	872	724	+20%	+25%
- Indonesia	899	1,008	-11%	-8%
- Vietnam	(2)	(202)	+99%	+98%
- Sri Lanka	19	(3)	+733%	+767%
- Corporate costs	(44)	(79)	+44%	+44%
EBIT⁽¹⁶⁾	194	216	-10%	-7%
- Indonesia	430	643	-33%	-31%
- Vietnam	(140)	(304)	+54%	+52%
- Sri Lanka	(52)	(44)	-18%	-23%
- Corporate costs	(44)	(79)	+44%	+44%
Total active customer account ('000)	48,846	45,695	+7%	

Note 16: Under Post-IFRS 16 basis, EBITDA was HK\$2,065 million (30 June 2019: HK\$1,761 million); EBIT was HK\$708 million (30 June 2019: HK\$687 million).

As of 30 June 2020, Hutchison Asia Telecommunications ("HAT") had approximately 48.8 million active customer accounts, 7% increase compared to the same period last year. Indonesia and Vietnam represent 70% and 22% of the total active customer account numbers respectively.

With approximately 7,000 additional 4G base transceiver station ("BTS") having been rolled-out over the last 12 months, the Indonesia operation has expanded its 4G network to almost 28,000 BTS, covering approximately 35,000 villages as at 30 June 2020. For the first half of 2020, the Indonesia operation reported revenue growth of 10% in local currency, reflecting the 14% growth in active customer accounts and 45% growth of data traffic compared to the same period last year. However, EBITDA and EBIT decreased by 8% and 31% in local currency respectively compared to same period last year, primarily due to increased network costs and depreciation that accompany the network expansion.

Despite reporting 1% decline in active customer accounts, the Vietnam operation reported revenue growth of 12% in local currency when compared to last year, reflecting the result of ARPU improvement and strategic churn of low value customers since 2019. Despite reporting LBITDA and LBIT, the results represent 98% and 52% improvement in local currency when compared to the first half of 2019, primarily driven by the revenue growth and disciplined cost controls.

In Sri Lanka, the operation continues to be under challenge from market conditions. Revenue was 17% below same period last year in local currency, primarily driven by 18% decrease in active customer accounts. Despite the decrease in revenue, the operation turnaround and reported EBITDA positive for the first half of 2020 through continued realisation of cost synergies and re-launch of the merged network. However, LBIT was 23% higher than the same period last year in local currency, primarily due to the increase in depreciation following the 4G network rollout.

Finance & Investments and Others

	30 June 2020 HK\$ million	30 June 2019 ⁽¹⁾ HK\$ million	Change	Local currencies change
Total Revenue	12,996	16,737	-22%	-18%
EBITDA⁽²⁾	9,971	2,054	+385%	+392%
- Underlying	1,174	2,054	-43%	-37%
- Non-recurring item	8,797	–		
EBIT⁽²⁾	8,780	715	+1128%	+1132%
- Underlying	(17)	715	-102%	-98%
- Non-recurring item	8,797	–		

Note 1: Revenue of HK\$220 million, EBITDA of HK\$549 million and EBIT of HK\$549 million in the six months ended 30 June 2019 were reclassified from Finance & Investments and Others segment to CKH Group Telecom segment to conform with the six months ended 30 June 2020 presentation.

Note 2: Under Post-IFRS 16 basis, EBITDA was HK\$10,724 million (30 June 2019: HK\$2,707 million); EBIT was HK\$8,904 million (30 June 2019: HK\$786 million).

Finance & Investments and Others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited, listed associate TOM Group, the Marionnaud businesses, listed associate CK Life Sciences Group and listed subsidiary, Hutchison Telecommunications (Australia) Limited, which has a 25.05% interest in TPG Telecom Limited (formerly known as Vodafone Hutchison Australia Pty Limited or "VHA").

In the first half of 2020, EBITDA and EBIT of this segment included net gains of HK\$10.1 billion⁽³⁾ arising from the dilution of the Group's attributable interest in VHA, renamed to TPG Telecom Limited, following the merger of VHA with TPG Corporation Limited ("TPG", formerly known as TPG Telecom Limited) effective in late June 2020, partly offset by write-downs on certain non-strategic equity investments totalling approximately HK\$1.3 billion. The net dilution gain attributable to ordinary shareholders from the merger was HK\$9.2 billion⁽³⁾ while the after-tax write-downs amounted to approximately HK\$1.4 billion.

As at 30 June 2020, the Group's holdings of cash and liquid investments totalled HK\$149,015 million. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of this Announcement.

Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the period ended 30 June 2020, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK\$7,434 million, decreased by 5% when compared to the same period last year. The Group's weighted average cost of debt for the period ended 30 June 2020 was 1.7% (30 June 2019: 2.1%), mainly due to the refinancing of Wind Tre external debt with CKH Group Telecom debt in August 2019.

The Group recorded current and deferred tax changes of HK\$2,349 million in the period ended 30 June 2020, a decrease of 46% compared to the same period last year, primarily reflected the lower profit before tax for the first half of 2020.

Note 3: Under Post-IFRS 16 basis, the net gains was HK\$10.2 billion and net gains attributable to shareholders was HK\$9.2 billion.

Report on Review of Interim Financial Statements

**TO THE BOARD OF DIRECTORS OF
CK HUTCHISON HOLDINGS LIMITED**
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 28 to 78, which comprises the condensed consolidated statement of financial position of CK Hutchison Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 August 2020

Condensed Consolidated Income Statement

for the six months ended 30 June 2020

Unaudited 2020 # US\$ million		Note	Unaudited	
			2020 HK\$ million	2019 HK\$ million
15,981	Revenue	4, 5	124,651	147,620
(5,624)	Cost of inventories sold		(43,867)	(51,888)
(2,262)	Staff costs		(17,642)	(19,308)
(921)	Expensed customer acquisition and retention costs		(7,184)	(8,438)
(2,535)	Depreciation and amortisation	5	(19,776)	(19,374)
(1,476)	Other operating expenses	6	(11,511)	(23,980)
	Share of profits less losses of:			
(433)	Associated companies		(3,379)	3,562
207	Joint ventures		1,619	3,893
2,937			22,911	32,087
(690)	Interest expenses and other finance costs	7	(5,387)	(6,920)
2,247	Profit before tax		17,524	25,167
(137)	Current tax	8	(1,073)	(2,390)
31	Deferred tax credit (charge)	8	244	(476)
2,141	Profit after tax		16,695	22,301
(474)	Profit attributable to non-controlling interests and holders of perpetual capital securities		(3,695)	(3,977)
1,667	Profit attributable to ordinary shareholders		13,000	18,324
US 43.2 cents	Earnings per share for profit attributable to ordinary shareholders	9	HK\$ 3.37	HK\$ 4.75

Details of distribution paid to the holders of perpetual capital securities and interim dividend payable to the ordinary shareholders are set out in note 10.

See note 31.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020

Unaudited 2020 # US\$ million		Unaudited 2020 HK\$ million	2019 HK\$ million
2,141	Profit after tax	16,695	22,301
	Other comprehensive income (losses)		
	Items that will not be reclassified to profit or loss:		
	Remeasurement of defined benefit obligations recognised directly		
(74)	in reserves	(574)	(230)
	Equity securities at fair value through other comprehensive income ("FVOCI")		
(42)	Valuation losses recognised directly in reserves	(326)	(233)
-	Share of other comprehensive income of associated companies	-	110
11	Share of other comprehensive income of joint ventures	82	459
16	Tax relating to items that will not be reclassified to profit or loss	127	41
(89)		(691)	147
	Items that have been reclassified or may be subsequently reclassified to profit or loss:		
	Debt securities at FVOCI		
8	Valuation gains recognised directly in reserves	62	96
12	Valuation losses previously in reserves recognised in income statement	89	-
(21)	Losses on cash flow hedges recognised directly in reserves	(162)	(717)
397	Gains (losses) on net investment hedges recognised directly in reserves	3,097	(66)
	Losses on translating overseas subsidiaries' net assets recognised		
(348)	directly in reserves	(2,713)	(453)
	Losses previously in reserves related to subsidiaries, associated		
	companies and joint ventures disposed during the period recognised		
306	in income statement	2,384	130
(288)	Share of other comprehensive income (losses) of associated companies	(2,243)	(422)
(384)	Share of other comprehensive income (losses) of joint ventures	(2,995)	(1,426)
	Tax relating to items that have been reclassified or may be subsequently		
1	reclassified to profit or loss	9	83
(317)		(2,472)	(2,775)
(406)	Other comprehensive income (losses), net of tax	(3,163)	(2,628)
1,735	Total comprehensive income	13,532	19,673
	Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities		
(375)		(2,924)	(3,285)
1,360	Total comprehensive income attributable to ordinary shareholders	10,608	16,388

See note 31.

Condensed Consolidated Statement of Financial Position

at 30 June 2020

Unaudited 30 June 2020 # US\$ million		Note	Unaudited 30 June 2020 HK\$ million	Audited 31 December 2019 HK\$ million
Non-current assets				
15,182	Fixed assets	11	118,419	119,131
10,323	Right-of-use assets	12	80,519	83,708
8,012	Telecommunications licences		62,492	63,387
11,220	Brand names and other rights		87,517	88,275
39,725	Goodwill	13	309,855	308,986
19,109	Associated companies		149,049	144,751
17,204	Interests in joint ventures		134,190	143,555
2,623	Deferred tax assets	14	20,462	20,353
1,137	Liquid funds and other listed investments	15	8,868	7,722
2,005	Other non-current assets	16	15,645	14,276
126,540			987,016	994,144
Current assets				
17,968	Cash and cash equivalents	17	140,147	137,127
3,010	Inventories		23,478	23,847
7,060	Trade receivables and other current assets	18	55,065	55,709
28,038			218,690	216,683
11	Assets classified as held for sale	19	90	149
28,049			218,780	216,832
Current liabilities				
4,073	Bank and other debts	20	31,766	39,995
189	Current tax liabilities		1,475	1,869
2,296	Lease liabilities		17,908	18,079
11,717	Trade payables and other current liabilities	21	91,393	99,358
18,275			142,542	159,301
9,774	Net current assets		76,238	57,531
136,314	Total assets less current liabilities		1,063,254	1,051,675
Non-current liabilities				
41,047	Bank and other debts	20	320,165	304,565
94	Interest bearing loans from non-controlling shareholders		736	728
9,163	Lease liabilities		71,474	75,609
2,174	Deferred tax liabilities	14	16,954	16,819
445	Pension obligations		3,473	3,123
6,776	Other non-current liabilities	23	52,852	53,868
59,699			465,654	454,712
76,615	Net assets		597,600	596,963

See note 31.

Condensed Consolidated Statement of Financial Position

at 30 June 2020

Unaudited 30 June 2020 # US\$ million		Note	Unaudited 30 June 2020 HK\$ million	Audited 31 December 2019 HK\$ million
	Capital and reserves			
494	Share capital	24 (a)	3,856	3,856
31,330	Share premium	24 (a)	244,377	244,377
27,895	Reserves	25	217,578	216,052
59,719	Total ordinary shareholders' funds		465,811	464,285
1,580	Perpetual capital securities	24 (b)	12,325	12,410
15,316	Non-controlling interests		119,464	120,268
76,615	Total equity		597,600	596,963

See note 31.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

Unaudited Total equity # US\$ million		Attributable to					Unaudited Total equity HK\$ million
		Ordinary shareholders		Total ordinary shareholders' funds HK\$ million	Perpetual capital securities HK\$ million	Non- controlling interests HK\$ million	
		Share capital and share premium (a) HK\$ million	Reserves (b) HK\$ million				
76,534	At 1 January 2020	248,233	216,052	464,285	12,410	120,268	596,963
2,141	Profit for the period	-	13,000	13,000	241	3,454	16,695
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
(42)	Valuation losses recognised directly in reserves	-	(290)	(290)	-	(36)	(326)
	Debt securities at FVOCI						
8	Valuation gains recognised directly in reserves	-	62	62	-	-	62
12	Valuation losses previously in reserves recognised in income statement	-	89	89	-	-	89
(74)	Remeasurement of defined benefit obligations recognised directly in reserves	-	(453)	(453)	-	(121)	(574)
(21)	Losses on cash flow hedges recognised directly in reserves	-	(119)	(119)	-	(43)	(162)
397	Gains on net investment hedges recognised directly in reserves	-	2,344	2,344	-	753	3,097
(348)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(2,076)	(2,076)	-	(637)	(2,713)
306	Losses previously in reserves related to subsidiaries, associated companies and joint ventures disposed during the period recognised in income statement	-	2,342	2,342	-	42	2,384
(288)	Share of other comprehensive income (losses) of associated companies	-	(2,146)	(2,146)	-	(97)	(2,243)
(373)	Share of other comprehensive income (losses) of joint ventures	-	(2,254)	(2,254)	-	(659)	(2,913)
17	Tax relating to components of other comprehensive income (losses)	-	109	109	-	27	136
(406)	Other comprehensive income (losses), net of tax	-	(2,392)	(2,392)	-	(771)	(3,163)
1,735	Total comprehensive income	-	10,608	10,608	241	2,683	13,532
(1,137)	Dividends paid relating to 2019	-	(8,870)	(8,870)	-	-	(8,870)
(451)	Dividends paid to non-controlling interests	-	-	-	-	(3,513)	(3,513)
(42)	Distribution paid on perpetual capital securities	-	-	-	(326)	-	(326)
(26)	Relating to purchase of non-controlling interests	-	(202)	(202)	-	1	(201)
2	Relating to partial disposal of subsidiary companies	-	(10)	(10)	-	25	15
(1,654)		-	(9,082)	(9,082)	(326)	(3,487)	(12,895)
76,615	At 30 June 2020	248,233	217,578	465,811	12,325	119,464	597,600

See note 31.

(a) See note 24(a) for further details on share capital and share premium.

(b) See note 25 for further details on reserves.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

Unaudited Total equity # US\$ million		Attributable to					Unaudited Total equity HK\$ million
		Ordinary shareholders		Total ordinary shareholders' funds	Perpetual capital securities	Non- controlling interests	
		Share capital and share premium ^(a)	Reserves ^(b)				
73,734	At 1 January 2019	248,233	186,106	434,339	12,326	128,459	575,124
2,859	Profit for the period	-	18,324	18,324	241	3,736	22,301
	Other comprehensive income (losses)						
	Equity securities at FVOCI						
(30)	Valuation losses recognised directly in reserves	-	(174)	(174)	-	(59)	(233)
	Debt securities at FVOCI						
12	Valuation gains recognised directly in reserves	-	96	96	-	-	96
	Remeasurement of defined benefit obligations						
(29)	recognised directly in reserves	-	(183)	(183)	-	(47)	(230)
	Losses on cash flow hedges recognised directly						
(92)	in reserves	-	(581)	(581)	-	(136)	(717)
	Losses on net investment hedges recognised						
(9)	directly in reserves	-	(50)	(50)	-	(16)	(66)
	Losses on translating overseas subsidiaries' net						
(58)	assets recognised directly in reserves	-	(252)	(252)	-	(201)	(453)
	Losses previously in reserves related to subsidiaries,						
	associated companies and joint ventures disposed						
17	during the period recognised in income statement	-	103	103	-	27	130
	Share of other comprehensive income (losses) of						
(40)	associated companies	-	(182)	(182)	-	(130)	(312)
	Share of other comprehensive income (losses) of						
(124)	joint ventures	-	(816)	(816)	-	(151)	(967)
	Tax relating to components of other						
16	comprehensive income (losses)	-	103	103	-	21	124
(337)	Other comprehensive income (losses), net of tax	-	(1,936)	(1,936)	-	(692)	(2,628)
2,522	Total comprehensive income	-	16,388	16,388	241	3,044	19,673
	Hedging reserve gains transferred to the carrying value						
(5)	of non-financial items during the period	-	(35)	(35)	-	(5)	(40)
1	Impact of hyperinflation	-	7	7	-	2	9
(1,137)	Dividends paid relating to 2018	-	(8,870)	(8,870)	-	-	(8,870)
(608)	Dividends paid to non-controlling interests	-	-	-	-	(4,739)	(4,739)
(31)	Distribution paid on perpetual capital securities	-	-	-	(241)	-	(241)
	Share option schemes and long term incentive						
6	plans of subsidiary companies	-	27	27	-	18	45
(62)	Relating to purchase of non-controlling interests	-	(199)	(199)	-	(279)	(478)
(1,836)		-	(9,070)	(9,070)	(241)	(5,003)	(14,314)
74,420	At 30 June 2019	248,233	193,424	441,657	12,326	126,500	580,483

See note 31.

(a) See note 24(a) for further details on share capital and share premium.

(b) See note 25 for further details on reserves.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

Unaudited 2020 # US\$ million		Note	Unaudited	
			2020 HK\$ million	2019 HK\$ million
	Operating activities			
4,827	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	26 (a)	37,647	47,647
(690)	Interest expenses and other finance costs paid (net of capitalisation)		(5,382)	(7,187)
(275)	Tax paid		(2,143)	(3,302)
3,862	Funds from operations (before payment of lease liabilities)		30,122	37,158
(173)	Changes in working capital	26 (b)	(1,349)	(10,511)
3,689	Net cash from operating activities		28,773	26,647
	Investing activities			
(1,194)	Purchase of fixed assets		(9,311)	(12,537)
(26)	Additions to telecommunications licences		(202)	(1,071)
(96)	Additions to brand names and other rights		(749)	(660)
-	Additions to other unlisted investments		(2)	(5)
2	Repayments of loans from associated companies and joint ventures		15	238
(97)	Purchase of and advances to associated companies and joint ventures		(757)	(504)
59	Proceeds from disposal of fixed assets		463	51
2	Proceeds from disposal of subsidiary companies, net of cash disposed	26 (c)	13	(187)
191	Proceeds from disposal of associated companies and joint ventures		1,492	2,388
(1,159)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		(9,038)	(12,287)
36	Disposal of liquid funds and other listed investments		283	169
(204)	Additions to liquid funds and other listed investments		(1,595)	(2)
(1,327)	Cash flows used in investing activities		(10,350)	(12,120)
2,362	Net cash inflow before financing activities		18,423	14,527
	Financing activities			
3,693	New borrowings	26 (d)	28,803	21,707
(2,812)	Repayment of borrowings	26 (d)	(21,934)	(27,605)
(1,221)	Payment of lease liabilities	26 (d)	(9,529)	(8,643)
-	Net loans to non-controlling shareholders	26 (d)	-	(2)
(26)	Payment to acquire additional interests in subsidiary companies		(201)	(478)
2	Proceeds from partial disposal of subsidiary company		15	-
(1,137)	Dividends paid to ordinary shareholders		(8,870)	(8,870)
(431)	Dividends paid to non-controlling interests		(3,361)	(4,774)
(42)	Distribution paid on perpetual capital securities		(326)	(241)
(1,974)	Cash flows used in financing activities		(15,403)	(28,906)
388	Increase (decrease) in cash and cash equivalents		3,020	(14,379)
17,580	Cash and cash equivalents at 1 January		137,127	138,996
17,968	Cash and cash equivalents at 30 June		140,147	124,617

See note 31.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

Unaudited 2020 # US\$ million		Note	Unaudited	
			2020 HK\$ million	2019 HK\$ million
	Analysis of cash, liquid funds and other listed investments at 30 June			
17,968	Cash and cash equivalents, as above		140,147	124,617
-	Less: cash and cash equivalents included in assets classified as held for sale		-	(2,458)
17,968	Cash and cash equivalents	17	140,147	122,159
1,137	Liquid funds and other listed investments	15	8,868	7,886
-	Liquid funds and other listed investments under other current assets		-	1,121
19,105	Total cash, liquid funds and other listed investments		149,015	131,166
45,471	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	20	354,673	343,472
94	Interest bearing loans from non-controlling shareholders		736	746
26,460	Net debt		206,394	213,052
(94)	Interest bearing loans from non-controlling shareholders		(736)	(746)
26,366	Net debt (excluding interest bearing loans from non-controlling shareholders)		205,658	212,306

See note 31.

Notes to the Interim Financial Statements

1 General information

CK Hutchison Holdings Limited (the “Company”) is a company incorporated in the Cayman Islands with limited liability and the shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) as at and for the six months ended 30 June 2020 (the “Interim Financial Statements”) were authorised for issue by the Company’s board of directors on 6 August 2020.

The Chairman’s Statement and Operations Highlights include discussions on the performance of the Group’s businesses for the current period (including the impacts of Coronavirus Disease 2019 (“COVID-19”) on our operations) and other important events that occurred since the end of the 2019 financial year.

The Group Capital Resources and Liquidity and Finance & Investments and Others section of Operations Highlights include discussions on the Group’s liquidity and financial profile.

2 Use of judgements, assumptions and estimates

The preparation of financial statements under Hong Kong Financial Reporting Standards (“HKFRSs”) requires entities to make judgements, estimates and assumptions about the reported amounts and the accompanying disclosures.

In preparing the Interim Financial Statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions and in particular has assumed that the current market conditions as a result of the COVID-19 pandemic is not a long-term norm. Although our estimates and assumptions contemplate current and, as applicable, expected future conditions that the Group considers are relevant and reasonable, including but not limited to the potential impacts to our operations arising from the COVID-19 pandemic and different monetary, fiscal and government policy responses aimed at reviving the economies, it is reasonably possible that actual conditions could differ from our expectations. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and it is currently impossible to predict. As a result, our accounting estimates and assumptions may change over time in response to how market conditions develop. In addition, actual results could differ significantly from those estimates and assumptions.

Uncertainty about these judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

Note 33 sets out further information on our significant accounting judgements, estimates and assumptions applied in preparing the Interim Financial Statements.

3 Basis of preparation

The ultimate impact of the COVID-19 pandemic on the Group is uncertain at the date on which the Interim Financial Statements were authorised for issue. Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and mitigating actions which have been and may be taken to reduce discretionary spend and other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, we have determined that, at the date on which the Interim Financial Statements were authorised for issue, the use of the going concern basis of accounting to prepare the Interim Financial Statements is appropriate.

Our significant accounting policies are described in note 40 to the Company’s annual consolidated financial statements as at and for the year ended 31 December 2019 (the “2019 Annual Financial Statements”). We include certain updates to those policies in note 32.

The accompanying financial statements and notes are unaudited. The results reported in the Interim Financial Statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs. The Interim Financial Statements should be read in conjunction with the 2019 Annual Financial Statements, which have been prepared in accordance with HKFRSs.

4 Revenue

(a) An analysis of revenue of the Company and subsidiary companies is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Sale of goods	67,445	80,438
Revenue from services	54,213	64,041
Interest	2,871	3,050
Dividend income	122	91
	124,651	147,620

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15:

(i) By segments *

	Six months ended 30 June 2020				
	Revenue from contracts with customers			Revenue from other sources	
	recognised at a point in time	recognised over time	Subtotal	from other sources	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	-	12,158	12,158	110	12,268
Retail	56,119	37	56,156	-	56,156
Infrastructure	1,679	-	1,679	1,599	3,278
Husky Energy	-	-	-	-	-
CKH Group Telecom					
3 Group Europe	5,517	34,999	40,516	3	40,519
Hutchison Telecommunications Hong Kong Holdings	318	1,664	1,982	-	1,982
Corporate and Others	-	36	36	97	133
	5,835	36,699	42,534	100	42,634
Hutchison Asia Telecommunications	-	4,521	4,521	-	4,521
Finance & Investments and Others	4,503	72	4,575	1,219	5,794
	68,136	53,487	121,623	3,028	124,651
	Six months ended 30 June 2019				
	Revenue from contracts with customers			Revenue from other sources	
	recognised at a point in time	recognised over time	Subtotal	from other sources	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Ports and Related Services	-	13,323	13,323	78	13,401
Retail	65,613	171	65,784	-	65,784
Infrastructure	1,710	5,158	6,868	3,106	9,974
Husky Energy	-	-	-	-	-
CKH Group Telecom					
3 Group Europe	7,125	36,334	43,459	-	43,459
Hutchison Telecommunications Hong Kong Holdings	733	1,782	2,515	-	2,515
Corporate and Others	-	10	10	147	157
	7,858	38,126	45,984	147	46,131
Hutchison Asia Telecommunications	-	4,325	4,325	-	4,325
Finance & Investments and Others	6,212	154	6,366	1,639	8,005
	81,393	61,257	142,650	4,970	147,620

* Previously reported figures in respect of "Finance & Investments and Others" for six months ended 30 June 2019 have been reclassified to conform with the presentation of segmental information adopted in the 2019 Annual Financial Statements (see note 5(a) under "CKH Group Telecom" division). These amendments and reclassifications have no impact on the revenue and profit for the six months ended 30 June 2020 and 30 June 2019 nor on the assets and liabilities of the Group as at 30 June 2020 and 31 December 2019.

4 Revenue (continued)

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of HKFRS 15 (continued):

(ii) By geographical locations *

	Six months ended 30 June 2020				
	Revenue from contracts with customers			Revenue from other sources	
	recognised at a point in time	recognised over time	Subtotal		Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	14,792	1,631	16,423	174	16,597
Mainland China	10,707	180	10,887	8	10,895
Europe	26,215	39,554	65,769	1,105	66,874
Canada	-	-	-	115	115
Asia, Australia and Others	11,919	12,050	23,969	407	24,376
Finance & Investments and Others	4,503	72	4,575	1,219	5,794
	68,136	53,487	121,623	3,028	124,651
	Six months ended 30 June 2019				
	Revenue from contracts with customers			Revenue from other sources	
	recognised at a point in time	recognised over time	Subtotal		Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	15,666	1,722	17,388	173	17,561
Mainland China	15,630	210	15,840	5	15,845
Europe	30,748	46,600	77,348	2,614	79,962
Canada	-	213	213	112	325
Asia, Australia and Others	13,137	12,358	25,495	427	25,922
Finance & Investments and Others	6,212	154	6,366	1,639	8,005
	81,393	61,257	142,650	4,970	147,620

* Previously reported figures in respect of "Finance & Investments and Others" for six months ended 30 June 2019 have been reclassified to conform with the presentation of segmental information adopted in the 2019 Annual Financial Statements (see note 5(a) under "CKH Group Telecom" division). These amendments and reclassifications have no impact on the revenue and profit for the six months ended 30 June 2020 and 30 June 2019 nor on the assets and liabilities of the Group as at 30 June 2020 and 31 December 2019.

4 Revenue (continued)

(c) Contract balances related to contracts with customers within the scope of HKFRS 15

Under HKFRS 15, a contract asset or a contract liability is generated when either party to the contract performs, depending on the relationship between the entity's performance and the customer's payment. When an entity satisfies a performance obligation by transferring a promised goods or service, the entity has earned a right to consideration from the customer and, therefore, has a contract asset. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability. Generally, contract assets may represent conditional or unconditional rights to consideration. The right would be conditional, for example, when an entity is required first to satisfy another performance obligation in the contract before it is entitled to payment from the customer. If an entity has an unconditional right to receive consideration from the customer, the contract asset is classified as and accounted for as a receivable and presented separately from other contract assets. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers within the scope of HKFRS 15.

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Trade receivables (see note 18)	16,633	16,863
Contract assets (see notes 16 and 18)	6,513	7,385
Contract liabilities (see note 21)	(5,706)	(6,188)

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled.

5 Operating segment information

(a) Description of segments and principal activities

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on the following operating divisions.

Ports and Related Services:

The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the Hutchison Port Holdings Trust ("HPH Trust"). Results of HPH Trust are included in the segment results (under Ports and Related Services) based on the Group's effective shareholdings (net of non-controlling interests) in HPH Trust.

Retail:

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers.

Infrastructure:

The Infrastructure division comprises the Group's 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a subsidiary company listed on the Stock Exchange as well as 10% of the economic benefits derived from the Group's direct holdings in six co-owned infrastructure investments with CKI comprising of interests in Northumbrian Water, Park'N Fly, UK Rails, Australian Gas Networks, Dutch Enviro Energy and Wales & West Utilities. In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in its direct interest in these six co-owned infrastructure investments. In December 2019, the Group completed supplementary agreements with the counter-parties to the economic arrangements in respect of its direct interests in Northumbrian Water, Park'N Fly, UK Rails, Dutch Enviro Energy and Wales & West Utilities to effectively transfer to these parties the proportionate voting rights of the Group's direct interests in these five co-owned infrastructure investments. Results of these co-owned infrastructure investments following the divestiture are included in the segment results on a net of divestiture basis.

5 Operating segment information (continued)

(a) Description of segments and principal activities (continued)

Husky Energy:

This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:

The Group's telecommunications division consists of CK Hutchison Group Telecom Holdings ("CKH Group Telecom") and Hutchison Asia Telecommunications.

In July 2019, the Group has formed a new wholly-owned telecommunication holding company, CKH Group Telecom to consolidate the 3 Group businesses in Europe ("3 Group Europe") and a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the Stock Exchange. For segment information presentation purposes, CKH Group Telecom is presented as an operating division for the current and comparative periods in this operating segment note, with separate sub-totals for 3 Group Europe, HTHKH and CKH Group Telecom's Corporate and Others (which covers CKH Group Telecom's corporate head office operations and the returns earned on its holdings of cash and liquid investments). Comparative information for the six months ended 30 June 2019 have been amended accordingly to conform with this change in classification adopted in the 2019 Annual Financial Statements. These amendments and reclassifications have no impact on the profit for the six months ended 30 June 2020 and 30 June 2019 nor on the assets and liabilities of the Group as at 30 June 2020 and 31 December 2019.

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately and includes a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 25.05% interest in a listed associated company, TPG Telecom Limited (formerly known as Vodafone Hutchison Australia Pty Limited ("VHA")), Hutchison Whampoa (China), Hutchison E-Commerce, the Marionnaud business, listed associated company Hutchison China MediTech (formerly a subsidiary company), TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), corporate head office operations and the returns earned on the Group's holdings of cash and liquid investments.

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies and joint ventures' respective items.

(b) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK\$21 million (30 June 2019 - HK\$14 million), Hutchison Telecommunications Hong Kong Holdings of HK\$6 million (30 June 2019 - HK\$5 million) and Hutchison Asia Telecommunications of HK\$1 million (30 June 2019 - HK\$2 million).

The Group uses two measures of segment results, EBITDA (see note 5(b)(xiii)) and EBIT (see note 5(b)(xiv)).

In 2019, the Group has adopted the HKFRS 16 accounting standard (which relates to accounting for leases) for its statutory reporting, but its management reporting has remained on the precedent lease accounting standard Hong Kong Accounting Standard 17 "Leases" ("HKAS 17"). The Group believes that the HKAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a HKFRS 16 basis ("Post-HKFRS 16 basis"), better reflect management's view of the Group's underlying operational performances. HKAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. Accordingly, segmental information is presented on a HKAS 17 basis ("Pre-HKFRS 16 basis"), except where indicated otherwise. As additional information, reconciliations from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics are included in section (c) of this note.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(i) An analysis of revenue by segments

	Revenue							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
Ports and Related Services	12,268	3,763	16,031	8%	13,401	4,149	17,550	8%
Retail	56,156	17,471	73,627	39%	65,784	17,377	83,161	38%
Infrastructure	3,278	21,903	25,181	13%	6,210	19,415	25,625	12%
Husky Energy	-	14,884	14,884	8%	-	23,465	23,465	11%
CKH Group Telecom								
3 Group Europe	40,519	5	40,524	22%	43,459	5	43,464	20%
Hutchison Telecommunications Hong Kong Holdings	1,982	-	1,982	1%	2,515	-	2,515	1%
Corporate and Others	133	63	196	-	157	63	220	-
	42,634	68	42,702	23%	46,131	68	46,199	21%
Hutchison Asia Telecommunications	4,521	-	4,521	2%	4,325	-	4,325	2%
Finance & Investments and Others	5,794	7,202	12,996	7%	8,005	8,732	16,737	8%
	124,651	65,291	189,942	100%	143,856	73,206	217,062	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	-	454	454		-	520	520	
Divesture of infrastructure investments	-	360	360		3,764	2,214	5,978	
	124,651	66,105	190,756		147,620	75,940	223,560	
HKFRS 16 impact	-	-	-		-	-	-	
	124,651	66,105	190,756		147,620	75,940	223,560	

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) ^(xiii)							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
Ports and Related Services	4,025	1,514	5,539	12%	4,733	1,717	6,450	12%
Retail	3,472	1,154	4,626	10%	6,830	1,352	8,182	15%
Infrastructure	1,686	12,082	13,768	29%	3,558	10,798	14,356	27%
Husky Energy ^(xv)	-	(2,751)	(2,751)	-6%	-	4,713	4,713	9%
CKH Group Telecom								
3 Group Europe ^(xvi)	14,449	-	14,449	31%	16,297	-	16,297	30%
Hutchison Telecommunications Hong Kong Holdings	598	33	631	1%	628	35	663	1%
Corporate and Others	(147)	(12)	(159)	-	549	-	549	1%
	14,900	21	14,921	32%	17,474	35	17,509	32%
Hutchison Asia Telecommunications	872	-	872	2%	724	-	724	1%
Finance & Investments and Others ^(xvii)	8,801	1,170	9,971	21%	(116)	2,170	2,054	4%
EBITDA	33,756	13,190	46,946	100%	33,203	20,785	53,988	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	-	320	320		-	357	357	
EBITDA	33,756 [^]	13,510 [^]	47,266 [^]		33,203 [^]	21,142 [^]	54,345 [^]	
Depreciation and amortisation (see note 5(b)(iv))	(10,751)	(9,654)	(20,405)		(11,028)	(8,859)	(19,887)	
Interest expenses and other finance costs	(3,610)	(3,824)	(7,434)		(4,591)	(3,205)	(7,796)	
Current tax	(1,091)	(1,584)	(2,675)		(2,267)	(1,517)	(3,784)	
Deferred tax	222	104	326		(441)	(90)	(531)	
Non-controlling interests	(3,732)	(178)	(3,910)		(3,925)	(222)	(4,147)	
	14,794	(1,626)	13,168		10,951	7,249	18,200	
HKFRS 16 impact								
EBITDA	10,702 [^]	1,693 [^]	12,395 [^]		10,155 [^]	1,546 [^]	11,701 [^]	
Depreciation and amortisation	(9,025)	(1,428)	(10,453)		(8,346)	(1,325)	(9,671)	
Interest expenses and other finance costs	(1,777)	(414)	(2,191)		(1,627)	(342)	(1,969)	
Current tax	18	-	18		(1)	-	(1)	
Deferred tax	22	4	26		19	14	33	
Non-controlling interests	37	-	37		31	-	31	
	14,771	(1,771)	13,000		11,182	7,142	18,324	
^ Reconciliation to Post-HKFRS 16 basis EBITDA:								
Pre-HKFRS 16 basis EBITDA per above	33,756	13,510	47,266		33,203	21,142	54,345	
HKFRS 16 impact per above	10,702	1,693	12,395		10,155	1,546	11,701	
Post-HKFRS 16 basis EBITDA (see note 26(a)(i))	44,458	15,203	59,661		43,358	22,688	66,046	

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iii) An analysis of EBIT by segments

	EBIT (LBIT) ^(xiv)							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	%
Ports and Related Services	2,604	850	3,454	13%	3,242	1,008	4,250	12%
Retail	2,170	800	2,970	11%	5,584	1,006	6,590	19%
Infrastructure	1,563	7,426	8,989	34%	2,599	7,302	9,901	29%
Husky Energy ^(xv)	-	(5,487)	(5,487)	-21%	-	1,787	1,787	5%
CKH Group Telecom								
3 Group Europe ^(xvi)								
EBITDA before the following non-cash items:	14,449	-	14,449		16,297	-	16,297	
Depreciation	(4,186)	-	(4,186)		(4,313)	-	(4,313)	
Amortisation of licence fees, customer acquisition and retention costs and other rights	(2,541)	-	(2,541)		(2,014)	-	(2,014)	
EBIT - 3 Group Europe	7,722	-	7,722	29%	9,970	-	9,970	29%
Hutchison Telecommunications Hong Kong Holdings	206	10	216	1%	249	11	260	1%
Corporate and Others	(149)	(12)	(161)	-1%	549	-	549	2%
	7,779	(2)	7,777	29%	10,768	11	10,779	32%
Hutchison Asia Telecommunications	194	-	194	1%	216	-	216	1%
Finance & Investments and Others ^(xvii)	8,695	85	8,780	33%	(234)	949	715	2%
EBIT	23,005	3,672	26,677	100%	22,175	12,063	34,238	100%
<i>Portion attributable to:</i>								
Non-controlling interests of HPH Trust	-	184	184		-	220	220	
EBIT	23,005 [^]	3,856 [^]	26,861 [^]		22,175 [^]	12,283 [^]	34,458 [^]	
Interest expenses and other finance costs	(3,610)	(3,824)	(7,434)		(4,591)	(3,205)	(7,796)	
Current tax	(1,091)	(1,584)	(2,675)		(2,267)	(1,517)	(3,784)	
Deferred tax	222	104	326		(441)	(90)	(531)	
Non-controlling interests	(3,732)	(178)	(3,910)		(3,925)	(222)	(4,147)	
	14,794	(1,626)	13,168		10,951	7,249	18,200	
HKFRS 16 impact								
EBIT	1,677 [^]	265 [^]	1,942 [^]		1,809 [^]	221 [^]	2,030 [^]	
Interest expenses and other finance costs	(1,777)	(414)	(2,191)		(1,627)	(342)	(1,969)	
Current tax	18	-	18		(1)	-	(1)	
Deferred tax	22	4	26		19	14	33	
Non-controlling interests	37	-	37		31	-	31	
	14,771	(1,771)	13,000		11,182	7,142	18,324	
[^] Reconciliation to Post-HKFRS 16 basis EBIT:								
Pre-HKFRS 16 basis EBIT per above	23,005	3,856	26,861		22,175	12,283	34,458	
HKFRS 16 impact per above	1,677	265	1,942		1,809	221	2,030	
Post-HKFRS 16 basis EBIT	24,682	4,121	28,803		23,984	12,504	36,488	

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iv) An analysis of depreciation and amortisation expenses by segments

	Depreciation and amortisation					
	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million	Company and Subsidiaries HK\$ million	Associates and JV HK\$ million	Total HK\$ million
Ports and Related Services	1,421	664	2,085	1,491	709	2,200
Retail	1,302	354	1,656	1,246	346	1,592
Infrastructure	123	4,656	4,779	959	3,496	4,455
Husky Energy	-	2,736	2,736	-	2,926	2,926
CKH Group Telecom						
3 Group Europe	6,727	-	6,727	6,327	-	6,327
Hutchison Telecommunications Hong Kong Holdings	392	23	415	379	24	403
Corporate and Others	2	-	2	-	-	-
	7,121	23	7,144	6,706	24	6,730
Hutchison Asia Telecommunications	678	-	678	508	-	508
Finance & Investments and Others	106	1,085	1,191	118	1,221	1,339
	10,751	9,518	20,269	11,028	8,722	19,750
<i>Portion attributable to:</i>						
Non-controlling interests of HPH Trust	-	136	136	-	137	137
	10,751	9,654	20,405	11,028	8,859	19,887
HKFRS 16 impact	9,025	1,428	10,453	8,346	1,325	9,671
	19,776	11,082	30,858	19,374	10,184	29,558

(v) An analysis of capital expenditure by segments

	Capital expenditure ^(xxii)								
	Six months ended 30 June 2020				Six months ended 30 June 2019				
	Fixed assets HK\$ million	Telecommunications licences HK\$ million	Brand names and other rights HK\$ million	Total HK\$ million	Fixed assets [@] HK\$ million	Telecommunications licences [@] HK\$ million	Brand names and other rights [@] HK\$ million	Assets classified as held for sale HK\$ million	Total HK\$ million
Ports and Related Services	726	-	-	726	811	-	-	-	811
Retail	628	-	-	628	954	-	-	-	954
Infrastructure	113	-	-	113	110	-	3	3,582	3,695
Husky Energy	-	-	-	-	-	-	-	-	-
CKH Group Telecom									
3 Group Europe	5,913	-	737	6,650	5,663	1,045	657	-	7,365
Hutchison Telecommunications Hong Kong Holdings	105	202	-	307	154	-	-	-	154
Corporate and Others	1	-	6	7	2	-	-	-	2
	6,019	202	743	6,964	5,819	1,045	657	-	7,521
Hutchison Asia Telecommunications	1,787	-	-	1,787	1,105	26	-	-	1,131
Finance & Investments and Others	52	-	6	58	156	-	-	-	156
	9,325	202	749	10,276	8,955	1,071	660	3,582	14,268
HKFRS 16 impact	(14)	-	-	(14)	-	-	-	-	-
	9,311	202	749	10,262	8,955	1,071	660	3,582	14,268

@ excluding capital expenditure incurred during the period for assets classified as held for sale during the period.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vi) An analysis of total assets by segments

	Total assets									
	30 June 2020					31 December 2019				
	Segment assets ^(xix)	Deferred tax assets	Assets classified as held for sale	Investments in associated companies and interests in joint ventures	Total assets	Segment assets ^(xix)	Deferred tax assets	Assets classified as held for sale	Investments in associated companies and interests in joint ventures	Total assets
Ports and Related Services	73,583	191	-	19,070	92,844	74,648	189	-	20,250	95,087
Retail	198,125	988	-	14,378	213,491	200,111	908	-	14,338	215,357
Infrastructure	67,142	3	-	164,544	231,689	60,929	4	-	169,167	230,100
Husky Energy	-	-	-	55,057	55,057	-	-	-	61,706	61,706
CKH Group Telecom										
3 Group Europe	304,153	17,453	90	9	321,705	304,498	17,342	149	9	321,998
Hutchison Telecommunications										
Hong Kong Holdings	15,604	127	-	307	16,038	15,345	168	-	335	15,848
Corporate and Others	17,198	-	-	42	17,240	15,516	-	-	28	15,544
	336,955	17,580	90	358	354,983	335,359	17,510	149	372	353,390
Hutchison Asia										
Telecommunications	16,236	-	-	-	16,236	15,782	-	-	-	15,782
Finance & Investments and Others	140,626	31	-	30,852	171,509	141,436	29	-	23,550	165,015
	832,667	18,793	90	284,259	1,135,809	828,265	18,640	149	289,383	1,136,437
HKFRS 16 impact	69,338	1,669	-	(1,020)	69,987	73,903	1,713	-	(1,077)	74,539
	902,005	20,462	90	283,239	1,205,796	902,168	20,353	149	288,306	1,210,976

(vii) An analysis of total liabilities by segments

	Total liabilities							
	30 June 2020				31 December 2019			
	Segment liabilities ^(xix)	Current & non-current borrowings ^(xx) and other non-current liabilities	Current & deferred tax liabilities	Total liabilities	Segment liabilities ^(xix)	Current & non-current borrowings ^(xx) and other non-current liabilities	Current & deferred tax liabilities	Total liabilities
Ports and Related Services	12,042	17,108	3,883	33,033	11,982	17,384	4,032	33,398
Retail	24,102	14,107	9,605	47,814	25,799	12,905	9,819	48,523
Infrastructure	6,268	36,295	572	43,135	5,875	32,298	604	38,777
Husky Energy	-	-	-	-	-	-	-	-
CKH Group Telecom								
3 Group Europe	34,679	21,039	279	55,997	38,325	22,745	230	61,300
Hutchison Telecommunications								
Hong Kong Holdings	1,686	589	3	2,278	1,554	482	24	2,060
Corporate and Others	532	82,414	120	83,066	597	81,976	31	82,604
	36,897	104,042	402	141,341	40,476	105,203	285	145,964
Hutchison Asia								
Telecommunications	7,179	18,302	2	25,483	11,241	14,304	2	25,547
Finance & Investments and Others	10,521	215,872	4,977	231,370	8,987	217,291	5,000	231,278
	97,009	405,726	19,441	522,176	104,360	399,385	19,742	523,487
HKFRS 16 impact	87,239	(207)	(1,012)	86,020	91,809	(229)	(1,054)	90,526
	184,248	405,519	18,429	608,196	196,169	399,156	18,688	614,013

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(viii) An analysis of revenue by geographical locations

	Revenue							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries	Associates and JV	Total	%	Company and Subsidiaries	Associates and JV	Total	%
HK\$ million	HK\$ million	HK\$ million		HK\$ million	HK\$ million	HK\$ million		
Hong Kong	16,597	2,113	18,710	10%	17,561	2,175	19,736	9%
Mainland China	10,895	4,037	14,932	8%	15,845	3,643	19,488	9%
Europe	66,874	30,420	97,294	51%	76,294	27,950	104,244	48%
Canada ^(xxi)	115	14,637	14,752	8%	229	23,274	23,503	11%
Asia, Australia and Others	24,376	6,882	31,258	16%	25,922	7,432	33,354	15%
Finance & Investments and Others	5,794	7,202	12,996	7%	8,005	8,732	16,737	8%
	124,651	65,291	189,942 ^{**}	100%	143,856	73,206	217,062 ^{**}	100%
HKFRS 16 Impact	-	-	-		-	-	-	
	124,651	65,291	189,942 ^{**}		143,856	73,206	217,062 ^{**}	

^{**} see note 5(b)(i) for reconciliation of segment revenue to revenue presented in the income statement.

(ix) An analysis of EBITDA by geographical locations

	EBITDA (LBITDA) ^(xiii)							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries	Associates and JV	Total	%	Company and Subsidiaries	Associates and JV	Total	%
HK\$ million	HK\$ million	HK\$ million		HK\$ million	HK\$ million	HK\$ million		
Hong Kong	805	889	1,694	4%	669	902	1,571	3%
Mainland China	1,658	1,860	3,518	8%	3,510	2,074	5,584	10%
Europe	17,355	8,685	26,040	55%	22,996	7,186	30,182	56%
Canada ^(xxi)	115	(3,404)	(3,289)	-7%	179	4,030	4,209	8%
Asia, Australia and Others	5,022	3,990	9,012	19%	5,965	4,423	10,388	19%
Finance & Investments and Others	8,801	1,170	9,971	21%	(116)	2,170	2,054	4%
	33,756	13,190	46,946 ^{##}	100%	33,203	20,785	53,988 ^{##}	100%
HKFRS 16 impact	10,702	1,693	12,395		10,155	1,546	11,701	
	44,458	14,883	59,341 ^{##}		43,358	22,331	65,689 ^{##}	

^{##} see note 5(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the income statement.

(x) An analysis of EBIT by geographical locations

	EBIT (LBIT) ^(xiv)							
	Six months ended 30 June 2020				Six months ended 30 June 2019			
	Company and Subsidiaries	Associates and JV	Total	%	Company and Subsidiaries	Associates and JV	Total	%
HK\$ million	HK\$ million	HK\$ million		HK\$ million	HK\$ million	HK\$ million		
Hong Kong	350	395	745	3%	112	397	509	1%
Mainland China	1,031	1,237	2,268	8%	3,001	1,404	4,405	13%
Europe	9,717	5,444	15,161	57%	14,934	5,150	20,084	59%
Canada ^(xxi)	116	(6,045)	(5,929)	-22%	167	1,277	1,444	4%
Asia, Australia and Others	3,096	2,556	5,652	21%	4,195	2,886	7,081	21%
Finance & Investments and Others	8,695	85	8,780	33%	(234)	949	715	2%
	23,005	3,672	26,677 ^{@@}	100%	22,175	12,063	34,238 ^{@@}	100%
HKFRS 16 impact	1,677	265	1,942		1,809	221	2,030	
	24,682	3,937	28,619 ^{@@}		23,984	12,284	36,268 ^{@@}	

^{@@} see note 5(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xi) An analysis of capital expenditure by geographical locations

	Capital expenditure ^(xxii)								
	Six months ended 30 June 2020				Six months ended 30 June 2019				
	Fixed assets	Telecom- munications licences	Brand names and other rights	Total	Fixed assets [@]	Telecom- munications licences [@]	Brand names and other rights [@]	Assets classified as held for sale	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	288	202	-	490	420	-	-	-	420
Mainland China	93	-	-	93	208	-	-	-	208
Europe	6,384	-	743	7,127	6,284	1,045	657	3,572	11,558
Canada	-	-	-	-	-	-	-	10	10
Asia, Australia and Others	2,508	-	-	2,508	1,887	26	3	-	1,916
Finance & Investments and Others	52	-	6	58	156	-	-	-	156
	9,325	202	749	10,276	8,955	1,071	660	3,582	14,268
HKFRS 16 impact	(14)	-	-	(14)	-	-	-	-	-
	9,311	202	749	10,262	8,955	1,071	660	3,582	14,268

@ excluding capital expenditure incurred during the period for assets classified as held for sale during the period.

(xii) An analysis of total assets by geographical locations

	Total assets									
	30 June 2020					31 December 2019				
	Segment assets ^(xix)	Deferred tax assets	Assets classified as held for sale	Investments in associated companies and interests in joint ventures	Total assets	Segment assets ^(xix)	Deferred tax assets	Assets classified as held for sale	Investments in associated companies and interests in joint ventures	Total assets
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	56,546	140	-	9,579	66,265	51,207	211	-	10,417	61,835
Mainland China	41,391	511	-	23,922	65,824	43,132	466	-	23,077	66,675
Europe	455,507	17,687	90	112,103	585,387	463,304	17,575	149	115,288	596,316
Canada ^(xxi)	3,583	3	-	54,978	58,564	3,430	4	-	62,883	66,317
Asia, Australia and Others	135,014	421	-	52,825	188,260	125,756	355	-	54,168	180,279
Finance & Investments and Others	140,626	31	-	30,852	171,509	141,436	29	-	23,550	165,015
	832,667	18,793	90	284,259	1,135,809	828,265	18,640	149	289,383	1,136,437
HKFRS 16 impact	69,338	1,669	-	(1,020)	69,987	73,903	1,713	-	(1,077)	74,539
	902,005	20,462	90	283,239	1,205,796	902,168	20,353	149	288,306	1,210,976

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

- (xiii) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation and the Group's interests in six co-owned infrastructure investments with CKI that are based on the Group's 10% direct interests in these investments. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under HKFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with HKFRS.
- (xiv) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation and the Group's interests in six co-owned infrastructure investments with CKI that are based on the Group's 10% direct interests in these investments. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under HKFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with HKFRS.
- (xv) The Group's 40.19% owned listed associated company, Husky Energy recognised a non-cash before-tax impairment of C\$1.4 billion in the first quarter of 2020. These were primarily related to Husky Energy's upstream assets in North America and were largely due to lower long-term commodity price assumptions. The Group's share of this charge is HK\$3,102 million at the EBITDA and EBIT levels, and is reported under "Husky Energy" in the segment results. The Group's share of this charge (after tax) is HK\$2,306 million and is included in "Share of profits less losses of associated companies" in the consolidated income statement.
- (xvi) Included in the EBITDA and EBIT of 3 Group Europe for the comparative period was a one-time income of approximately Euro 110 million (approximately HK\$1,028 million) recognised by Wind Tre in the first half of 2019. This credit was included in "Other operating expenses" in the consolidated income statement for the comparative period.
- (xvii) In June 2020, joint venture VHA and TPG Corporation Limited have completed the merger of their telecommunications businesses in Australia. As a result, the Group's attributable interest in VHA has been diluted from 43.93% to 22.01%. The Group has recognised gains arising from the dilution during the current period. The amount of the gains is HK\$10,105 million (HK\$10,186 million at Post-HKFRS 16 basis) at EBITDA and EBIT levels and is reported under "Finance & Investments and Others" in the segment results and included in "Other operating expenses" in the consolidated income statement. The gains attributable to ordinary shareholders amounted to HK\$9,177 million (HK\$9,247 million at Post-HKFRS 16 basis). Pursuant to the merger, VHA was renamed as TPG Telecom Limited. The Group accounts for the retained interest as an associated company using the equity method of accounting. In addition, write-downs on certain non-strategic equity investments totalling HK\$1,308 million is reported under the "Finance & Investments and Others" in the segment results and included in "Other operating expenses" in the consolidated income statement.
- (xviii) The geographical location of customers is based on the location at which the services were provided or goods delivered. Hong Kong is the location of principal place of business of the Company.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(xix) Segment assets and segment liabilities are measured in the same way as in the financial statements.

Segment assets are assets other than deferred tax assets, assets classified as held for sale, and investments in associated companies and interests in joint ventures.

Segment liabilities are liabilities other than bank and other debts, interest bearing loans from non-controlling shareholders, tax liabilities (including deferred tax liabilities) and other non-current liabilities.

The geographical location of the specified non-current assets is based on the physical location of the asset (for property, plant and equipment and other operating assets), the location of the operation in which they are allocated (for assets classified as held for sale, intangible assets and goodwill), and the location of operations (for associated companies and interests in joint ventures). The specified non-current assets are non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

Geographical analysis of the Group's non-current assets (based on Post-HKFRS 16 basis) other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts is as follows:

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Hong Kong	78,965	75,997
Mainland China	76,521	78,356
Europe	551,458	563,367
Canada ^(xxi)	58,194	66,207
Asia, Australia and Others	184,231	174,976
	870,404	882,906
	949,369	958,903

(xx) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

(xxi) Include contribution from the United States for Husky Energy.

(xxii) For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics

(i) Consolidated income statement

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million
Revenue	124,651	-	124,651	147,620	-	147,620
Cost of inventories sold	(43,882)	15	(43,867)	(51,888)	-	(51,888)
Staff costs	(17,642)	-	(17,642)	(19,308)	-	(19,308)
Expensed customer acquisition and retention costs	(7,399)	215	(7,184)	(8,677)	239	(8,438)
Depreciation and amortisation	(10,751)	(9,025)	(19,776)	(11,028)	(8,346)	(19,374)
Other operating expenses	(21,983)	10,472	(11,511)	(33,896)	9,916	(23,980)
Share of profits less losses of:						
Associated companies	(3,353)	(26)	(3,379)	3,577	(15)	3,562
Joint ventures	1,738	(119)	1,619	3,985	(92)	3,893
	21,379	1,532	22,911	30,385	1,702	32,087
Interest expenses and other finance costs	(3,610)	(1,777)	(5,387)	(5,293)	(1,627)	(6,920)
Profit before tax	17,769	(245)	17,524	25,092	75	25,167
Current tax	(1,091)	18	(1,073)	(2,389)	(1)	(2,390)
Deferred tax credit (charge)	222	22	244	(495)	19	(476)
Profit after tax	16,900	(205)	16,695	22,208	93	22,301
Profit attributable to non-controlling interests and holders of perpetual capital securities	(3,732)	37	(3,695)	(4,008)	31	(3,977)
Profit attributable to ordinary shareholders	13,168	(168)	13,000	18,200	124	18,324
Earnings per share for profit attributable to ordinary shareholders	HK\$ 3.41	(HK\$ 0.04)	HK\$ 3.37	HK\$ 4.72	HK\$ 0.03	HK\$ 4.75

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(ii) Consolidated statement of comprehensive income

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million
Profit after tax	16,900	(205)	16,695	22,208	93	22,301
Other comprehensive income (losses)						
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations recognised directly in reserves	(574)	-	(574)	(230)	-	(230)
Equity securities at FVOCI						
Valuation losses recognised directly in reserves	(326)	-	(326)	(233)	-	(233)
Share of other comprehensive income of associated companies	-	-	-	110	-	110
Share of other comprehensive income of joint ventures	82	-	82	459	-	459
Tax relating to items that will not be reclassified to profit or loss	127	-	127	41	-	41
	(691)	-	(691)	147	-	147
Items that have been reclassified or may be subsequently reclassified to profit or loss:						
Debt securities at FVOCI						
Valuation gains recognised directly in reserves	62	-	62	96	-	96
Valuation losses previously in reserves recognised in income statement	89	-	89	-	-	-
Losses on cash flow hedges recognised directly in reserves	(162)	-	(162)	(717)	-	(717)
Gains (losses) on net investment hedges recognised directly in reserves	3,097	-	3,097	(66)	-	(66)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(2,868)	155	(2,713)	(175)	(278)	(453)
Losses previously in reserves related to subsidiaries, associated companies and joint ventures disposed during the period recognised in income statement	2,384	-	2,384	130	-	130
Share of other comprehensive income (losses) of associated companies	(2,245)	2	(2,243)	(422)	-	(422)
Share of other comprehensive income (losses) of joint ventures	(2,997)	2	(2,995)	(1,430)	4	(1,426)
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	9	-	9	83	-	83
	(2,631)	159	(2,472)	(2,501)	(274)	(2,775)
Other comprehensive income (losses), net of tax	(3,322)	159	(3,163)	(2,354)	(274)	(2,628)
Total comprehensive income	13,578	(46)	13,532	19,854	(181)	19,673
Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities	(2,937)	13	(2,924)	(3,414)	129	(3,285)
Total comprehensive income attributable to ordinary shareholders	10,641	(33)	10,608	16,440	(52)	16,388

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(iii) Consolidated statement of financial position

	30 June 2020			31 December 2019		
	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million	Pre- HKFRS 16 basis HK\$ million	Effect on adoption of HKFRS 16 HK\$ million	Post- HKFRS 16 basis HK\$ million
Non-current assets						
Fixed assets	119,141	(722)	118,419	119,835	(704)	119,131
Right-of-use assets	-	80,519	80,519	-	83,708	83,708
Leasehold land	7,002	(7,002)	-	7,209	(7,209)	-
Telecommunications licences	62,492	-	62,492	63,387	-	63,387
Brand names and other rights	87,780	(263)	87,517	88,275	-	88,275
Goodwill	309,855	-	309,855	308,986	-	308,986
Associated companies	149,258	(209)	149,049	144,842	(91)	144,751
Interests in joint ventures	135,001	(811)	134,190	144,541	(986)	143,555
Deferred tax assets	18,793	1,669	20,462	18,640	1,713	20,353
Liquid funds and other listed investments	8,868	-	8,868	7,722	-	7,722
Other non-current assets	15,404	241	15,645	14,031	245	14,276
	913,594	73,422	987,016	917,468	76,676	994,144
Current assets						
Cash and cash equivalents	140,147	-	140,147	137,127	-	137,127
Inventories	23,478	-	23,478	23,847	-	23,847
Trade receivables and other current assets	58,500	(3,435)	55,065	57,846	(2,137)	55,709
	222,125	(3,435)	218,690	218,820	(2,137)	216,683
Assets classified as held for sale	90	-	90	149	-	149
	222,215	(3,435)	218,780	218,969	(2,137)	216,832
Current liabilities						
Bank and other debts	31,837	(71)	31,766	40,054	(59)	39,995
Current tax liabilities	1,482	(7)	1,475	1,870	(1)	1,869
Lease liabilities	-	17,908	17,908	-	18,079	18,079
Trade payables and other current liabilities	93,536	(2,143)	91,393	101,237	(1,879)	99,358
	126,855	15,687	142,542	143,161	16,140	159,301
Net current assets	95,360	(19,122)	76,238	75,808	(18,277)	57,531
Total assets less current liabilities	1,008,954	54,300	1,063,254	993,276	58,399	1,051,675
Non-current liabilities						
Bank and other debts	320,311	(146)	320,165	304,735	(170)	304,565
Interest bearing loans from non-controlling shareholders	736	-	736	728	-	728
Lease liabilities	-	71,474	71,474	-	75,609	75,609
Deferred tax liabilities	17,959	(1,005)	16,954	17,872	(1,053)	16,819
Pension obligations	3,473	-	3,473	3,123	-	3,123
Other non-current liabilities	52,842	10	52,852	53,868	-	53,868
	395,321	70,333	465,654	380,326	74,386	454,712
Net assets	613,633	(16,033)	597,600	612,950	(15,987)	596,963
Capital and reserves						
Share capital	3,856	-	3,856	3,856	-	3,856
Share premium	244,377	-	244,377	244,377	-	244,377
Reserves	229,564	(11,986)	217,578	228,005	(11,953)	216,052
Total ordinary shareholders' funds	477,797	(11,986)	465,811	476,238	(11,953)	464,285
Perpetual capital securities	12,325	-	12,325	12,410	-	12,410
Non-controlling interests	123,511	(4,047)	119,464	124,302	(4,034)	120,268
Total equity	613,633	(16,033)	597,600	612,950	(15,987)	596,963

5 Operating segment information (continued)

(c) Reconciliation from Pre-HKFRS 16 basis metrics to Post-HKFRS 16 basis metrics (continued)

(iv) Consolidated statement of cash flows

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Pre- HKFRS 16 basis	Effect on HKFRS 16	Post- HKFRS 16 basis	Pre- HKFRS 16 basis	Effect on HKFRS 16	Post- HKFRS 16 basis
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
	(A)		(B)	(A)		(B)
Operating activities						
Cash generated from operating activities before interest expenses						
and other finance costs, tax paid and changes in working capital	27,184	10,463	37,647	37,492	10,155	47,647
Interest expenses and other finance costs paid (net of capitalisation)	(3,605)	(1,777)	(5,382)	(5,560)	(1,627)	(7,187)
Tax paid	(2,143)	-	(2,143)	(3,302)	-	(3,302)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	21,436	8,686	30,122	28,630	8,528	37,158
Changes in working capital	(2,168)	819	(1,349)	(10,603)	92	(10,511)
Net cash from operating activities	19,268	9,505	28,773	18,027	8,620	26,647
Investing activities						
Purchase of fixed assets	(9,325)	14	(9,311)	(12,537)	-	(12,537)
Additions to telecommunications licences	(202)	-	(202)	(1,071)	-	(1,071)
Additions to brand names and other rights	(749)	-	(749)	(660)	-	(660)
Additions to other unlisted investments	(2)	-	(2)	(5)	-	(5)
Repayments of loans from associated companies and joint ventures	15	-	15	238	-	238
Purchase of and advances to associated companies and joint ventures	(757)	-	(757)	(504)	-	(504)
Proceeds from disposal of fixed assets	463	-	463	51	-	51
Proceeds from disposal of subsidiary companies, net of cash disposed	13	-	13	(187)	-	(187)
Proceeds from disposal of associated companies and joint ventures	1,492	-	1,492	2,388	-	2,388
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(9,052)	14	(9,038)	(12,287)	-	(12,287)
Disposal of liquid funds and other listed investments	283	-	283	169	-	169
Additions to liquid funds and other listed investments	(1,595)	-	(1,595)	(2)	-	(2)
Cash flows used in investing activities	(10,364)	14	(10,350)	(12,120)	-	(12,120)
Net cash inflow before financing activities	8,904	9,519	18,423	5,907	8,620	14,527
Financing activities						
New borrowings	28,803	-	28,803	21,707	-	21,707
Repayment of borrowings	(21,944)	10	(21,934)	(27,628)	23	(27,605)
Payment of lease liabilities	-	(9,529)	(9,529)	-	(8,643)	(8,643)
Net loans to non-controlling shareholders	-	-	-	(2)	-	(2)
Payment to acquire additional interests in subsidiary companies	(201)	-	(201)	(478)	-	(478)
Proceeds from partial disposal of subsidiary company	15	-	15	-	-	-
Dividends paid to ordinary shareholders	(8,870)	-	(8,870)	(8,870)	-	(8,870)
Dividends paid to non-controlling interests	(3,361)	-	(3,361)	(4,774)	-	(4,774)
Distribution paid on perpetual capital securities	(326)	-	(326)	(241)	-	(241)
Cash flows used in financing activities	(5,884)	(9,519)	(15,403)	(20,286)	(8,620)	(28,906)
Increase (decrease) in cash and cash equivalents	3,020	-	3,020	(14,379)	-	(14,379)
Cash and cash equivalents at 1 January	137,127	-	137,127	138,996	-	138,996
Cash and cash equivalents at 30 June	140,147	-	140,147	124,617	-	124,617
Analysis of cash, liquid funds and other listed investments at 30 June						
Cash and cash equivalents, as above	140,147	-	140,147	124,617	-	124,617
Less: cash and cash equivalents included in assets classified as held for sale	-	-	-	(2,458)	-	(2,458)
Cash and cash equivalents	140,147	-	140,147	122,159	-	122,159
Liquid funds and other listed investments	8,868	-	8,868	7,886	-	7,886
Liquid funds and other listed investments under other current assets	-	-	-	1,121	-	1,121
Total cash, liquid funds and other listed investments	149,015	-	149,015	131,166	-	131,166
Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	354,890	(217)	354,673	343,621	(149)	343,472
Interest bearing loans from non-controlling shareholders	736	-	736	746	-	746
Net debt	206,611	(217)	206,394	213,201	(149)	213,052
Interest bearing loans from non-controlling shareholders	(736)	-	(736)	(746)	-	(746)
Net debt (excluding interest bearing loans from non-controlling shareholders)	205,875	(217)	205,658	212,455	(149)	212,306

6 Other operating expenses and cost of goods sold

(a) Other operating expenses

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Cost of providing services	12,042	13,501
Office and general administrative expenses	4,099	4,420
Expenses for short term, low value leases and payment for variable rent	2,235	3,295
Advertising and promotion expenses	1,685	1,838
Legal and professional fees	695	713
Profits on disposal of subsidiary, associated companies and joint ventures	(394)	(412)
Gains arising from dilution (see note 5(b)(xvii))	(10,186)	-
Write-downs on certain non-strategic equity investments (see note 5(b)(xvii))	1,308	-
One-time income (See note 5(b)(xvi))	-	(1,028)
Rent concessions ⁽ⁱ⁾	(362)	-
Wage, salary and other subsidies ⁽ⁱⁱ⁾	(912)	-
Others	1,301	1,653
	11,511	23,980

(i) Benefits derived from changes in lease payments arising from COVID-19 related rent concessions.

(ii) Benefits received from governments and other authorities under COVID-19 related employment support schemes.

(b) Cost of goods sold

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Cost of goods sold		
included in “cost of inventories sold”	43,867	51,888
included in “expensed customer acquisition and retention costs”	4,422	5,542
	48,289	57,430

7 Interest expenses and other finance costs

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Interest on borrowings	3,514	5,779
Other finance costs (income) ^(a)	109	(84)
	3,623	5,695
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	136	100
Unwinding of discount and other non-cash interest adjustments ^(b)	(131)	(367)
	3,628	5,428
Less: interest capitalised	(25)	(135)
Interest on lease liabilities	1,784	1,627
	5,387	6,920

(a) Include fair value gain of HK\$341 million on derivatives financial instruments used to manage interest rate exposure for the comparative six months ended 30 June 2019.

(b) Other non-cash interest adjustments mainly include amortisation of bank and other debts' fair value adjustments arising from acquisitions.

8 Tax

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Current tax charge (credit)		
Hong Kong	(118)	135
Outside Hong Kong	1,191	2,255
	1,073	2,390
Deferred tax charge (credit)		
Hong Kong	78	12
Outside Hong Kong	(322)	464
	(244)	476
	829	2,866

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2019 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

9 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK\$13,000 million (30 June 2019 - HK\$18,324 million) and on 3,856,240,500 shares in issue during the six months ended 30 June 2020 and 30 June 2019.

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 30 June 2020 and 30 June 2019. The employee share options of these subsidiary and associated companies outstanding as at 30 June 2020 and 30 June 2019 did not have a dilutive effect on earnings per share.

10 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Distribution paid on perpetual capital securities	326	241

(b) Dividends

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Interim dividend, declared of HK\$0.614 per share (30 June 2019 - HK\$0.87 per share)	2,368	3,355

In addition, final dividend in respect of the year 2019 of HK\$2.30 per share totalling HK\$8,870 million (2018 - HK\$2.30 per share totalling HK\$8,870 million) was approved and paid during the current period.

11 Fixed assets

During the six months ended 30 June 2020, the Group has acquired fixed assets with a cost of HK\$9,311 million (30 June 2019 - HK\$12,537 million of which HK\$3,582 million were presented as assets classified as held for sale). Fixed assets with a net book value of HK\$479 million (30 June 2019 - HK\$87 million) were disposed of during the period, resulting in a loss of HK\$16 million (30 June 2019 - HK\$37 million). During the comparative six months ended 30 June 2019, fixed assets presented as assets classified as held for sale with a net book value of HK\$22 million were disposed of, resulting in a loss of HK\$21 million.

12 Right-of-use assets

During the six months ended 30 June 2020 and 30 June 2019, the Group entered into new lease agreements. For these new leases, the Group is required to make fixed monthly payments and, in respect of certain of these new leases, additional variable payments depending on the turnover. On leases that commenced during the six months ended 30 June 2020, the Group has recognised HK\$7,424 million (30 June 2019 - HK\$6,298 million of which HK\$30 million were presented as assets classified as held for sale) of right-of-use assets, and HK\$7,417 million of lease liabilities (30 June 2019 - HK\$6,288 million of which HK\$30 million were presented as liabilities directly associated with assets classified as held for sale).

13 Goodwill

Goodwill primarily arises from the acquisition of Hutchison Whampoa Limited's businesses pursuant to the Merger Proposal in 2015 and the acquisition of the telecommunications business in Italy operated by Wind Tre in 2018. As at 30 June 2020, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK\$114 billion (31 December 2019 - HK\$114 billion), telecommunications of approximately HK\$124 billion (31 December 2019 - HK\$123 billion) and CKI of approximately HK\$39 billion (31 December 2019 - HK\$39 billion).

As discussed in the Chairman's Statement and the Retail section of Operations Highlights, the COVID-19 pandemic has materially impacted our Retail businesses. The division's businesses have experienced deterioration in profitability in the first half of 2020 due to material reduction in sales starting from February due to temporary store closures and lower footfall as the pandemic spread. While the Retail division should enjoy a solid recovery as the pandemic is contained and its impacts recede, this division will continue to operate in an unpredictable environment for the rest of this year given the uncertainty on the success in containment of the pandemic and depending on the easing of the lockdown restrictions.

In order to better capture the risks inherent in this uncertain environment, we have flexed the analysis performed in the framework of the Retail division's 2019 goodwill impairment testing by decreasing the cash flows by 30% and 36% for years 1 and 2, and 5% to 9% for years 3 to 5 of the 5-year budget period, decreasing the terminal growth rate from 2.36% to 2.26%, and increasing the discount rate from 6.64% to 6.95% (reflecting among others a 0.84% increase in country risk premium and a 0.47% decrease in risk free rate). The result of this reassessment indicated that headroom (being excess of recoverable amount over carrying value) would be reduced but there would remain a significant headroom, such that there is still no reasonable scenario in which impairment would be required at 30 June 2020. Further, if the discount rate applied to the sensitised cash flow projections had been 1% higher (7.95% instead of 6.95%) or if the terminal growth rate applied to the sensitised cash flow projections had been 1% lower (1.26% instead of 2.26%), the Group still would not have to recognise any goodwill impairment in each of these scenarios.

Please refer to note 33(b)(i) for significant accounting judgements applied, estimates and assumptions made in assessing whether goodwill has suffered any impairment.

14 Deferred tax

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Deferred tax assets	20,462	20,353
Deferred tax liabilities	16,954	16,819
Net deferred tax assets	3,508	3,534

Analysis of net deferred tax assets (liabilities):

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Tax losses	16,058	16,778
Accelerated depreciation allowances	(3,188)	(4,018)
Fair value adjustments arising from acquisitions	(10,073)	(10,030)
Revaluation of investment properties and other investments	41	30
Withholding tax on undistributed profits	(404)	(400)
Other temporary differences	1,074	1,174
	3,508	3,534

The 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 amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 30 June 2020, the Group has recognised accumulated deferred tax assets amounting to HK\$20,462 million (31 December 2019 - HK\$20,353 million) of which HK\$17,640 million (31 December 2019 - HK\$17,535 million) relates to 3 Group Europe.

Unutilised tax losses, tax credits and other deductible temporary differences for which the Group has not recognised deferred tax assets totalling HK\$119,582 million (31 December 2019 - HK\$115,009 million). Their potential tax effect amounted to HK\$28,521 million at 30 June 2020 (31 December 2019 - HK\$27,876 million).

15 Liquid funds and other listed investments

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Financial assets at amortised cost		
Managed funds - cash and cash equivalents, outside Hong Kong	50	42
Financial assets at FVOCI		
Listed equity securities, Hong Kong	1,767	2,293
Listed equity securities, outside Hong Kong	192	213
Managed funds - listed equity securities, outside Hong Kong	189	202
Managed funds - listed debt securities, outside Hong Kong	6,670	4,933
	8,818	7,641
Financial assets at fair value through profit or loss ("FVPL") - listed equity securities	-	39
	8,868	7,722

The financial assets measured at fair value are based on quoted market prices.

16 Other non-current assets

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Investment properties	398	398
Customer acquisition and retention costs ^(a)	3,407	2,985
Contract assets	3,282	3,482
Unlisted investments		
Financial assets at amortised costs - debt securities ^(b)	166	174
Financial assets at FVOCI - equity securities ^(c)	1,777	1,825
Financial assets at FVPL - equity securities	2,747	3,042
Financial assets at FVPL - debt securities	299	304
Pension assets	69	101
Derivative financial instruments		
Fair value hedges - Interest rate swaps	154	46
Cash flow hedges		
Cross currency interest rate swaps	921	523
Other contracts	8	-
Net investment hedges		
Forward foreign exchange contracts	508	498
Cross currency swaps	1,668	609
Other derivative financial instruments	-	44
Others (mainly lease receivables)	241	245
	15,645	14,276

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of amortisation charged to the income statement for the period was HK\$1,155 million (30 June 2019 - HK\$692 million) and there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of HKFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

(b) The carrying value of the debt securities approximate their fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.

(c) Equity securities where there is a history of dividends are carried at fair values based on the discounted present value of expected future dividends. The value of the remaining equity securities are not significant to the Group.

17 Cash and cash equivalents

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Cash at bank and in hand	33,282	30,606
Short term bank deposits	106,865	106,521
	140,147	137,127

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

18 Trade receivables and other current assets

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Trade receivables ^(a)	18,672	18,673
Less: loss allowance provision	(2,039)	(1,810)
	16,633	16,863
Other current assets		
Derivative financial instruments		
Fair value hedges - Interest rate swaps	-	2
Net investment hedges		
Forward foreign exchange contracts	2,162	1,375
Cross currency swaps	146	77
Contract assets	3,231	3,903
Prepayments	16,585	18,353
Other receivables	16,089	15,136
Current tax receivables	219	-
	55,065	55,709

- (a) Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

At the end of the period / year, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Less than 31 days	11,526	9,948
Within 31 to 60 days	1,575	2,183
Within 61 to 90 days	669	753
Over 90 days	4,902	5,789
	18,672	18,673

19 Assets classified as held for sale

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Non-current assets held for sale	90	149

Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites and frequencies to an external third party. The current period balance above represents the carrying amount at 30 June 2020 of the remaining sites to be transferred to the external third party which is expected to be completed by end of 2020. The balances as at 30 June 2020 and 31 December 2019 represented fixed assets and they are presented within total assets of “3 Group Europe” segment in note 5(b)(vi) and “Europe” in note 5(b)(xii).

20 Bank and other debts

	30 June 2020			31 December 2019		
	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million	Current portion HK\$ million	Non-current portion HK\$ million	Total HK\$ million
Principal amounts						
Bank loans	25,495	100,071	125,566	32,565	96,392	128,957
Other loans	4	247	251	4	255	259
Notes and bonds	7,800	216,879	224,679	9,100	204,642	213,742
	33,299	317,197	350,496	41,669	301,289	342,958
Unamortised fair value adjustments arising from acquisitions	-	4,177	4,177	-	4,539	4,539
Subtotal before the following items	33,299	321,374	354,673	41,669	305,828	347,497
Unamortised loan facilities fees and premiums or discounts related to debts	(1,533)	(1,278)	(2,811)	(1,675)	(1,230)	(2,905)
Adjustments to carrying amounts pursuant to unrealised gains (losses) on interest rate swap contracts	-	69	69	1	(33)	(32)
	31,766	320,165	351,931	39,995	304,565	344,560

Bank and other debts at principal amount are scheduled for repayment by calendar year as follows:

	30 June 2020			
	Bank loans HK\$ million	Other loans HK\$ million	Notes and bonds HK\$ million	Total HK\$ million
2020, remainder of year	11,945	2	7,800	19,747
2021	24,895	4	19,690	44,589
2022	39,206	164	29,970	69,340
2023	24,443	4	30,816	55,263
2024	23,205	4	31,566	54,775
2025 to 2029	1,872	19	65,124	67,015
2030 to 2039	-	48	28,013	28,061
2040 and thereafter	-	6	11,700	11,706
	125,566	251	224,679	350,496
Less: current portion	(25,495)	(4)	(7,800)	(33,299)
	100,071	247	216,879	317,197
	31 December 2019			
	Bank loans HK\$ million	Other loans HK\$ million	Notes and bonds HK\$ million	Total HK\$ million
2020	32,565	4	9,100	41,669
2021	24,864	4	19,555	44,423
2022	39,329	170	29,902	69,401
2023	9,136	4	30,560	39,700
2024	23,063	4	31,422	54,489
2025 to 2029	-	19	65,165	65,184
2030 to 2039	-	48	22,188	22,236
2040 and thereafter	-	6	5,850	5,856
	128,957	259	213,742	342,958
Less: current portion	(32,565)	(4)	(9,100)	(41,669)
	96,392	255	204,642	301,289

21 Trade payables and other current liabilities

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Trade payables ^(a)	22,969	27,539
Other current liabilities		
Derivative financial instruments		
Cash flow hedges		
Cross currency interest rate swaps	-	318
Forward foreign exchange contracts	3	-
Other contracts	53	51
Net investment hedges - Forward foreign exchange contracts	66	345
Other derivative financial instruments	607	364
Interest free loans from non-controlling shareholders	380	380
Contract liabilities	5,706	6,188
Provisions (see note 22)	2,338	2,637
Other payables and accruals	59,271	61,536
	91,393	99,358

(a) At the end of the period / year, the ageing analysis of the trade payables is as follows:

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Less than 31 days	18,830	19,932
Within 31 to 60 days	1,774	3,444
Within 61 to 90 days	500	1,742
Over 90 days	1,865	2,421
	22,969	27,539

22 Provisions

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Provision for commitments, onerous contracts and other guarantees ^(a)	23,142	28,058
Closure obligation	78	226
Assets retirement obligation	1,962	1,985
Other provisions	1,324	1,158
	26,506	31,427
Provisions are analysed as:		
Current portion (see note 21)	2,338	2,637
Non-current portion (see note 23)	24,168	28,790
	26,506	31,427

(a) The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value. Following the completion of the merger of VHA and TPG Corporation Limited in June 2020, HK\$4,567 million provision for commitments and guarantees made in prior year in relation to VHA's telecommunications operations has been released as it is no longer required for the Group to settle the related obligations. The credit is included in the calculation of the HK\$10,186 million gains arising from the dilution (see note 5(b)(xvii) and note 6).

23 Other non-current liabilities

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Derivative financial instruments		
Cash flow hedges		
Interest rate swaps	435	328
Cross currency interest rate swaps	351	-
Net investment hedges		
Forward foreign exchange contracts	-	24
Cross currency swaps	-	26
Other derivative financial instruments	437	171
Obligations for telecommunications licences and other rights	7,458	10,001
Other non-current liabilities ^(a)	17,837	12,362
Liabilities relating to the economic benefits agreements ^(b)	2,166	2,166
Provisions (see note 22)	24,168	28,790
	52,852	53,868

(a) Includes equipment purchase payables of HK\$11,679 million (31 December 2019 - HK\$6,149 million).

(b) In October 2018, the Group completed the divestiture of an aggregated 90% economic benefits in Australian Gas Networks. As part of the arrangement, upon the occurrence of certain events, the Group is required to return the consideration. The Group recognises liabilities measured by reference to the amount of consideration it received under this arrangement from entities outside the Group.

24 Share capital, share premium and perpetual capital securities

(a) Share capital and share premium

	Number of shares	Share capital HK\$ million	Share premium HK\$ million	Total HK\$ million
Authorised:				
Ordinary shares of HK\$1 each	8,000,000,000	8,000	-	8,000
Issued and fully paid:				
Ordinary shares				
At 31 December 2019, 1 January and 30 June 2020	3,856,240,500	3,856	244,377	248,233

(b) Perpetual capital securities

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
US\$1,000 million issued in 2017	7,842	7,842
EUR500 million issued in 2018	4,483	4,568
	12,325	12,410

These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

In May 2017 and December 2018, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US\$1,000 million (approximately HK\$7,800 million) and EUR500 million (approximately HK\$4,475 million) respectively for cash.

25 Reserves

	Six months ended 30 June 2020				
	Attributable to ordinary shareholders				Total HK\$ million
	Retained profits HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2020	592,705	(30,760)	(1,513)	(344,380)	
Profit for the period	13,000	-	-	-	13,000
Other comprehensive income (losses)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	-	-	-	(290)	(290)
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	-	-	-	62	62
Valuation losses previously in reserves recognised in income statement	-	-	-	89	89
Remeasurement of defined benefit obligations recognised directly in reserves	(453)	-	-	-	(453)
Losses on cash flow hedges recognised directly in reserves	-	-	(119)	-	(119)
Gains on net investment hedges recognised directly in reserves	-	2,344	-	-	2,344
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(2,076)	-	-	(2,076)
Losses (gains) previously in reserves related to subsidiaries, associated companies and joint ventures disposed during the period recognised in income statement	-	2,342	1	(1)	2,342
Share of other comprehensive income (losses) of associated companies	(1)	(1,261)	(777)	(107)	(2,146)
Share of other comprehensive income (losses) of joint ventures	63	(1,539)	(780)	2	(2,254)
Tax relating to components of other comprehensive income (losses)	101	-	8	-	109
Other comprehensive income (losses), net of tax	(290)	(190)	(1,667)	(245)	(2,392)
Dividends paid relating to 2019	(8,870)	-	-	-	(8,870)
Transfer of gain on disposal of equity securities at FVOCI to retained profits	62	-	-	(62)	-
Relating to purchase of non-controlling interests	-	-	-	(202)	(202)
Relating to partial disposal of subsidiary companies	-	-	-	(10)	(10)
At 30 June 2020	596,607	(30,950)	(3,180)	(344,899)	217,578

25 Reserves (continued)

	Six months ended 30 June 2019				
	Attributable to ordinary shareholders				Total HK\$ million
	Retained profits HK\$ million	Exchange reserve HK\$ million	Hedging reserve HK\$ million	Others ^(a) HK\$ million	
At 1 January 2019	564,569	(31,979)	(2,138)	(344,346)	
Profit for the period	18,324	-	-	-	18,324
Other comprehensive income (losses)					
Equity securities at FVOCI					
Valuation losses recognised directly in reserves	-	-	-	(174)	(174)
Debt securities at FVOCI					
Valuation gains recognised directly in reserves	-	-	-	96	96
Remeasurement of defined benefit obligations recognised directly in reserves	(183)	-	-	-	(183)
Losses on cash flow hedges recognised directly in reserves	-	-	(581)	-	(581)
Losses on net investment hedges recognised directly in reserves	-	(50)	-	-	(50)
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(252)	-	-	(252)
Losses previously in reserves related to subsidiaries, associated companies and joint ventures disposed during the period recognised in income statement	-	89	14	-	103
Losses previously in other reserves related to subsidiaries disposed during the period transferred directly to retained profits	(5)	-	-	5	-
Share of other comprehensive income (losses) of associated companies	85	202	(466)	(3)	(182)
Share of other comprehensive income (losses) of joint ventures	347	(586)	(576)	(1)	(816)
Tax relating to components of other comprehensive income (losses)	37	-	66	-	103
Other comprehensive income (losses), net of tax	281	(597)	(1,543)	(77)	(1,936)
Hedging reserve gains transferred to the carrying value of non-financial item during the period	-	-	(35)	-	(35)
Impact of hyperinflation	-	7	-	-	7
Dividends paid relating to 2018	(8,870)	-	-	-	(8,870)
Share option schemes and long term incentive plans of subsidiary companies	3	-	-	24	27
Transfer of gain on disposal of equity securities at FVOCI to retained profits	67	-	-	(67)	-
Relating to purchase of non-controlling interests	-	-	-	(199)	(199)
At 30 June 2019	574,374	(32,569)	(3,716)	(344,665)	193,424

(a) Other reserves comprise revaluation reserve and other capital reserves. As at 30 June 2020, revaluation reserve deficit amounted to HK\$3,396 million (1 January 2020 - HK\$3,111 million, 30 June 2019 - HK\$3,134 million and 1 January 2019 - HK\$2,985 million), and other capital reserves deficit amounted to HK\$341,503 million (1 January 2020 - HK\$341,269 million, 30 June 2019 - HK\$341,531 million and 1 January 2019 - HK\$341,361 million). Included in the other capital reserves account is a deficit of HK\$341,336 million, relating to the fair value of shares of Cheung Kong (Holdings) Limited, the former holding company of the Group, cancelled as part of the reorganisation completed in 2015. Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities are included in the revaluation reserve.

26 Notes to condensed consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Profit after tax	16,695	22,301
Less: share of profits less losses of		
Associated companies	3,379	(3,562)
Joint ventures	(1,619)	(3,893)
	18,455	14,846
Adjustments for:		
Current tax charge	1,073	2,390
Deferred tax charge (credit)	(244)	476
Interest expenses and other finance costs	5,387	6,920
Depreciation and amortisation	19,776	19,374
Others	11	313
	44,458	44,319
EBITDA of Company and subsidiaries ⁽ⁱ⁾	44,458	44,319
Losses on disposal of fixed assets	16	58
Dividends received from associated companies and joint ventures	5,006	4,859
Gains arising from dilution (see note 6)	(10,186)	-
Profits on disposal of subsidiaries, associated companies and joint ventures (see note 6)	(394)	(412)
Customer acquisition and retention costs capitalised in the period	(1,551)	(1,430)
Other non-cash items	298	253
	37,647	47,647

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
(i) Reconciliation of EBITDA:		
EBITDA of Company and subsidiaries	44,458	44,319
Divestiture of infrastructure investments	-	(961)
	44,458	43,358
EBITDA of Company and subsidiaries (See note 5(b)(ii))	44,458	43,358
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses:		
Associated companies	(3,379)	3,562
Joint ventures	1,619	3,893
Adjustments for:		
Depreciation and amortisation	11,082	10,184
Interest expenses and other finance costs	4,238	3,547
Current tax charge	1,584	1,517
Deferred tax charge (credit)	(108)	76
Non-controlling interests	178	222
Others	(11)	(313)
	15,203	22,688
EBITDA (see notes 5(b)(ii) and 5(b)(xiii))	59,661	66,046

26 Notes to condensed consolidated statement of cash flows (continued)

(b) Changes in working capital

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Increase in inventories	(314)	(530)
Decrease (increase) in trade receivables and other current assets	1,229	(1,954)
Decrease in trade payables and other current liabilities	(3,648)	(9,683)
Other non-cash items	1,384	1,656
	(1,349)	(10,511)

(c) Disposal of subsidiary companies

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Consideration received or receivable		
Cash and cash equivalents	16	-
Investments retained subsequent to disposal	-	345
Total disposal consideration	16	345
Carrying amount of net liabilities (assets) disposed	(19)	293
Cumulative exchange loss in respect of the net assets of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(1)	(5)
	(4)	633
Gains (losses) on disposal*		
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	16	-
Less: Cash and cash equivalents disposed	(3)	(187)
	13	(187)
Analysis of assets and liabilities over which control was lost		
Fixed assets	1	126
Right-of-use assets	4	692
Deferred tax assets	-	9
Trade receivables and other current assets	1	185
Inventories	16	208
Trade payables and other current liabilities and current tax liabilities	(2)	(812)
Leases liabilities	(4)	(884)
Non-controlling interests	-	(4)
	16	(480)
Net assets (liabilities) (excluding cash and cash equivalents) disposed		
Cash and cash equivalents disposed	3	187
	19	(293)

* The gains (losses) on disposal for the six months ended 30 June 2020 and 30 June 2019 were recognised in the consolidated income statement and were included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed during the period are not material for the periods ended 30 June 2020 and 2019.

26 Notes to condensed consolidated statement of cash flows (continued)

(d) Changes in liabilities arising from financing activities

The following table sets out an analysis of the cash flows and non-cash flows changes in liabilities arising from financing activities:

	Bank and other debts	Lease liabilities	Interest bearing loans from non- controlling shareholders	Interest free loan from non- controlling shareholders	Liabilities relating to the economic benefits agreements	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2020	344,560	93,688	728	380	2,166	441,522
Financing cash flows						
New borrowings	28,803	-	-	-	-	28,803
Repayment of borrowings	(21,934)	-	-	-	-	(21,934)
Capital element of lease liabilities paid	-	(9,529)	-	-	-	(9,529)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	136	-	-	-	-	136
Losses arising on adjustment for hedged items in a designated fair value hedge	106	-	-	-	-	106
Amortisation of bank and other debts' fair value adjustments arising from acquisitions	(347)	-	-	-	-	(347)
Increase in lease liabilities from entering into new leases during the period (see note 12)	-	7,417	-	-	-	7,417
Interest on lease liabilities (see note 7)	-	1,784	-	-	-	1,784
Interest element of lease liabilities paid (included in "net cash from operating activities")	-	(1,751)	-	-	-	(1,751)
Remeasurement / write off of lease liabilities						
Rental concessions (see note 6)	-	(362)	-	-	-	(362)
Others	-	(956)	-	-	-	(956)
Relating to subsidiaries disposed (see note 26(c))	-	(4)	-	-	-	(4)
Exchange translation differences	607	(905)	8	-	-	(290)
At 30 June 2020	351,931	89,382	736	380	2,166	444,595
At 1 January 2019	351,382	92,130	752	385	14,308	458,957
Financing cash flows						
New borrowings	21,707	-	-	-	-	21,707
Repayment of borrowings	(27,605)	-	-	-	-	(27,605)
Capital element of lease liabilities paid	-	(8,643)	-	-	-	(8,643)
Net loans to non-controlling shareholders	-	-	(2)	-	-	(2)
Other changes						
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	100	-	-	-	-	100
Losses arising on adjustment for hedged items in a designated fair value hedge	174	-	-	-	-	174
Amortisation of bank and other debts' fair value adjustments arising from acquisitions	(641)	-	-	-	-	(641)
Increase in lease liabilities from entering into new leases during the period (see note 12)	-	6,288	-	-	-	6,288
Interest on lease liabilities (see note 7)	-	1,627	-	-	-	1,627
Interest element of lease liabilities paid (included in "net cash from operating activities")	-	(1,986)	-	-	-	(1,986)
Relating to subsidiaries disposed (see note 26(c))	-	(884)	-	-	-	(884)
Exchange translation differences	(1,347)	359	1	-	-	(987)
Transfer to liabilities directly associated with assets classified as held for sale	(1,236)	(6)	(5)	-	-	(1,247)
At 30 June 2019	342,534	88,885	746	385	14,308	446,858

27 Contingent liabilities and guarantees

At 30 June 2020, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK\$6,872 million (31 December 2019 - HK\$6,960 million).

The amount utilised by its associated companies and joint ventures are as follows:

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
To associated companies	3,700	3,050
To joint ventures	2,926	3,008

At 30 June 2020, the Group had provided performance and other guarantees of HK\$7,511 million (31 December 2019 - HK\$2,817 million).

28 Commitments

There have been no material changes in the total amount of capital commitments since 31 December 2019 except for the amounts taken up during the period in the normal course of business.

29 Related parties transactions

There have been no material changes in the total amount of outstanding balances with associated companies and joint ventures since 31 December 2019.

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the Interim Financial Statements, transactions between the Group and other related parties during the period are not significant to the Group. No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

30 Legal proceedings

At 30 June 2020, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

31 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK\$), the functional currency of the Company. The translation into US dollars (US\$) of these financial statements as of, and for the six months ended, 30 June 2020, is for convenience only and has been made at the rate of HK\$7.8 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

32 Significant accounting policies

Our significant accounting policies are described in note 40 to the 2019 Annual Financial Statements. We include certain updates to those policies below. Other than the adoption of these updates, the accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2019 Annual Financial Statements.

(a) Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the HKICPA in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is mandatory and applies prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(b) Amendments to HKFRS 3: Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations. The amendments are mandatory for the Group's financial statements for, and apply to businesses acquired in, annual periods beginning on or after 1 January 2020.

(c) Amendments to HKAS 1 and HKAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group. The amendments are mandatory and apply prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(d) Amendment to HKFRS 16: COVID-19-Related Rent Concessions

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 Amendment to HKFRS 16: COVID-19-Related Rent Concessions ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2020. The amount recognised in profit or loss for the reporting period arising from application of the practical expedient is set out in note 6 to the Interim Financial Statements.

(e) Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform

Benchmark interest rates such as the London Interbank Offered Rate ("LIBOR") are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets, and bilateral contracts, all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks. However, reform works are underway in multiple jurisdictions to transition from benchmark interest rates to alternative risk free rates. Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association ("ISDA"), have been discussing alternative benchmark rates to replace the interbank offered rates ("IBORs"). These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear. As a result, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument and such uncertainty may impact the hedging relationship.

The Group's hedging relationships affected by these reforms are not significant to the Interim Financial Statements. These amendments do not have a significant effect on the Interim Financial Statements.

The Group's derivative instruments are governed by ISDA's Master Agreement. ISDA is currently reviewing its standardised contracts in the light of IBOR reforms. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 30 June 2020.

Where the Group considers necessary the Group will engage with lenders to include appropriate fallback provisions in its bank liabilities with maturities after 2021 and expects that the hedging instrument will be modified as outlined above.

32 Significant accounting policies (continued)

(e) Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform (continued)

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. To determine whether the designated forecast transaction is no longer expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of IBOR reform. The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the amendments when the uncertainty arising from IBOR reform about the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

(f) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. With the exception of Amendment to HKFRS 16: COVID-19-Related Rent Concessions, i.e. item (d) above, the Group has not early adopted the forthcoming new or amended standards in preparing the Interim Financial Statements, which include a package of narrow-scope amendments to HKFRS. The package includes amendments to three standards as well as the Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the standards. The adoption of these amendments is not expected to have material impacts to the Group's financial statements. These amendments are effective 1 January 2022 and include:

- Amendments to HKFRS 3 Business Combinations update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to HKAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to HKAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to HKFRS 1 First-time Adoption of International Financial Reporting Standards, HKFRS 9 Financial Instruments, HKAS 41 Agriculture and the Illustrative Examples accompanying HKFRS 16 Leases.

33 Significant accounting judgements, estimates and assumptions

Our significant accounting judgements, estimates and assumptions applied in preparing the Interim Financial Statements are consistent with those set out in note 42 to the 2019 Annual Financial Statements. For ease of reference we set out below an updated description of the significant accounting judgements, estimates and assumptions.

In applying the Group's accounting policies, which are described in note 32, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable. Although our current estimates contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual conditions could differ from our expectations. Uncertainty about these judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

(a) Significant judgements in applying the Group's accounting policies

The following are the significant judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Basis of consolidation and classification of investee entities

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements, the practical ability to exercise control.

(ii) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). Revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device. Device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price, the consideration to which the Group expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the allocation 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 its contract term. The Group periodically re-assesses the allocation of the elements as a result of changes in market conditions.

(iii) Determination of lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

33 Significant accounting judgements, estimates and assumptions (continued)

(a) Significant judgements in applying the Group's accounting policies (continued)

(iv) Allocation of purchase consideration for business combinations

As disclosed in note 40(ab) to the 2019 Annual Financial Statements, the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Revisions to accounting estimates and assumptions are recognised prospectively and could impact fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows in future periods.

(i) Impairment of goodwill and long-lived assets

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are tested for impairment annually and when there is indication that they 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 respective business unit is compared with its recoverable amount, which is the higher of the fair value less costs to dispose and value in use. Fair value is derived, when available and appropriate, from historically completed transactions of comparable businesses or metrics of publicly traded companies or market observable pricing multiples of similar businesses and possible control premiums. The value in use calculation is based on a discounted cash flow ("DCF") 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. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates. The value in use amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimating the recoverable amount of the respective business unit requires the use of significant judgments that are based on a number of factors including actual operating results, internal forecasts, market observable pricing multiples of similar businesses and comparable transactions, possible control premiums, determining the appropriate discount rate, long-term growth rate and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods.

33 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Pension costs and estimation of defined benefit pension obligation

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the 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 benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on 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)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(iii) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business and provided guarantees in respect of bank and other borrowing facilities to associated companies and joint ventures. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised, or where the borrowing associated companies and joint ventures are assessed to be unable to repay the indebtedness that the Group has guaranteed, a provision is recognised. The calculation of these provisions will involve the use of estimates and assumptions. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value from the investment in such associated companies and joint ventures.

(iv) Provision for income tax and recognition of deferred tax asset

The Group is subject to income taxes in numerous jurisdictions. Significant judgement and estimate are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

33 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(iv) Provision for income tax and recognition of deferred tax asset (continued)

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used and estimates made can significantly affect these taxable profit and loss projections.

(v) Estimation of useful life: Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(vi) Estimation of useful life: Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to estimate the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. 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 income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(vii) Estimation of the amortisation period: Customer acquisition and retention costs

In accordance with HKFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowances are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

Judgement is required to determine the amount of the provision and the amortisation period. The actual amount to be received from the customer and customer period may differ from the expected amount and the contract periods, which could impact the amount of expense charged to the income statement.

34 Fair value measurements

(a) Carrying amounts and fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Note	Classification under HKFRS 9	30 June 2020		31 December 2019	
			Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Financial assets						
Liquid funds and other listed investments						
Cash and cash equivalents (included in Managed funds)	15	Amortised cost	50	50	42	42
Listed equity securities, Hong Kong	15	FVOCI	1,767	1,767	2,293	2,293
Listed equity securities, outside Hong Kong	15	FVOCI	192	192	213	213
Listed equity securities (included in Managed funds)	15	FVOCI	189	189	202	202
Listed debt securities (included in Managed funds)	15	FVOCI	6,670	6,670	4,933	4,933
Financial assets at fair value through profit or loss	15	FVPL	-	-	39	39
Unlisted investments						
Unlisted debt securities	16	Amortised cost	166	166	174	174
Unlisted equity securities	16	FVOCI	1,777	1,777	1,825	1,825
Unlisted equity securities	16	FVPL	2,747	2,747	3,042	3,042
Unlisted debt securities	16	FVPL	299	299	304	304
Derivative financial instruments						
Fair value hedges - Interest rate swaps	16 & 18	Fair value - hedges	154	154	48	48
Cash flow hedges						
Cross currency interest rate swaps	16	Fair value - hedges	921	921	523	523
Other contracts	16	Fair value - hedges	8	8	-	-
Net investment hedges						
Forward foreign exchange contracts	16 & 18	Fair value - hedges	2,670	2,670	1,873	1,873
Cross currency swaps	16 & 18	Fair value - hedges	1,814	1,814	686	686
Other derivative financial instruments	16	FVPL	-	-	44	44
Cash and cash equivalents	17	Amortised cost	140,147	140,147	137,127	137,127
Trade receivables	18	Amortised cost	16,633	16,633	16,863	16,863
Other receivables	18	Amortised cost	16,089	16,089	15,136	15,136
			192,293	192,293	185,367	185,367
Financial liabilities						
Bank and other debts ⁽ⁱ⁾	20	Amortised cost	351,931	362,233	344,560	350,125
Trade payables	21	Amortised cost	22,969	22,969	27,539	27,539
Derivative financial instruments						
Cash flow hedges						
Interest rate swaps	23	Fair value - hedges	435	435	328	328
Cross currency interest rate swaps	21 & 23	Fair value - hedges	351	351	318	318
Forward foreign exchange contracts	21	Fair value - hedges	3	3	-	-
Other contracts	21	Fair value - hedges	53	53	51	51
Net investment hedges						
Forward foreign exchange contracts	21 & 23	Fair value - hedges	66	66	369	369
Cross currency swaps	23	Fair value - hedges	-	-	26	26
Other derivative financial instruments	21 & 23	FVPL	1,044	1,044	535	535
Interest free loans from non-controlling shareholders						
Other payables and accruals	21	Amortised cost	380	380	380	380
Lease liabilities	21	Amortised cost	59,271	59,271	61,536	61,536
Interest bearing loans from non-controlling shareholders		Amortised cost	89,382	89,382	93,688	93,688
Obligations for telecommunications licences and other rights	23	Amortised cost	736	736	728	728
Liabilities relating to the economic benefits agreements	23	Amortised cost	7,458	7,458	10,001	10,001
			2,166	2,166	2,166	2,166
			536,245	546,547	542,225	547,790

(i) The fair values of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

34 Fair value measurements (continued)

(a) Carrying amounts and fair values of financial assets and financial liabilities (continued)

	30 June 2020		31 December 2019	
	Carrying amounts HK\$ million	Fair values HK\$ million	Carrying amounts HK\$ million	Fair values HK\$ million
Representing:				
Financial assets measured at				
Amortised cost	173,085	173,085	169,342	169,342
FVOCI	10,595	10,595	9,466	9,466
FVPL	3,046	3,046	3,429	3,429
Fair value - hedges	5,567	5,567	3,130	3,130
	192,293	192,293	185,367	185,367
Financial liabilities measured at				
Amortised cost	534,293	544,595	540,598	546,163
FVPL	1,044	1,044	535	535
Fair value - hedges	908	908	1,092	1,092
	536,245	546,547	542,225	547,790

34 Fair value measurements (continued)

(b) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

	Note	30 June 2020				31 December 2019			
		Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets									
Liquid funds and other listed investments									
Listed equity securities, Hong Kong	15	1,767	-	-	1,767	2,293	-	-	2,293
Listed equity securities, outside Hong Kong	15	192	-	-	192	213	-	-	213
Listed equity securities (included in Managed funds)	15	189	-	-	189	202	-	-	202
Listed debt securities (included in Managed funds)	15	6,670	-	-	6,670	4,933	-	-	4,933
Financial assets at fair value through profit or loss	15	-	-	-	-	39	-	-	39
Unlisted investments									
Unlisted equity securities - FVOCI	16	-	-	1,777	1,777	-	-	1,825	1,825
Unlisted equity securities - FVPL	16	-	2,001	746	2,747	-	2,387	655	3,042
Unlisted debt securities	16	-	140	159	299	-	137	167	304
Derivative financial instruments									
Fair value hedges - Interest rate swaps	16 & 18	-	154	-	154	-	48	-	48
Cash flow hedges									
Cross currency interest rate swaps	16	-	921	-	921	-	523	-	523
Other contracts	16	-	8	-	8	-	-	-	-
Net investment hedges									
Forward foreign exchange contracts	16 & 18	-	2,670	-	2,670	-	1,873	-	1,873
Cross currency swaps	16 & 18	-	1,814	-	1,814	-	686	-	686
Other derivative financial instruments	16	-	-	-	-	-	44	-	44
		8,818	7,708	2,682	19,208	7,680	5,698	2,647	16,025
Financial liabilities									
Derivative financial instruments									
Cash flow hedges									
Interest rate swaps	23	-	435	-	435	-	328	-	328
Cross currency interest rate swaps	21 & 23	-	351	-	351	-	318	-	318
Forward foreign exchange contracts	21	-	3	-	3	-	-	-	-
Other contracts	21	-	53	-	53	-	51	-	51
Net investment hedges									
Forward foreign exchange contracts	21 & 23	-	66	-	66	-	369	-	369
Cross currency swaps	23	-	-	-	-	-	26	-	26
Other derivative financial instruments	21 & 23	-	1,044	-	1,044	-	535	-	535
		-	1,952	-	1,952	-	1,627	-	1,627

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the six months ended 30 June 2020 and 2019, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

34 Fair value measurements (continued)

(b) Financial assets and financial liabilities measured at fair value (continued)

Level 3 fair values

The movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3 are as follows:

	Six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
At 1 January	2,647	2,723
Total gains (losses) recognised in		
Income statement	113	(6)
Other comprehensive income	(48)	9
Additions	1	4
Exchange translation differences	(31)	(5)
	<hr/>	<hr/>
At 30 June	2,682	2,725
	<hr/>	<hr/>
Total gains (losses) recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	113	(6)

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

Group Capital Resources and Other Information

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 Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivative instruments to hedge the Group's earnings were entered during the period or remain outstanding at the end of the period. 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, that have significant underlying leverage or derivative exposure.

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associated companies to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 30 June 2020, approximately 36% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 64% were at fixed rates (31 December 2019: 38% floating; 62% fixed). The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$5,460 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$1,658 million principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 33% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 67% were at fixed rates at 30 June 2020 (31 December 2019: 33% floating; 67% fixed). All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments.

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation on its foreign currency earnings, net debt and net assets, in particular for Euro and British Pounds. EBITDA⁽¹⁾ for the first half of 2020 was HK\$46,946 million, of which 55% was derived from European operations, including 21% from the UK. At 30 June 2020, of the Group's total principal amount of bank and other debts after currency swap arrangements, 50% and 5% were denominated in Euro and British Pounds respectively, whilst liquid assets comprised 9% Euro and 5% British Pounds denominated cash and cash equivalents. As a result, 78% and 5% of the Group's consolidated net debt⁽²⁾ of HK\$205,875 million were denominated in Euro and British Pounds respectively. Net assets⁽³⁾ was HK\$613,633 million, with 17% and 21% attributable to Continental Europe and UK operations respectively.

At 30 June 2020, the Group's total principal amount of bank and other debts were denominated as follows: 41% in Euro, 43% in US dollars, 3% in HK dollars, 5% in British Pounds and 8% in other currencies. The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$29,640 million to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, were denominated as follows: 50% in Euro, 34% in US dollars, 3% in HK dollars, 5% in British Pounds and 8% in other currencies.

For purposes of illustrating the Group's currency sensitivity, based on the results for the first half of 2020, a 10% depreciation of British Pounds would result in a HK\$1.0 billion decrease in EBITDA, a HK\$0.2 billion decrease in NPAT, HK\$1.0 billion decrease in net debt and 0.3%-point increase on net debt to net total capital ratio. Similarly, a 10% depreciation of Euro would result in a HK\$1.4 billion decrease in EBITDA, a HK\$0.5 billion decrease in NPAT, HK\$1.6 billion decrease in net debt and 1.2%-point decrease on net debt to net total capital ratio. Actual sensitivity will depend on actual results and cash flows for the period under consideration.

Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments, interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, particularly in its ports businesses. Such risks are continuously monitored by the local operational management.

Credit Profile

Our long term credit rating from Moody's, S&P and Fitch remained at A2 (stable outlook), A (stable outlook) and A- (stable outlook) respectively. The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A2 on the Moody's Investor Service scale, A on the S&P Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. CK Hutchison Group Telecom Holdings ("CKH Group Telecom"), a wholly-owned subsidiary of the Group, obtained long term credit rating from Moody's, S&P and Fitch at Baa1 (stable outlook), A- (stable outlook) and BBB+ (stable outlook) respectively. CKH Group Telecom will seek to maintain its ratings by applying the same financial disciplines as the Group.

Market Price Risk

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 6% (31 December 2019 - approximately 5%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Note 1: Under Post-IFRS 16 basis, EBITDA for the first half of 2020 was HK\$59,341 million (30 June 2019: HK\$65,689 million).

Note 2: Under Post-IFRS 16 basis, consolidated net debt as at 30 June 2020 was HK\$205,658 million (31 December 2019: HK\$202,648 million).

Note 3: Under Post-IFRS 16 basis, net assets as at 30 June 2020 was HK\$597,600 million (31 December 2019: HK\$596,963 million).

Liquid Assets

The Group continues to maintain a robust financial position. Liquid assets amounted to HK\$149,015 million at 30 June 2020, an increase of 3% from the balance of HK\$144,849 million at 31 December 2019, mainly reflecting cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, partly offset by dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, repayment and early repayment of certain borrowings and capital expenditure and investment spending. Liquid assets were denominated as to 17% in HK dollars, 56% in US dollars, 5% in Renminbi, 9% in Euro, 5% in British Pounds and 8% in other currencies.

Cash and cash equivalents represented 94% (31 December 2019 - 95%) of the liquid assets, US Treasury notes and listed/traded debt securities 5% (31 December 2019 - 3%) and listed equity securities 1% (31 December 2019 - 2%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 66%, government and government guaranteed notes of 20%, notes issued by financial institutions of 1% and others of 13%. Of these US Treasury notes and listed/traded debt securities, 99% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 1.5 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Cash Flow

EBITDA in the first half of 2020 was HK\$46,946 million, a decrease of 13% compared to HK\$53,988 million for the same period last year. Consolidated funds from operations ⁽⁴⁾ ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK\$21,436 million for the first half of 2020, a decrease of 25% against the same period last year of HK\$28,630 million. Changes in working capital ⁽⁵⁾ was negative HK\$2,168 million for the first half of 2020, an improvement of 80% against HK\$10,603 outflow for the same period last year.

The Group's capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for the first half of 2020 amounted to HK\$10,276 million (30 June 2019 - HK\$10,686 million). Capital expenditures (including licences, brand name and other rights, but excluding capital expenditures of assets classified as held for sale) for the ports and related services division amounted to HK\$726 million (30 June 2019 - HK\$811 million); for the retail division HK\$628 million (30 June 2019 - HK\$954 million); for the infrastructure division HK\$113 million (30 June 2019 - HK\$113 million); for CKH Group Telecom HK\$6,964 million (30 June 2019 - HK\$7,521 million); for HAT HK\$1,787 million (30 June 2019 - HK\$1,131 million); and for the finance and investments and others segment HK\$58 million (30 June 2019 - HK\$156 million).

The Group's dividends received from associated companies and joint ventures for the first half of 2020 amounted to HK\$5,006 million (30 June 2019 - HK\$4,859 million). Dividends received from associated companies and joint ventures for the ports and related services division amounted to HK\$626 million (30 June 2019 - HK\$775 million); for the retail division HK\$873 million (30 June 2019 - HK\$814 million); for the infrastructure division HK\$2,852 million (30 June 2019 - HK\$2,466 million); for Husky HK\$574 million (30 June 2019 - HK\$586 million); and for the finance and investments and others segment HK\$81 million (30 June 2019 - HK\$218 million).

The Group's purchases of and advances to associated companies and joint ventures amounted to HK\$757 million (30 June 2019 - HK\$504 million). Purchases of and advances to associated companies and joint ventures for the retail division HK\$308 million (30 June 2019 - HK\$31 million); for the infrastructure division HK\$220 million (30 June 2019 - HK\$255 million); for CKH Group Telecom HK\$53 million (30 June 2019 - HK\$26 million); and for the finance and investments and others segment HK\$176 million (30 June 2019 - HK\$192 million).

Net cash inflow before financing activities ⁽⁶⁾ was HK\$8,904 million, an increase of 51% compared to HK\$5,907 million for the same period last year, reflecting improvement in changes in working capital, partly offset by decrease in EBITDA.

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 5(b)(v) and the "Condensed Consolidated Statement of Cash Flows" section of this Announcement.

Note 4: Under Post-IFRS 16 basis, FFO for the first half of 2020 was HK\$30,122 million (30 June 2019: HK\$37,158 million).

Note 5: Under Post-IFRS 16 basis, changes in working capital for the first half of 2020 was negative HK\$1,349 million (30 June 2019: negative HK\$10,511 million).

Note 6: Under Post-IFRS 16 basis, net cash inflow before financing activities for the first half of 2020 was HK\$18,423 million (30 June 2019: HK\$14,527 million).

Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 30 June 2020 amounted to HK\$354,890 million (31 December 2019 - HK\$347,726 million) which comprises principal amount of bank and other debts of HK\$350,713 million (31 December 2019 - HK\$343,187 million) and unamortised fair value adjustments arising from acquisitions of HK\$4,177 million (31 December 2019 - HK\$4,539 million). The Group's total principal amount of bank and other debts at 30 June 2020 consist of 64% notes and bonds (31 December 2019 - 62%) and 36% bank and other loans (31 December 2019 - 38%). The Group's weighted average cost of debt for the period ended 30 June 2020 is 1.7% (30 June 2019 - 2.1%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$736 million as at 30 June 2020 (31 December 2019 - HK\$728 million).

The maturity profile of the Group's total principal amount of bank and other debts at 30 June 2020 is set out below:

	HK\$	US\$	Euro	GBP	Others	Total
In the remainder of 2020	-	4%	-	2%	-	6%
In 2021	1%	3%	8%	-	1%	13%
In 2022	1%	5%	9%	-	4%	19%
In 2023	1%	2%	12%	-	1%	16%
In 2024	-	6%	9%	-	1%	16%
In 2025 - 2029	-	7%	9%	2%	1%	19%
In 2030 - 2039	-	4%	3%	1%	-	8%
Beyond 2039	-	3%	-	-	-	3%
Total	3%	34%	50%	5%	8%	100%

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.

Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in the first half of 2020 were as follows:

- In January, repaid two HK\$500 million fixed rate notes on maturity;
- In February, obtained a three year floating rate term loan facility of USD1,300 million (approximately HK\$10,140 million);
- In March, repaid a club loan facility of US\$1,200 million (approximately HK\$9,360 million) on maturity;
- In March, obtained a three year floating rate loan facility of HK\$1,000 million;
- In March, repaid two floating rate loan facilities of HK\$500 million each on maturity;
- In March, repaid a bilateral facility of AUD260 million (approximately HK\$1,160 million) on maturity and obtained a five year revolving facility of the same amount;
- In April, repaid HK\$300 million principal amount of fixed rate notes on maturity;
- In May, issued US\$750 million (approximately HK\$5,850 million) guaranteed notes due 2030 and US\$750 million (approximately HK\$5,850 million) guaranteed notes due 2050;
- In May, obtained a three year floating rate term loan facility of EUR100 million (approximately HK\$850 million);
- In June, repaid a club loan facility of US\$1,000 million (approximately HK\$7,800 million) on maturity;
- In June, obtained a three year floating rate loan facility of US\$1,000 million (approximately HK\$7,800 million);
- In June, obtained two 364 days floating rate loan facilities of US\$100 million (approximately HK\$780 million) and US\$120 million (approximately HK\$936 million); and
- In June, obtained three one year floating rate loan facilities of EUR95 million (approximately HK\$838 million), EUR100 million (approximately HK\$882 million) and EUR105 million (approximately HK\$926 million).

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities⁽⁷⁾ increased to HK\$490,122 million as at 30 June 2020, compared to HK\$488,648 million as at 31 December 2019, reflecting the profit for the first half of 2020, partly offset by the Group's 2019 final dividends and distributions paid and other items recognised directly in reserves.

As at 30 June 2020, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK\$205,875 million (31 December 2019 - HK\$202,877 million), a 1% increase compared to the net debt at the beginning of the year primarily due to the net effect of dividend payments, capital expenditure and investment spending and positive funds from operations. Compared to 30 June 2019, net debt decreased by 3%, primarily due to improvement in working capital management, savings in interest costs and cash taxes, rigorous capital expenditure and investment controls, and favourable foreign exchange translation of net debt, partly offset by lower EBITDA. The Group's consolidated net debt to net total capital ratio⁽⁸⁾ was 25.1% as at 30 June 2020 (31 December 2019 - 24.8%; 30 June 2019 - 26.2%). The Group's consolidated cash and liquid investments as at 30 June 2020 were sufficient to repay all of the Group's outstanding debt maturing before 2023.

The Group's consolidated cash interest expenses and other finance costs of subsidiaries, before capitalisation and net of interest income of HK\$2,871 million (30 June 2019: HK\$3,050 million) in the first half of 2020 was HK\$734 million (30 June 2019 HK\$2,510 million). EBITDA of HK\$46,946 million (30 June 2019: HK\$53,988 million) and FFO excluding net interest⁽⁹⁾ of HK\$22,170 million (30 June 2019: HK\$31,140 million) for the period covered consolidated net interest expenses and other finance costs 60.0 times (30 June 2019 - 20.3 times) and 30.2 times (30 June 2019 - 12.4 times) respectively.

Secured Financing

At 30 June 2020, assets of the Group totalling HK\$1,359 million (31 December 2019 - HK\$1,260 million) were pledged as security for bank loans.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 30 June 2020 amounted to the equivalent of HK\$16,678 million (31 December 2019 - HK\$7,528 million).

Contingent Liabilities

At 30 June 2020, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK\$6,872 million (31 December 2019 - HK\$6,960 million), of which HK\$6,626 million (31 December 2019 - HK\$6,058 million) has been drawn down as at 30 June 2020 and also provided performance and other guarantees of HK\$7,511 million (31 December 2019 - HK\$2,817 million).

Employee Relations

At 30 June 2020, the Company and its subsidiaries employed 176,053 people (30 June 2019 - 187,222 people). The employee costs for the six-month period, excluding Directors' emoluments, totalled HK\$19,347 million (2019 - HK\$21,337 million). Including the Group's associated companies, at 30 June 2020, the Group employed 298,045 people of whom 19,093 were employed in Hong Kong. All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. Certain subsidiaries and associates of the Group offer various equity-linked compensation elements appropriate to their sectors and markets. A wide range of benefits including medical coverage, provident funds and retirement plans and long service awards is also provided to employees. In addition, training and development programmes are provided on an on-going basis throughout the Group. Many social, sporting and recreational activities are arranged for employees on a Group-wide basis. Group employees also participated in community-oriented events.

Note 7: Under Post-IFRS 16 basis, total ordinary shareholders' funds and perpetual capital securities as at 30 June 2020 was HK\$478,136 million (31 December 2019: HK\$476,695 million).

Note 8: Under Post-IFRS 16 basis, net debt to net total capital ratio for the first half of 2020 was 25.6% (31 December 2019: 25.3%; 30 June 2019: 26.7%).

Note 9: Under Post-IFRS 16 basis, FFO excluding net interest for the first half of 2020 was HK\$32,633 million (30 June 2019: HK\$41,295 million).

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries 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.

The Company has complied throughout the six months ended 30 June 2020 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those set out below.

The position of Chief Executive of the Company has been jointly held by Mr Victor T K Li and Mr Fok Kin Ning, Canning as Group Co-Managing Directors since June 2015. Following the appointment of Mr Li as Chairman of the Company in May 2018, he continued to hold the position of Group Co-Managing Director. Accordingly, with Mr Fok acting as Group Co-Managing Director, the day-to-day management of the Company is led and shared between Mr Li and Mr Fok with no single individual having unfettered management decision-making power. Further, the Board of Directors (the "Board") which comprises experienced and seasoned professionals continues to monitor the management of the Company to ensure that joint management is effectively and properly exercised. Hence, the current arrangements provide checks and balances and do not jeopardise the independent exercise of powers of the Chairman and the Group Co-Managing Directors.

The Board established the Nomination Committee chaired by the Chairman of the Board with all Directors as members. An ad hoc sub-committee, chaired by the Chairman comprising members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. The Board is of the view that the ultimate responsibilities for the selection, nomination and appointment of Directors rest with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews and determines the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made, all Directors confirmed that they had complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2020.

Review of Interim Financial Statements

The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2020 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report of PricewaterhouseCoopers is set out on page 27 in the Announcement. The unaudited condensed consolidated financial statements of the Company and its subsidiary companies for the six months ended 30 June 2020 have also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Tuesday, 8 September 2020. In order to qualify for the interim dividend payable on Thursday, 17 September 2020, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Tuesday, 8 September 2020.

Corporate Strategy

The principal objective of the Company is to enhance long-term total return for its shareholders. To achieve this objective, the Group focus on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group executes disciplined management of revenue growth, margin and costs, capital and investments to return ratio targets, earnings and cash flow accretive merger and acquisition activities, as well as organic growth in sectors or geographies where the Group has strong management experience and resources. Technology transformation also remains a key initiative of the Group to capture new cost and revenue opportunities in all businesses. At the same time, the Group is committed to maintaining long-term investment grade ratings, preserving strong liquidity and flexibility, sustaining a long and balanced debt maturity profile and actively managing cash flow and working capital. The Group explores opportunities to enhance shareholders' returns, which include potential telecom infrastructure divestures and solidifying strategic alliances with global technology partners. The Chairman's Statement and the Operations Highlights contained in the 2020 interim results announcement and the Operations Analysis which are posted on the Company's website (<http://www.ckh.com.hk/en/ir/presentation.php>), include discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objective.

Past Performance and Forward Looking Statements

The performance and the results of the operations of the Group contained in the 2020 interim results announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within the 2020 interim results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in the 2020 interim results announcement; 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.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:

Mr LI Tzar Kuoi, Victor (*Chairman and Group Co-Managing Director*)
Mr FOK Kin Ning, Canning (*Group Co-Managing Director*)
Mr Frank John SIXT (*Group Finance Director and Deputy Managing Director*)
Mr IP Tak Chuen, Edmond (*Deputy Managing Director*)
Mr KAM Hing Lam (*Deputy Managing Director*)
Mr LAI Kai Ming, Dominic (*Deputy Managing Director*)
Ms Edith SHIH

Non-executive Directors:

Mr CHOW Kun Chee, Roland
Mrs CHOW WOO Mo Fong, Susan
Mr LEE Yeh Kwong, Charles
Mr LEUNG Siu Hon
Mr George Colin MAGNUS

Independent Non-executive Directors:

Mr KWOK Tun-li, Stanley
Mr CHENG Hoi Chuen, Vincent
The Hon Sir Michael David KADOORIE
Ms LEE Wai Mun, Rose
Mr William Elkin MOCATTA
(Alternate to The Hon Sir Michael David Kadoorie)
Mr William SHURNIAK
Mr WONG Kwai Lam
Dr WONG Yick-ming, Rosanna