Hutchison Telecom
Hong Kong Holdings

Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

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

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

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

Note 2: The full year dividend per share is before one-off special interim dividend.

CHAIRMAN'S STATEMENT

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

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

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

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

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

Dividend

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

Outlook

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

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

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

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

FOK Kin Ning, Canning
Chairman

Hong Kong, 28 February 2020

MANAGEMENT DISCUSSION AND ANALYSIS
Financial Performance Summary - Pre-IFRS 16 basis (1)

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

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

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

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

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

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

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

Review of Financial Results

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

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

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

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

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

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

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

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

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

Key performance indicators

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

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

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

Net interest and other finance income

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

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

Acquisition of non-controlling interests

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

Capital expenditure

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

Spectrum investment

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

Summary of spectrum investment as of 31 December 2019

	Spectrum band	Bandwidth	Year of expiry
Hong Kong	900 MHz	10 MHz	2026
	900 MHz	16.6 MHz	2021 ❶
	1800 MHz	23.2 MHz	2021 ❶
	2100 MHz	29.6 MHz	2031
	2300 MHz	30 MHz	2027
	2600 MHz	30 MHz ❷	2024
	2600 MHz	10 MHz ❷	2028
	3300 MHz	30 MHz	2034
Macau	900 MHz	10 MHz	2023
	1800 MHz	20 MHz	2023
	2100 MHz	10 MHz	2023

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

❷ The spectrum band was shared under 50/50 joint venture - Genius Brand Limited.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$ million	2018 HK$ million
Revenue	4	5,582	7,912
Cost of inventories sold		(1,941)	(4,201)
Staff costs		(376)	(374)
Expensed customer acquisition and retention costs		(202)	(160)
Depreciation and amortisation		(1,207)	(768)
Other operating expenses	6	(1,470)	(2,093)
		386	316
Interest and other finance income	7	188	214
Interest and other finance costs	7	(35)	(21)
Share of result of a joint venture		(4)	(4)
Profit before taxation		535	505
Taxation	8	(98)	(72)
Profit for the year		437	433
Attributable to:			
Shareholders of the Company		429	404
Non-controlling interests		8	29
		437	433
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	9	8.90	8.38
- diluted	9	8.90	8.38

Details of interim dividends paid and proposed final dividend payable to shareholders of the Company are set out in Note 10.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

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

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Note	2019 HK$ million	2018 HK$ million
Non-current assets			
Property, plant and equipment		2,326	2,194
Goodwill		2,155	2,155
Telecommunications licences		2,238	2,289
Right-of-use assets		435	-
Customer acquisition and retention costs		142	132
Contract assets		173	130
Other non-current assets		227	300
Deferred tax assets		169	258
Investment in a joint venture		336	396
Total non-current assets		8,201	7,854
Current assets			
Cash and cash equivalents	11	5,416	9,555
Trade receivables and other current assets	12	564	546
Contract assets		240	276
Inventories		55	107
Total current assets		6,275	10,484
Current liabilities			
Trade and other payables	13	1,509	1,755
Contract liabilities		142	132
Lease liabilities		300	-
Current income tax liabilities		24	16
Total current liabilities		1,975	1,903
Non-current liabilities			
Lease liabilities		129	-
Other non-current liabilities		409	288
Total non-current liabilities		538	288
Net assets		11,963	16,147
Capital and reserves			
Share capital		1,205	1,205
Reserves		10,758	14,771
Total shareholders’ funds		11,963	15,976
Non-controlling interests		-	171
Total equity		11,963	16,147

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to shareholders of the Company							
	Share capital HK$ million	Share premium HK$ million	Retained earnings/ (accumulated losses) HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 31 December 2018, previously reported	1,205	11,185	3,442	140	4	15,976	171	16,147
Changes in accounting policies (Note 2.3(b))	-	-	(7)	-	-	(7)	(1)	(8)
At 1 January 2019	1,205	11,185	3,435	140	4	15,969	170	16,139
Profit for the year	-	-	429	-	-	429	8	437
Other comprehensive income								
Remeasurements of defined benefit plans	-	-	-	8	-	8	-	8
Total comprehensive income, net of tax	-	-	429	8	-	437	8	445
Dividend paid (Note 10)	-	-	(4,150)	-	-	(4,150)	-	(4,150)
Acquisition of non-controlling interests [(i)]	-	-	-	-	(293)	(293)	(178)	(471)
At 31 December 2019	1,205	11,185	(286)	148	(289)	11,963	-	11,963

(i) On 31 May 2019, the Group effectively acquired the entire 24.1% interests in each of HTCL, which indirectly holds 100% interests in HTMCL, and H3GHK from NTT DOCOMO, Inc., a subsidiary of Nippon Telegraph and Telephone Corporation, at a consideration of US$60 million (approximately HK$471 million). Consequently, HTCL, HTMCL and H3GHK became wholly-owned subsidiaries of the Group. The difference of HK$293 million between the proportionate share of the carrying amount of net assets of these subsidiaries and the consideration paid for the additional interests have been debited to other reserves of the Group.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to shareholders of the Company								
	Share capital HK$ million	Share premium HK$ million	Retained earnings HK$ million	Cumulative translation adjustments HK$ million	Pension reserve HK$ million	Other reserves HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 January 2018	1,205	11,185	3,406	2	138	4	15,940	142	16,082
Profit for the year	-	-	404	-	-	-	404	29	433
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	2	-	2	-	2
Currency translation differences	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income, net of tax	-	-	404	(2)	2	-	404	29	433
Dividend paid	-	-	(368)	-	-	-	(368)	-	(368)
At 31 December 2018	1,205	11,185	3,442	-	140	4	15,976	171	16,147

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

NOTES

1 General Information

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

The Group is engaged in mobile business in Hong Kong and Macau. The shares of the Company are listed on the Main Board of the Stock Exchange.

The consolidated financial statements of the Group are presented in Hong Kong dollars, unless otherwise stated. These financial statements were approved for issuance by the Board on 28 February 2020.

2 Significant Accounting Policies

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention and on a going concern basis. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2 Significant Accounting Policies (Continued)

2.2 New/revised standard, amendments to existing standards and interpretation adopted by the Group

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

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

Save as disclosed in Note 2.3, the adoption of other amendments to existing standards and interpretation does not have a material impact to the Group's results of operations and financial position.

2.3 Changes in accounting policies

This note discloses the new accounting policies of IFRS 16 *Leases* that have been applied from 1 January 2019 and explains the impact of the adoption on the consolidated financial statements.

(a) IFRS 16 *Leases*

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

(a) IFRS 16 *Leases* (Continued)

Accounting policies

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

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

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

(i) Lease liabilities

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

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

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

(a) IFRS 16 *Leases* (Continued)

Accounting policies (Continued)

(i) Lease liabilities (Continued)

To determine the incremental borrowing rate, the Group:

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

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

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

(ii) Right-of-use assets

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

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

(a) IFRS 16 *Leases* (Continued)

Accounting policies (Continued)

(iii) Short-term leases

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

Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

(b) Impact of adoption to the consolidated financial statements

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

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

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

2 Significant Accounting Policies (Continued)

2.3 Changes in accounting policies (Continued)

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

Difference between operating lease commitments disclosed under IAS 17 and lease liabilities recognised under IFRS16

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

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

2 Significant Accounting Policies (Continued)

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

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

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

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

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

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

3 Critical Accounting Estimates and Judgements

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

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

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

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

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

3 Critical Accounting Estimates and Judgements (Continued)

(b) Asset impairment

Non-financial assets

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

(c) Allocation of revenue for bundled transactions with customers

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

(d) Deferred taxation

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

4 Revenue

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

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

(a) Disaggregation of revenue

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

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

(b) Unsatisfied mobile telecommunications service contracts

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

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

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

5 Segment Information

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

6 Other Operating Expenses

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

7 Interest and Other Finance Income, Net

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

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

8 Taxation

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

9 Earnings per Share

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

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

10 Dividends

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

11 Cash and Cash Equivalents

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

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

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

12 Trade Receivables and Other Current Assets

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

The carrying values of trade receivables and other receivables approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(a) Trade receivables, net of provision

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

13 Trade and Other Payables

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

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

(a) Trade payables

The ageing analysis of trade payables is as follows:

	2019 HK$ million	2018 HK$ million
0 - 30 days	180	244
31 - 60 days	20	6
61 - 90 days	13	4
Over 90 days	112	60
	325	314

GROUP CAPITAL RESOURCES AND LIQUIDITY

Treasury Management

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

Cash management and funding

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

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau patacas, Renminbi, Euros and British pounds.

Credit exposure

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

Capital and Net Cash

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

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

Charges on Group Assets

As at 31 December 2019, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

The Group has no committed borrowing facilities as at 31 December 2019 (2018: Nil).

Radio Spectrum

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

Contingent Liabilities

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

Commitments

As at 31 December 2019, the Group had capital commitments of property, plant and equipment of HK$271 million (2018: HK$396 million) and telecommunications licences of HK$2,242 million (2018: HK$2,040 million).

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

Corporate Strategy

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

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations presented 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 this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Human Resources

As at 31 December 2019, the Group employed 986 (2018: 1,219) staff members (full-time and part-time) and on average 1,112 (2018: 1,183) staff members during the year ended 31 December 2019. Staff costs during the year ended 31 December 2019, including directors' emoluments, totalled HK$376 million (2018: HK$374 million).

The Group fully recognises the importance of high quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, long-service awards and a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. It delivers quality products and services to its customers by managing its businesses prudently, while executing management decisions with due care and attention. The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen its relationship with the community. Operating as a sound corporate citizen through sponsorship and supporting socially-responsible projects at company level, the Group is committed to bringing positive impact to the general welfare of the community.

Review of Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 7 May 2020 to Tuesday, 12 May 2020, both days inclusive during which period no transfer of shares will be effected to determine shareholders' entitlement to attend and vote at the 2020 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (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 Wednesday, 6 May 2020.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Monday, 18 May 2020. In order to qualify for the proposed final dividend payable on Wednesday, 27 May 2020, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (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 Monday, 18 May 2020.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had 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 Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the year ended 31 December 2019 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, other than those in respect of the composition of the nomination committee. The Nomination Committee of the Company comprises all Directors and is chaired by the Chairman of the Board. Its composition deviates from code provision A.5.1 which requires the nomination committee to comprise a majority of independent non-executive directors. The Board is of the view that the ultimate responsibility for the selection, nomination and appointment of Directors rests with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate. A sub-committee, chaired by the Chairman of the Board and comprising members in compliance with the code provision requirement under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the conduct of the selection and nomination process, and will be dissolved after the purpose for which it is established is achieved or discontinued.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted its own HTHKH Securities Code regulating Directors' dealings in securities (Group and otherwise) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with HTHKH Securities Code in their securities transactions throughout 2019.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday, 12 May 2020. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

DEFINITIONS

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

"Board"	the Board of Directors
"CACs"	expensed customer acquisition and retention costs plus the related staff costs, rental and other expenses
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215)
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation, adjusted to include the Group's proportionate share of joint venture's EBIT
"EBITDA"	earnings before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA
"Group"	the Company and its subsidiaries
"H3GHK"	Hutchison 3G HK Holdings Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HTCL"	Hutchison Telephone Company Limited
"HTHKH Securities Code"	Model Code for Securities Transactions by Directors
"HTMCL"	Hutchison Telephone (Macau) Company Limited
"IASB"	the International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"mobile"	mobile telecommunications business

DEFINITIONS (Continued)

"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges and roaming costs)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"service EBITDA/ EBIT"	EBITDA/EBIT excluding standalone handset sales margin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning

Co-Deputy Chairmen and Non-executive Directors:
Mr LUI Dennis Pok Man
Mr WOO Chiu Man, Cliff

Executive Director:
Mr KOO Sing Fai

Non-executive Directors:
Mr LAI Kai Ming, Dominic
(also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)
Ms Edith SHIH
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr IP Yuk Keung
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna