CONSOLIDATED INCOME STATEMENT

for the year ended 31st December

HK$ million	Notes	2019	2018
Turnover	7	**36,125**	37,923
Sales and interest income from infrastructure investments	7	**6,733**	7,149
Other income	8	**1,271**	386
Operating costs	9	**(3,665)**	(3,923)
Finance costs	10	**(332)**	(502)
Exchange loss		**(26)**	(51)
Share of results of associates		**3,033**	3,405
Share of results of joint ventures		**4,459**	4,894
Profit before taxation	11	**11,473**	11,358
Taxation	12(a)	**(129)**	(105)
Profit for the year	13	**11,344**	11,253
Attributable to:			
Shareholders of the Company		**10,506**	10,443
Owners of perpetual capital securities		**796**	796
Non-controlling interests		**42**	14
		11,344	11,253
Earnings per share	14	**HK$4.17**	HK$4.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December

HK$ million	2019	2018
Profit for the year	**11,344**	11,253
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
(Loss)/Gain from fair value changes of derivatives designated as effective cash flow hedges	**(139)**	43
(Loss)/Gain from fair value changes of derivatives designated as effective net investment hedges	**(348)**	2,984
Exchange differences on translation of financial statements of foreign operations	**259**	(4,202)
Share of other comprehensive expense of associates	**(302)**	(783)
Share of other comprehensive (expense)/income of joint ventures	**(410)**	66
Reserves released upon disposal of an associate	**173**	–
Reserves released upon disposal of joint ventures	**(5)**	–
Income tax relating to components of other comprehensive income	**236**	62
	(536)	(1,830)
Items that will not be reclassified to profit or loss:		
Actuarial gain of defined benefit retirement plan	**–**	5
Share of other comprehensive income of associates	**204**	263
Share of other comprehensive income of joint ventures	**552**	711
Income tax relating to components of other comprehensive income	**(107)**	(173)
	649	806
Other comprehensive income/(expense) for the year	**113**	(1,024)
Total comprehensive income for the year	**11,457**	10,229
Attributable to:		
Shareholders of the Company	**10,622**	9,421
Owners of perpetual capital securities	**796**	796
Non-controlling interests	**39**	12
	11,457	10,229

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December

HK$ million	Notes	2019	2018
Property, plant and equipment	16	**2,805**	2,508
Investment properties	17	**398**	382
Interests in associates	18	**36,814**	38,191
Interests in joint ventures	19	**104,952**	95,892
Other financial assets	20	**1,871**	7,821
Derivative financial instruments	21	**1,107**	2,448
Goodwill and intangible assets	22	**2,486**	2,556
Deferred tax assets	28	**3**	12
Total non-current assets		**150,436**	149,810
Inventories	23	**137**	170
Derivative financial instruments	21	**1,452**	567
Debtors and prepayments	24	**1,082**	1,133
Bank balances and deposits	25	**12,077**	6,090
Total current assets		**14,748**	7,960
Bank and other loans	26	**4,447**	1,442
Derivative financial instruments	21	**345**	14
Creditors, accruals and others	27	**5,361**	4,703
Taxation		**150**	128
Total current liabilities		**10,303**	6,287
Net current assets		**4,445**	1,673
Total assets less current liabilities		**154,881**	151,483
Bank and other loans	26	**27,295**	28,697
Derivative financial instruments	21	**547**	396
Deferred tax liabilities	28	**450**	463
Other non-current liabilities		**215**	23
Total non-current liabilities		**28,507**	29,579
Net assets		**126,374**	121,904
Representing:			
Share capital	30	**2,651**	2,651
Reserves		**108,953**	104,522
Equity attributable to shareholders of the Company		**111,604**	107,173
Perpetual capital securities	31	**14,701**	14,701
Non-controlling interests		**69**	30
Total equity		**126,374**	121,904

VICTOR T K LI
Director

IP TAK CHUEN, EDMOND
Director

18th March, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December

HK$ million	Attributable to shareholders of the Company											
	Share capital	Share premium	Treasury shares	Contributed surplus	Property revaluation reserve	Hedging reserve	Exchange translation reserve	Retained profits	Sub-total	Perpetual capital securities	Non-controlling interests	Total
At 1st January, 2018	2,651	25,299	(9,245)	6,062	68	(2,861)	(6,899)	88,699	103,774	14,701	18	118,493
Profit for the year	–	–	–	–	–	–	–	10,443	10,443	796	14	11,253
Gain from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	43	–	–	43	–	–	43
Gain from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	2,984	–	2,984	–	–	2,984
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(4,200)	–	(4,200)	–	(2)	(4,202)
Share of other comprehensive (expense)/income of associates	–	–	–	–	–	(222)	(561)	263	(520)	–	–	(520)
Share of other comprehensive income of joint ventures	–	–	–	–	–	66	–	711	777	–	–	777
Actuarial gain of defined benefit retirement plan	–	–	–	–	–	–	–	5	5	–	–	5
Income tax relating to components of other comprehensive income	–	–	–	–	–	62	–	(173)	(111)	–	–	(111)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(51)	(1,777)	11,249	9,421	796	12	10,229
Final dividend paid for the year 2017	–	–	–	–	–	–	–	(4,309)	(4,309)	–	–	(4,309)
Interim dividend paid	–	–	–	–	–	–	–	(1,713)	(1,713)	–	–	(1,713)
Distribution paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	(796)	–	(796)
At 31st December, 2018	2,651	25,299	(9,245)	6,062	68	(2,912)	(8,676)	93,926	107,173	14,701	30	121,904
Opening adjustments arising from adoption of HKFRS 16	–	–	–	–	–	–	–	(68)	(68)	–	–	(68)
At 1st January, 2019 (as restated)	2,651	25,299	(9,245)	6,062	68	(2,912)	(8,676)	93,858	107,105	14,701	30	121,836
Profit for the year	–	–	–	–	–	–	–	10,506	10,506	796	42	11,344
Loss from fair value changes of derivatives designated as effective cash flow hedges	–	–	–	–	–	(139)	–	–	(139)	–	–	(139)
Loss from fair value changes of derivatives designated as effective net investment hedges	–	–	–	–	–	–	(348)	–	(348)	–	–	(348)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	262	–	262	–	(3)	259
Share of other comprehensive (expense)/income of associates	–	–	–	–	–	(439)	137	204	(98)	–	–	(98)
Share of other comprehensive (expense)/income of joint ventures	–	–	–	–	–	(410)	–	552	142	–	–	142
Reserves released upon disposal of an associate	–	–	–	–	–	39	134	–	173	–	–	173
Reserves released upon disposal of joint ventures	–	–	–	–	–	–	(5)	–	(5)	–	–	(5)
Income tax relating to components of other comprehensive income	–	–	–	–	–	236	–	(107)	129	–	–	129
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(713)	180	11,155	10,622	796	39	11,457
Final dividend paid for the year 2018	–	–	–	–	–	–	–	(4,410)	(4,410)	–	–	(4,410)
Interim dividend paid	–	–	–	–	–	–	–	(1,713)	(1,713)	–	–	(1,713)
Distribution paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	(796)	–	(796)
At 31st December, 2019	**2,651**	**25,299**	**(9,245)**	**6,062**	**68**	**(3,625)**	**(8,496)**	**98,890**	**111,604**	**14,701**	**69**	**126,374**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31st December

HK$ million	Notes	2019	2018
OPERATING ACTIVITIES			
Cash from operations	33(a)	**4,242**	3,994
Income taxes paid		**(78)**	(112)
Net cash from operating activities		**4,164**	3,882
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(363)**	(323)
Disposals of property, plant and equipment		**6**	4
Addition to financial assets		**–**	(7,154)
Additions to intangible assets		**(76)**	(100)
Advances to associates		**(24)**	(9)
Repayment from an associate		**112**	263
Investments in joint ventures		**(102)**	(1,157)
Advances to joint ventures		**(93)**	(1)
Return of capital from a joint venture		**29**	44
Repayment from joint ventures		**25**	1,422
Disposal of an associate		**2,314**	–
Disposal of joint ventures		**74**	–
Dividends received from associates		**2,388**	7,241
Dividends received from joint ventures		**1,966**	2,434
Interest received		**194**	133
Net cash received on hedging instruments		**453**	322
Net cash flows from investing activities		**6,903**	3,119
Net cash flows before financing activities		**11,067**	7,001
FINANCING ACTIVITIES			
New bank and other loans	33(b)	**3,688**	7,480
Repayments of bank and other loans	33(b)	**(1,445)**	(10,778)
Repayment of lease principal	33(b)	**(26)**	–
Finance costs paid		**(369)**	(576)
Interest paid of lease liabilities	33(b)	**(9)**	–
Dividends paid		**(6,123)**	(6,022)
Distribution paid on perpetual capital securities		**(796)**	(796)
Net cash utilised in financing activities		**(5,080)**	(10,692)
Net increase/(decrease) in cash and cash equivalents		**5,987**	(3,691)
Cash and cash equivalents at 1st January		**6,090**	9,781
Cash and cash equivalents at 31st December	25	**12,077**	6,090

1. GENERAL

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's Annual Report. The Company's ultimate holding company is CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Hong Kong Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Group's principal activities are the development, investment and operation of infrastructure businesses in Hong Kong, Mainland China, the United Kingdom, Continental Europe, Australia, New Zealand and Canada.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted a number of revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective to the Group for accounting periods beginning on or after 1st January, 2019. Except as described below, the adoption of those revised HKFRSs has no material impact on the Group's results and financial position for the current or prior years and does not result in any significant change in accounting policies of the Group.

HKFRS 16 "Leases"

In the current year, the Group has adopted HKFRS 16 "Leases". HKFRS 16 is effective for the accounting periods beginning on or after 1st January, 2019. The Group has applied HKFRS 16 using the modified retrospective approach without restating comparative information retrospectively. Upon initial application, the additional lease liabilities were recognised and right-of-use assets were measured at the carrying amounts as if HKFRS 16 had been applied since commencement dates, which were discounted using the incremental borrowing rates at the date of initial application. The impact of the initial application is recognised in the opening balance of equity as at 1st January, 2019. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Prior to 1st January, 2019, lease contracts were classified as operating leases or finance leases. From 1st January, 2019 onwards, HKFRS 16 distinguishes lease contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low-value assets. For short-term leases and leases of low-value assets, the Group recognises lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within operating costs in the consolidated income statement.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

HKFRS 16 "Leases" (Cont'd)

Right-of-use assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Lease liabilities are initially measured at the present value of the remaining lease payments discounted using the incremental borrowing rate of the lessee. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

The Group has not early adopted the following new and revised HKFRSs issued by the HKICPA that have been issued but are not yet effective. The Group is continuing to assess the implication of the adoption of these standards. The Directors anticipate that the adoption of the new and revised HKFRSs listed below will have no material impact on the results and financial position of the Group.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

At the date of initial application of HKFRS 16, the reconciliation from the operating lease commitments to the lease liabilities recognised is as follows:

HK$ million	
Operating lease commitments at 31st December, 2018 as disclosed in the consolidated financial statements	296
Operating lease commitments at 31st December, 2018, discounted using the incremental borrowing rate at 1st January, 2019	221
Finance lease liabilities as at 31st December, 2018	14
Recognition exemption for short-term leases and leases of low-value assets	(91)
Extension options reasonably certain to be exercised	92
Lease liabilities as at 1st January, 2019	**236**

HK$ million	
Portion classified as:	
Current liabilities	23
Non-current liabilities	213
	236

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the year together with the Group's interests in associates and joint ventures on the basis set out in (e) below.

The results of subsidiaries, share of results of associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control/exercises significant influences/gains joint control until the date when the Group ceases to control/ceases to exercise significant influences/ceases to joint control, as appropriate.

(b) Goodwill

In relation to business combination that took place on or after 1st January, 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the subsidiaries, and the fair value of the Group's previously held equity interests in the subsidiaries (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill recognised prior to 1st January, 2010 was measured as the excess of costs of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the subsidiaries, associates and joint ventures acquired.

Goodwill is recognised as an asset less any identified impairment loss. Goodwill recognised in reserves prior to 1st January, 2001 continues to be held in the reserves and are transferred to retained profits when the business to which the goodwill relates is disposed of or becomes impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the business acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associate, joint venture or relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is provided over their estimated useful lives using the straight-line method, at the following rates per annum:

Brand name and trademarks	Indefinite useful lives
Customer contracts	Over the contract lives
Resource consents (excluding landfills)	4% or over the contract lives
Computer software	33% or over the license period
Operation license	7%
Others	Over the contract lives

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired through business combination are carried at cost less accumulated impairment losses.

The useful life of the resource consents for the landfills is dependent on the total capacity of the landfills, the level of tonnage of waste, the compacting rate and other variable. As such the landfills useful life is reassessed annually and the amortisation rate of the landfills resource consents is adjusted accordingly.

The carrying amount of intangible assets with indefinite useful life is tested for impairment annually. The carrying amount of intangible assets with finite useful life is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it has power over the investees; it is exposed, or has rights, to variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity.

The acquisition of a subsidiary is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. After 1st January, 2010, acquisition-related costs are generally recognised in profit or loss as incurred.

Prior to 1st January, 2010, any costs directly attributable to business combination were included as part of the cost of the acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities, where appropriate, are recognised at their fair values at the acquisition date.

(e) Associates and Joint Ventures

An associate is a company, other than a subsidiary or joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

A joint venture is a contractual arrangement whereby the venturers agree to share control of the arrangement which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control, and have rights to the net assets of the arrangement.

The results and assets and liabilities of associates/joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

Losses of an associate/joint venture in excess of the Group's interest in that associate/joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate/joint venture) are not recognised.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Freehold land is not depreciated. Depreciation of property, plant and equipment is provided to write off their depreciable amounts over their estimated useful lives using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired lease term
Buildings	2% to 3% or over the unexpired lease terms of the land, whichever is the higher
Mains, pipes, other plant and machinery	3% to 26% or over the expected useful lives
Leased properties and others	Over the lease term or expected useful lives
Furniture, fixtures and others	3% to 33% or over the expected useful lives

When an asset is disposed of or retired, any gain or loss, representing the difference between the carrying value and the sales proceeds, if any, is included in the consolidated income statement.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at its fair value at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are recognised in the consolidated income statement for the period in which they arise.

(h) Inventories

Inventories are stated at the lower of cost, computed on a weighted-average or a first-in first-out basis as appropriate, and net realisable value. Cost includes cost of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments

Investments in securities

Equity securities and debt securities are classified as "financial assets at fair value through profit or loss" and "financial assets at amortised cost", respectively, according to the business model.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Interest income from investments in debt securities are recognised when the Group's right to receive payment is established.

Other investments

Other investments are classified as financial assets at fair value through profit or loss in accordance with HKFRS 9.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at fair values on the dates at which the contracts are entered into, and are remeasured to their fair values at subsequent reporting dates.

Hedging accounting relationships are aligned with the Group's risk management objectives and strategy.

Changes in the fair values of derivative financial instruments that are designated as effective in hedging future cash flows are recognised directly in hedging reserve. Amount deferred in the equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in fair values of derivative financial instruments that are designated and qualify as net investment hedges are recognised directly in exchange translation reserve. Any ineffective portion is recognised immediately in the consolidated income statement.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement.

The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria, including instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it, in which case hedge accounting continues for the remainder of the hedging relationship. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the hedged risk associated with the hedged item is ultimately recognised in profit or loss. The cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss when a forecast transaction is no longer expected to occur in relation to hedging of a forecast transaction.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Debtors

Debtors are classified as financial assets at amortised cost in accordance with HKFRS 9, and subsequently measured at amortised cost using the effective interest method.

Appropriate allowances for expected credit loss are recognised in the consolidated income statement to reflect the initial expected credit losses and the changes in credit risk since initial recognition.

Cash and cash equivalents

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

Bank and other loans

Interest-bearing bank and other loans are initially measured at fair values, and are subsequently measured at amortised cost, using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group are classified as equity instruments and are initially recorded at the proceeds received.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are recognised when it is probable and measured initially at their fair values. It is subsequently measured at the higher of the amount initially recognised and the amount of the expected loss determined in accordance with HKFRS 9.

Fair value

Fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Fair value of derivative financial instruments and certain financial assets not traded on active liquid markets are determined with reference to fair value estimated by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(i) Financial Instruments (Cont'd)

Impairment

The Group recognises a loss allowance for expected credit loss on financial assets, financial guarantee and loan commitments which are subject to impairment under HKFRS 9. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime expected credit loss represents the expected credit loss that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events that are possible within 12 months after the reporting date.

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(j) Revenue Recognition

Sales of goods

Revenue from sales of goods is recognised when a performance obligation is satisfied, which can be recognised at a point in time, based on the timing of control of the goods underlying the particular performance obligation being transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable and is arrived at after deduction of any sales returns and discounts and taxes.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(j) Revenue Recognition (Cont'd)

Sales of services

Revenue from sales of services is recognised when a performance obligation is satisfied, which is recognised at a point in time, based on the timing of control of the services underlying the particular performance obligation being transferred to the customer.

Interest income

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(k) Foreign Currencies

The individual financial statements of each group entity is prepared and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the result and financial position of each entity are presented in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised directly in other comprehensive income. Exchange differences arising on the retranslation of non-monetary items carried at fair values are included in the consolidated income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income and accumulated in equity.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currencies (Cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and included in the Group's exchange translation reserve. Such translation differences are recognised in the consolidated income statement in the year in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(l) Taxation

Hong Kong profits tax is provided for at the prevailing tax rate on the estimated assessable profits less available tax relief for losses brought forward of each individual company comprising the Group. Overseas tax is provided for at the applicable local tax rates on the estimated assessable profits less available tax losses of the individual company concerned.

Deferred tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit of the corresponding year. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(m) Leases

From 1st January, 2019, for lessees, right-of-use assets and lease liabilities are recognised at the lease commencement date, except for leases with a lease term of 12 months or less, or those low-value assets, which are recognised as expenses on a straight-line basis over the lease terms.

Lease liabilities are initially measured at the present value of the remaining lease payments with reference to an expected lease term, which includes optional lease periods when the lessee is reasonably certain to exercise the option to extend or not to terminate the lease. The remaining lease payments are discounted using the interest rate implicit in the lease. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

At inception, the right-of-use assets comprises the initial lease liabilities, initial direct costs and the obligation to restore the asset, less any incentive granted by the lessor. The right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. The carrying amount of right-of-use assets is reviewed for indications of impairment at the end of each reporting period. All impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

Prior to 1st January, 2019, for operating lease, leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated income statement an a straight-line basis over the respective lease terms.

For finance leases, leases that transfer substantially all the risks and rewards of ownership of the leased assets to the lessees are accounted for as finance leases.

Assets held under finance leases are recognised as assets at their fair values or, if lower, at the present value of the minimum lease payment at the dates of inception. The corresponding liabilities to the lessor are shown within bank and other loans in the consolidated statement of financial position as obligations under finance leases. Finance costs are charged to the consolidated income statement over the terms of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

4. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(n) Employee Retirement Benefits

The Group operates defined contribution and defined benefit retirement plans for its employees.

The costs of defined contribution plans are charged to the consolidated income statement as an expense when employees have rendered service entitling them to the contributions.

The cost of providing retirement benefits under the Group's defined benefit retirement plans is determined using the projected unit credit method, with actuarial valuations being carried out annually. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a planned amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The amount recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plans.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other financial assets, derivative financial instruments, bank balances and deposits, bank and other loans, and debtors and creditors. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency Risk

The Group is exposed to currency risk primarily arising from foreign investments and borrowings denominated in currencies other than the functional currency of individual subsidiaries, which accounted for 23 per cent of the Group's borrowings (2018: 25 per cent). The Group generally hedges those investments with the appropriate level of borrowings denominated in the local currencies of relevant countries. The Group also entered into currency derivatives to hedge most foreign investments financed by internal resources. Given this, the management considers that the net exposure to currency risk is kept to an appropriate level. Details of the currency derivatives entered into by the Group at the end of the reporting period are set out in note 21.

The Group is also exposed to currency risk arising from bank deposits denominated in foreign currencies, which accounted for 73 per cent of the Group's bank balances and deposits at the end of the reporting period (2018: 61 per cent). Those bank balances and deposits are mainly denominated in United States dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management maintains the portfolio of bank deposits denominated in different currencies and the exposure to currency risk is kept to an appropriate level.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Currency Risk (Cont'd)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and other comprehensive income in response to a 5 per cent strengthening in foreign currencies (except for United States dollars) against Hong Kong dollars to which the Group has significant exposure related to monetary financial assets and liabilities and derivative financial instruments in existence at the end of the reporting period:

	2019		2018	
HK$ million	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)	Effect on profit for the year increase/ (decrease)	Effect on other comprehensive income increase/ (decrease)
Australian dollars	**48**	**(478)**	53	(452)
Pounds sterling	**73**	**(1,207)**	42	(1,160)
Japanese yen	**(107)**	**–**	(105)	–
Canadian dollars	**6**	**(342)**	4	(327)
New Zealand dollars	**2**	**(73)**	2	(73)
Euros	**3**	**(519)**	4	(526)

A 5 per cent weakening in the above foreign currencies against Hong Kong dollars would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group's entities exposure to currency risk for both monetary financial assets and liabilities and derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, the management does not expect any significant movements in the pegged rate of 7.8 between the United States dollars and Hong Kong dollars. It is also assumed that such pegged rate would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Interest Rate Risk

The Group's interest rate risk relates primarily to floating rate borrowings and deposits. In relation to these floating rate borrowings, the management aims at keeping borrowings at fixed rates at appropriate level by entering into interest rate swaps. In order to achieve this result, the Group entered into interest rate swaps to hedge against certain exposures to changes in interest rates of the borrowings. The management adopts a policy of ensuring that all the material borrowings of the Group are effectively on a fixed rate basis, either through the contractual terms of the loan facilities agreements or through the use of interest rate swaps.

Details of the Group's interest rate swaps and borrowings entered into by the Group at the end of the reporting period are set out in notes 21 and 26, respectively.

Sensitivity analysis

At 31st December, 2019, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit for the year by HK$12 million (2018: HK$41 million). Other comprehensive income would increase by HK$35 million (2018: HK$223 million) in response to the general increase in interest rates. A decrease of 100 basis points in interest rate would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

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

(c) Credit Risk

The Group's credit risk is primarily attributable to debt securities investments, derivative financial instruments entered into for hedging purposes, bank balances and deposits, trade debtors and other receivables.

In respect of trade debtors and other receivables, local management teams of subsidiaries are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts of the subsidiaries. In addition, the teams perform impairment assessment under expected credit loss model upon application of HKFRS 9 based on provision matrix or individual assessment on each debt at the end of the reporting period in relation to waste management services and sales of infrastructure materials to ensure that adequate impairment losses are made. Normally, the Group does not obtain collateral covering the outstanding balances.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit Risk (Cont'd)

The Group recognises lifetime expected credit loss for trade receivables. For all other financial instruments, the Group measures the loss allowance equal to 12-month expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss.

The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Debt securities investments are normally liquid securities for long term strategic purposes. Transactions involving derivative financial instruments and liquid funds are also with banks or financial institutions of high credit standing.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Except for the guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these guarantees at the end of the reporting period is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and other receivables are set out in note 24.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(d) Liquidity Risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in short-term deposits mostly denominated in United States dollars, Hong Kong dollars, Australian dollars, Pounds sterling, Canadian dollars, New Zealand dollars and Euros. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing for new investments and refinancing of existing debts.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial assets and liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

HK$ million	2019 Carrying amount	2019 Total contractual undiscounted cash outflows	2019 Within 1 year or on demand	2019 More than 1 year but less than 2 years	2019 More than 2 years but less than 5 years	2019 More than 5 years	2018 Carrying amount	2018 Total contractual undiscounted cash outflows	2018 Within 1 year or on demand	2018 More than 1 year but less than 2 years	2018 More than 2 years but less than 5 years	2018 More than 5 years
Unsecured bank loans	23,938	24,947	4,836	4,760	15,351	–	22,007	23,644	519	4,895	18,230	–
Secured bank loans	1,272	1,338	27	27	1,284	–	1,228	1,242	1,242	–	–	–
Lease liabilities	214	282	31	30	61	160	–	–	–	–	–	–
Obligations under finance leases	–	–	–	–	–	–	14	14	4	4	6	–
Unsecured notes and bonds	6,532	7,063	90	90	5,469	1,414	6,890	7,523	305	91	275	6,852
Trade creditors	248	248	248	–	–	–	228	228	228	–	–	–
Other payables and accruals	732	732	714	–	–	18	705	705	682	–	–	23
	32,936	34,610	5,946	4,907	22,165	1,592	31,072	33,356	2,980	4,990	18,511	6,875
Derivatives settled gross:												
Currency derivatives held as net investment hedging instruments:												
– outflow		50,433	26,193	3,137	12,704	8,399		50,574	15,982	9,998	10,753	13,841
– inflow		(53,854)	(27,623)	(3,615)	(13,525)	(9,091)		(54,623)	(16,527)	(11,790)	(11,821)	(14,485)
		(3,421)	(1,430)	(478)	(821)	(692)		(4,049)	(545)	(1,792)	(1,068)	(644)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Other Price Risk

The Group is exposed to other price risk through its investments in securities and other investments as set out in note 20. The management manages this exposure by maintaining a portfolio of investments with different risks. For strategic purposes, the Group holds primarily equity or debt instruments operating in energy sector.

Sensitivity analysis

At 31st December, 2019, it is estimated that a 5 per cent decrease in the prices of the respective instruments, with all other variables held constant, would decrease the Group's profit for the year by HK$85 million (2018: HK$383 million). A 5 per cent decrease in the prices will have no impact on other comprehensive income (2018: no impact). A 5 per cent increase in prices would have had an equal but opposite effect on the Group's profit for the year and other comprehensive income.

The sensitivity analysis above has been determined assuming that the change in prices had occurred at the end of the reporting period and had been applied to the exposure to price risk for the Group's investments in securities and other investments at fair value in existence at that date (as set out in note 20). The 5 per cent decrease in prices represents management's assessment of a reasonably possible change in the prices of those instruments over the period until the end of the next reporting period.

(f) Fair Value

Except for certain investments in securities which are stated at amortised cost, the carrying values of all financial assets and financial liabilities approximate to their fair values.

The fair value of the Group's financial instruments and non-financial instruments are grouped into Level 1 to 3 with reference to the observability and significance of the inputs used in the valuation technique 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st December, 2019, investment properties amounting to HK$398 million (2018: HK$382 million) and unlisted investment in securities amounting to HK$508 million (2018: HK$497 million) were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly. Other investments amounting to HK$1,189 million (2018: HK$7,154 million) were measured at fair value based on value inputs that are not observable market data but change of these value inputs to reasonable possible alternatives would not have material effect on the Group's results and financial position.

Derivative financial instruments were measured at fair value based on value inputs, other than quoted prices, that are observable either directly or indirectly.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Offsetting Financial Assets and Financial Liabilities

The following tables set out the carrying amounts of financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are offset in the Group's consolidated statement of financial position.

As at 31st December, 2019 HK$ million	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets/ (liabilities)	Cash collateral pledged/ (received)	
Financial asset						
Derivative financial instruments	**1,795**	**–**	**1,795**	**(219)**	**–**	**1,576**
Financial liability						
Derivative financial instruments	**(219)**	**–**	**(219)**	**219**	**–**	**–**

As at 31st December, 2018 HK$ million	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
				Financial assets/ (liabilities)	Cash collateral pledged/ (received)	
Financial asset						
Derivative financial instruments	1,052	–	1,052	(6)	–	1,046
Financial liability						
Derivative financial instruments	(6)	–	(6)	6	–	–

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Impairment testing of goodwill

Goodwill are tested for impairment annually or more frequently when there is any indication of impairment which required the Group to estimate the value in use of the relevant cash-generating unit. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of goodwill as at 31st December, 2019 is HK$881 million (2018: HK$905 million). Details of the impairment testing of goodwill are disclosed in note 22.

(b) Impairment testing of intangible assets

Impairment testing of intangible assets requires significant judgement and estimate. Intangible assets with indefinite useful lives are tested for impairment annually and intangible assets with definite useful lives are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposals and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying value of intangible assets as at 31st December, 2019 is HK$1,605 million (2018: HK$1,651 million).

7. TURNOVER

Turnover represents net sales of infrastructure materials, interest income from loans granted to associates and joint ventures, sales of waste management services and share of turnover of joint ventures. The turnover were substantially recognised at a point in time.

Turnover comprises both sales and interest income from infrastructure investments and share of turnover of joint ventures as follows:

HK$ million	2019	2018
Sales of infrastructure materials	**2,172**	2,272
Interest income from loans granted to associates	**289**	332
Interest income from loans granted to joint ventures	**2,784**	3,045
Sales of waste management services	**1,488**	1,500
Sales and interest income from infrastructure investments	**6,733**	7,149
Share of turnover of joint ventures	**29,392**	30,774
Turnover	**36,125**	37,923

8. OTHER INCOME

Other income includes the following:

HK$ million	2019	2018
Gain on disposal of an associate	427	–
Gain on disposal of joint ventures	88	–
Bank interest income	196	136
Change in fair values of investment properties	16	22

9. OPERATING COSTS

Operating costs include the following:

HK$ million	2019	2018
Depreciation of property, plant and equipment	220	195
Amortisation of intangible assets	81	32
Cost of inventories sold	1,742	1,943
Cost of services provided	860	873

10. FINANCE COSTS

HK$ million	2019	2018
Interest and other finance costs on		
Bank borrowings	590	696
Notes and bonds	95	103
Lease liabilities	10	–
Others	(363)	(297)
Total	332	502

11. PROFIT BEFORE TAXATION

HK$ million	2019	2018
Profit before taxation is arrived at after charging:		
Staff costs	810	790
Operating lease rental for land and buildings	–	57
Lease expenses relating to short-term leases and leases of low-value assets	40	–
Directors' emoluments (note 34)	113	111
Auditor's remuneration	9	8

12. TAXATION

(a) Taxation is provided for at the applicable tax rates on the estimated assessable profits less available tax losses. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries.

HK$ million	2019	2018
Current taxation – Hong Kong	1	–
Current taxation – outside Hong Kong	111	95
Deferred taxation (note 28)	17	10
Total	129	105

(b) Reconciliation between tax charge and accounting profit at Hong Kong profits tax rate:

HK$ million	2019	2018
Profit before taxation	11,473	11,358
Less: Share of results of associates	(3,033)	(3,405)
Share of results of joint ventures	(4,459)	(4,894)
	3,981	3,059
Tax at 16.5% (2018: 16.5%)	657	505
Tax impact on:		
Different domestic rates of subsidiaries operating in other tax jurisdictions	(318)	(237)
Income not subject to tax	(323)	(282)
Expenses not deductible for tax purpose	84	98
Tax losses and other temporary differences not recognised	20	15
Others	9	6
Tax charge	129	105

13. PROFIT FOR THE YEAR AND SEGMENT INFORMATION

for the year ended 31st December

	Investment in Power Assets Holdings Limited		Infrastructure Investments												Total before unallocated items		Unallocated items		Consolidated	
			United Kingdom		Australia		Continental Europe		Hong Kong and Mainland China		Canada		New Zealand							
HK$ million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Turnover	–	–	17,401	18,405	6,387	6,741	5,033	5,238	3,148	3,319	2,101	2,093	2,055	2,127	36,125	37,923	–	–	36,125	37,923
Sales and interest income from infrastructure investments	–	–	1,474	1,562	681	789	680	731	2,172	2,272	238	243	1,488	1,552	6,733	7,149	–	–	6,733	7,149
Bank interest income	–	–	–	–	–	–	–	–	50	33	–	–	1	1	51	34	145	102	196	136
Other income	–	–	–	–	22	–	–	–	56	144	–	–	2	6	80	150	480	100	560	250
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	10	–	10
Depreciation and amortisation	–	–	–	–	–	–	–	–	(136)	(81)	–	–	(164)	(145)	(300)	(226)	(1)	(1)	(301)	(227)
Other operating costs	–	–	–	–	(1)	(2)	–	–	(1,863)	(2,057)	–	–	(1,128)	(1,168)	(2,992)	(3,227)	(372)	(479)	(3,364)	(3,706)
Finance costs	–	–	–	–	–	–	–	–	–	–	–	–	(57)	(70)	(57)	(70)	(275)	(432)	(332)	(502)
Exchange gain / (loss)	–	–	–	–	–	–	–	–	–	1	–	–	–	–	–	1	(26)	(52)	(26)	(51)
Gain on disposal of an associate	427	–	–	–	–	–	–	–	–	–	–	–	–	–	427	–	–	–	427	–
Gain on disposal of joint ventures	–	–	–	–	–	–	–	–	88	–	–	–	–	–	88	–	–	–	88	–
Share of results of associates and joint ventures	2,564	2,903	3,161	3,713	1,381	1,279	105	139	115	151	98	100	68	14	7,492	8,299	–	–	7,492	8,299
Profit / (Loss) before taxation	2,991	2,903	4,635	5,275	2,083	2,066	785	870	482	463	336	343	210	190	11,522	12,110	(49)	(752)	11,473	11,358
Taxation	–	–	(5)	–	–	–	–	–	(69)	(60)	(1)	(8)	(36)	(18)	(111)	(86)	(18)	(19)	(129)	(105)
Profit / (Loss) for the year	2,991	2,903	4,630	5,275	2,083	2,066	785	870	413	403	335	335	174	172	11,411	12,024	(67)	(771)	11,344	11,253
Attributable to:																				
Shareholders of the Company	2,991	2,903	4,630	5,275	2,083	2,066	785	870	371	389	335	335	174	172	11,369	12,010	(863)	(1,567)	10,506	10,443
Owners of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	796	796	796	796
Non-controlling interests	–	–	–	–	–	–	–	–	42	14	–	–	–	–	42	14	–	–	42	14
	2,991	2,903	4,630	5,275	2,083	2,066	785	870	413	403	335	335	174	172	11,411	12,024	(67)	(771)	11,344	11,253

13. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

for the year ended 31st December

	Investment in Power Assets Holdings Limited		Infrastructure Investments: United Kingdom		Infrastructure Investments: Australia		Infrastructure Investments: Continental Europe		Infrastructure Investments: Hong Kong and Mainland China		Infrastructure Investments: Canada		Infrastructure Investments: New Zealand		Total before unallocated items		Unallocated items		Consolidated	
HK$ million	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Other information																				
Expenditure for segment non-current assets:																				
– Additions to property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**133**	152	**–**	–	**248**	171	**381**	323	**–**	–	**381**	323
– Additions to intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	91	**–**	–	**76**	9	**76**	100	**–**	–	**76**	100
– Investments in joint ventures	**–**	–	**–**	387	**–**	33	**–**	–	**–**	–	**102**	112	**–**	625	**102**	1,157	**–**	–	**102**	1,157
as at 31st December																				
Assets																				
Interests in associates and joint ventures	**30,742**	31,765	**56,022**	47,111	**28,637**	29,311	**16,917**	16,824	**832**	834	**7,628**	7,255	**988**	983	**141,766**	134,083	**–**	–	**141,766**	134,083
Property, plant and equipment and investment properties	**–**	–	**–**	–	**–**	–	**–**	–	**1,882**	1,850	**–**	–	**1,318**	1,039	**3,200**	2,889	**3**	1	**3,203**	2,890
Other segment assets	**–**	–	**636**	627	**–**	–	**–**	–	**2,988**	2,675	**4**	6	**2,682**	2,722	**6,310**	6,030	**–**	–	**6,310**	6,030
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**13,905**	14,767	**13,905**	14,767
Total assets	**30,742**	31,765	**56,658**	47,738	**28,637**	29,311	**16,917**	16,824	**5,702**	5,359	**7,632**	7,261	**4,988**	4,744	**151,276**	143,002	**13,908**	14,768	**165,184**	157,770
Liabilities																				
Segment liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**887**	852	**13**	10	**2,189**	1,940	**3,089**	2,802	**–**	–	**3,089**	2,802
Unallocated corporate liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**35,721**	33,064	**35,721**	33,064
Total liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**887**	852	**13**	10	**2,189**	1,940	**3,089**	2,802	**35,721**	33,064	**38,810**	35,866

13. PROFIT FOR THE YEAR AND SEGMENT INFORMATION (CONT'D)

Segment profit attributable to shareholders of the Company represents the profit earned by each segment after the profit attributable to owners of perpetual capital securities and non-controlling interests without allocation of gains or losses from treasury activities, corporate overheads and other expenses of the Group's head office.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets of the Group's head office; and
- all liabilities are allocated to reportable segments other than financial and other liabilities of the Group's head office.

14. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$10,506 million (2018: HK$10,443 million) and on 2,519,610,945 shares (2018: 2,519,610,945 shares) in issue during the year.

The 131,065,097 shares issued in connection with the issue of perpetual capital securities in March 2016 (note 31) were excluded from the calculation of earnings per share since these shares are disregarded for the purpose of determining the number of shares held by the public.

15. DIVIDENDS

(a)

HK$ million	2019	2018
Interim dividend paid of HK$0.68 per share (2018: HK$0.68 per share)	**1,713**	1,713
Proposed final dividend of HK$1.78 per share (2018: HK$1.75 per share)	**4,485**	4,410
Total	**6,198**	6,123

During the year, dividends of HK$6,198 million (2018: HK$6,123 million) are stated after elimination of HK$322 million (2018: HK$318 million) paid/proposed for the shares issued in connection with the issue of perpetual capital securities (note 31).

(b)

HK$ million	2019	2018
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$1.75 per share (2018: HK$1.71 per share)	**4,410**	4,309

Final dividend in respect of the previous financial year, approved and paid during the year ended 31st December, 2019, is stated after elimination of HK$229 million (2018: HK$224 million) for the shares issued in connection with the issue of perpetual capital securities (note 31).

16. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Medium term leasehold land in Hong Kong	Medium term leasehold land outside Hong Kong	Freehold land outside Hong Kong	Buildings	Mains, pipes, other plant and machinery	Leased properties and others	Furniture, fixtures and others	Total
Cost								
At 1st January, 2018	393	109	194	1,377	3,029	–	68	5,170
Additions	–	42	23	46	210	–	2	323
Disposals	–	–	–	–	(98)	–	(2)	(100)
Exchange translation differences	–	(4)	(7)	(39)	(100)	–	(2)	(152)
At 31st December, 2018	393	147	210	1,384	3,041	–	66	5,241
Adjustment upon application of HKFRS 16	–	–	–	–	(29)	343	–	314
At 1st January, 2019 (as restated)	393	147	210	1,384	3,012	343	66	5,555
Transfer between categories	–	–	–	–	9	(9)	–	–
Additions	–	–	83	14	257	18	9	381
Disposals	–	–	–	–	(73)	–	(5)	(78)
Termination of leases	–	–	–	–	–	(22)	–	(22)
Exchange translation differences	–	(3)	(4)	(28)	(70)	(9)	–	(114)
At 31st December, 2019	393	144	289	1,370	3,135	321	70	5,722
Accumulated depreciation								
At 1st January, 2018	201	51	–	688	1,726	–	42	2,708
Charge for the year	6	3	–	22	157	–	7	195
Disposals	–	–	–	–	(96)	–	(2)	(98)
Exchange translation differences	–	(2)	–	(16)	(53)	–	(1)	(72)
At 31st December, 2018	207	52	–	694	1,734	–	46	2,733
Adjustment upon application of HKFRS 16	–	–	–	–	(12)	121	–	109
At 1st January, 2019 (as restated)	207	52	–	694	1,722	121	46	2,842
Transfer between categories	–	–	–	–	6	(6)	–	–
Charge for the year	6	3	–	23	156	26	6	220
Disposals	–	–	–	–	(69)	–	(5)	(74)
Termination of leases	–	–	–	–	–	(17)	–	(17)
Exchange translation differences	–	(1)	–	(10)	(38)	(3)	(2)	(54)
At 31st December, 2019	213	54	–	707	1,777	121	45	2,917
Carrying value								
At 31st December, 2019	**180**	**90**	**289**	**663**	**1,358**	**200**	**25**	**2,805**
At 31st December, 2018	186	95	210	690	1,307	–	20	2,508

At 31st December, 2018, the carrying value of the Group's mains, pipes, other plant and machinery includes an amount of HK$17 million in respect of assets held under finance leases.

17. INVESTMENT PROPERTIES

HK$ million	
Medium term leases in Hong Kong, at fair value	
At 1st January, 2018	360
Change in fair values	22
At 31st December, 2018	382
Change in fair values	16
At 31st December, 2019	**398**

The fair values of the Group's investment properties at 31st December, 2019 and 2018 are determined based on a valuation carried out by Mr. K. B. Wong for and on behalf of DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. Mr. K. B. Wong is a member of the Hong Kong Institute of Surveyors. The valuation which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

18. INTERESTS IN ASSOCIATES

HK$ million	2019	2018
Investment costs		
– Listed in Hong Kong	**8,036**	8,495
– Unlisted	**730**	730
Share of post-acquisition reserves	**25,125**	25,855
	33,891	35,080
Amounts due by unlisted associates (note 37)	**2,923**	3,111
	36,814	38,191
Market value of investment in a listed associate	**43,747**	44,054

Included in the amounts due by unlisted associates are subordinated loans of HK$2,744 million (2018: HK$2,946 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the associates.

18. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information of Power Assets Holdings Limited ("Power Assets"), the only material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below.

(a) Financial information of the material associate as at 31st December

	Power Assets	
HK$ million	2019	2018
Current assets	**5,015**	5,475
Non-current assets	**88,556**	85,962
Current liabilities	**(4,324)**	(4,072)
Non-current liabilities	**(3,755)**	(3,808)
Equity	**85,492**	83,557
Reconciled to the Group's interests in the material associate		
Group's effective interest	**35.96%**	38.01%
Group's shares of net assets of the material associate and its carrying amount in the consolidated financial statements	**30,742**	31,765

(b) Financial information of the material associate for the year ended 31st December

	Power Assets	
HK$ million	2019	2018
Turnover	**1,348**	1,555
Profit for the year	**7,131**	7,636
Other comprehensive income/(expense)	**804**	(1,113)
Total comprehensive income	**7,935**	6,523
Dividend received from the material associate	**2,149**	7,139

18. INTERESTS IN ASSOCIATES (CONT'D)

(c) Aggregate information of associates that are not individually material

HK$ million	2019	2018
Aggregate carrying amount of individually insignificant associates in the consolidated financial statements	**3,149**	3,315
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**469**	502
Other comprehensive expense	**(281)**	(80)
Total comprehensive income	**188**	422

Particulars of the principal associates are set out in Appendix 2 on pages 148 and 149.

19. INTERESTS IN JOINT VENTURES

HK$ million	2019	2018
Investment costs	**51,795**	45,963
Share of post-acquisition reserves	**11,513**	8,598
	63,308	54,561
Impairment losses	**(75)**	(141)
	63,233	54,420
Amounts due by joint ventures (note 37)	**41,719**	41,472
	104,952	95,892

Included in the amounts due by joint ventures are subordinated loans of HK$27,105 million (2018: HK$27,082 million). The rights in respect of these loans are subordinated to the rights of any other lenders to the joint ventures.

The Directors reviewed certain joint ventures' operations and financial positions as at 31st December, 2019 and no further impairment loss is considered necessary for the year (2018: nil).

19. INTERESTS IN JOINT VENTURES (CONT'D)

Summarised financial information of CK William UK Holdings Limited ("CK William") and UK Power Networks Holdings Limited ("UK Power Networks"), the material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

(a) Financial information of the material joint ventures as at 31st December

	CK William		UK Power Networks	
HK$ million	**2019**	2018	**2019**	2018
Current assets	**3,341**	2,800	**6,795**	3,961
Non-current assets	**88,812**	88,388	**132,638**	122,879
Current liabilities	**(8,677)**	(9,046)	**(9,738)**	(7,789)
Non-current liabilities	**(64,216)**	(62,854)	**(72,421)**	(67,850)
Equity	**19,260**	19,288	**57,274**	51,201
Reconciled to the Group's interest in the joint ventures				
Group's effective interest	**40%**	40%	**40%**	40%
Group's share of net assets of the joint ventures	**7,704**	7,715	**22,910**	20,480
Consolidation adjustments at Group level and non-controlling interests	**660**	611	**120**	118
Carrying amount of the joint ventures in the consolidated financial statements	**8,364**	8,326	**23,030**	20,598
Included in the above assets and liabilities:				
Cash and cash equivalents	**818**	512	**3,244**	979
Current financial liabilities (excluding trade and other payables and provisions)	**(5,666)**	(5,692)	**(978)**	(894)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(56,050)**	(55,028)	**(59,071)**	(55,207)

19. INTERESTS IN JOINT VENTURES (CONT'D)

(b) Financial information of the material joint ventures for the year ended 31st December

	CK William		UK Power Networks	
HK$ million	2019	2018	2019	2018
Turnover	10,418	10,936	15,829	18,623
Profit for the year	1,223	810	5,295	7,173
Other comprehensive (expense)/ income	(412)	(291)	1,908	971
Total comprehensive income	811	519	7,203	8,144
Dividend received from the joint ventures	–	116	953	1,014
Included in the above profit:				
Depreciation and amortisation	(2,482)	(2,804)	(2,681)	(2,592)
Interest income	19	14	287	302
Interest expense	(2,302)	(2,771)	(2,533)	(2,771)
Income tax expense	(718)	(585)	(1,196)	(1,585)

(c) Aggregate information of joint ventures that are not individually material

HK$ million	2019	2018
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	31,839	25,496
Aggregate amounts of the Group's share of those joint ventures'		
Profit for the year	1,851	1,701
Other comprehensive (expenses)/income	(436)	377
Total comprehensive income	1,415	2,078

Particulars of the principal joint ventures are set out in Appendix 3 on pages 150 and 151.

20. OTHER FINANCIAL ASSETS

HK$ million	2019	2018
Financial assets at fair value through profit or loss		
Equity securities, unlisted	**508**	497
Other investments#	**1,189**	7,154
Financial assets at amortised cost		
Debt securities, unlisted	**174**	170
Total	**1,871**	7,821

Other investments represent the investments under the agreement made as of 31st August, 2018 and as amended as of 30th December, 2019 with CK Hutchison Holdings Limited and its wholly-owned subsidiary. On 30th December, 2019, certain other investments were remeasured at fair value and recognised as interest in joint ventures.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
HK$ million	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	**1,872**	**(369)**	2,588	(6)
Cross currency swaps	**687**	**(26)**	427	(45)
Interest rate swaps	**–**	**(497)**	–	(359)
	2,559	**(892)**	3,015	(410)
Portion classified as:				
Non-current	**1,107**	**(547)**	2,448	(396)
Current	**1,452**	**(345)**	567	(14)
	2,559	**(892)**	3,015	(410)

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives

During the current year, the Group utilised currency derivatives to hedge long-term foreign investments. The Group is a party to a variety of foreign currency forward contracts and cross currency swaps in the management of its exchange rate exposures.

The following contracts are outstanding as at the end of the reporting period and the major terms of these contracts are as follows:

As at 31st December, 2019 Notional amount	Maturity
Sell AUD 159.3 million^	2020
Sell CAD 291.6 million^	2020
Sell GBP 2,011.0 million^	2020
Sell EUR 200.0 million^	2020
Sell NZD 280.0 million^	2020
Sell CAD 100.0 million^	2021
Sell GBP 250.4 million^	2021
Sell CAD 400.0 million^	2022
Sell EUR 515.0 million^	2022
Sell GBP 76.0 million^	2022
Sell CAD 200.0 million^	2024
Sell EUR 450.0 million^	2024
Sell CAD 132.5 million^	2025
Sell AUD 1,414.8 million^	2027

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Currency Derivatives (Cont'd)

As at 31st December, 2018 Notional amount	Maturity
Sell AUD 159.3 million^	2019
Sell CAD 184.2 million^	2019
Sell GBP 1,261.4 million^	2019
Sell NZD 280.0 million^	2019
Sell CAD 114.9 million^	2020
Sell EUR 200.0 million^	2020
Sell GBP 760.0 million^	2020
Sell CAD 100.0 million^	2021
Sell GBP 250.4 million^	2021
Sell CAD 400.0 million^	2022
Sell EUR 515.0 million^	2022
Sell GBP 76.0 million^	2022
Sell CAD 200.0 million^	2024
Sell EUR 450.0 million^	2024
Sell CAD 132.5 million^	2025
Sell AUD 1,414.8 million^	2027

^ designated as hedging instrument in accordance with HKFRS 9

The fair values of the above currency derivatives that are designated and effective as net investment hedges totalling HK$2,164 million (2018: HK$2,964 million) (net assets to the Group) have been deferred in equity at 31st December, 2019.

None of above currency derivatives is designated and effective as cash flow hedges and fair value hedges at 31st December, 2019 and 2018.

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Interest Rate Swaps

During the current year, the Group utilised interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The notional principal amounts of the interest rate swap contracts outstanding as at 31st December, 2019 and the major terms of these contracts are as follows:

As at 31st December, 2019 HK$ million	**Floating interest rate**	**Weighted average fixed interest rate**	**Notional principal amount**
Contracts maturing in 2022	BKBM*	1.53%	771
Contracts maturing in 2022	LIBOR*	1.89%	6,096
Contracts maturing in 2025	BBSW*	2.70%	2,738

As at 31st December, 2018 HK$ million	Floating interest rate	Weighted average fixed interest rate	Notional principal amount
Contracts maturing in 2019	BKBM*	3.48%	792
Contracts maturing in 2022	LIBOR*	1.89%	5,952
Contracts maturing in 2025	BBSW*	2.70%	2,835

* BBSW – Australian Bank Bill Swap Reference Rate
BKBM – New Zealand Bank Bill Reference Rate
LIBOR – London Interbank Offered Rate

The fair values of the above interest rate swaps that are designated and effective as cash flow hedges totalling HK$327 million (2018: HK$189 million) (net liabilities to the Group) have been deferred in equity at 31st December, 2019.

22. GOODWILL AND INTANGIBLE ASSETS

HK$ million	2019	2018
Goodwill	**881**	905
Intangible assets	**1,605**	1,651
Total	**2,486**	2,556

Goodwill

HK$ million	2019	2018
At 1st January	**905**	934
Exchange difference	**(24)**	(29)
At 31st December	**881**	905

For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on value in use calculations.

The Group prepared its cash flow projections of each cash-generating unit based on the latest approved budget plus extrapolated cash flows for the subsequent 4 years (2018: 4 years) except for a landfill where the whole life model is used. Cash flow projections for each cash-generating unit are based on the expected terminal growth rate of 3 per cent (2018: 3 per cent). The Group considers that cash flow projections of 5 years (2018: 5 years) are appropriate as they entered long-term contracts with customers.

The model uses a terminal value which is equal to eight to ten times of earnings before interest, taxation, depreciation and amortisation and discount rate of 7.5 per cent to 8.5 per cent (2018: 7.6 per cent to 13.7 per cent). The impairment test of its assets is then assessed using the value in use for each cash-generating unit. Based on impairment tests prepared, there is no impairment for goodwill as at 31st December, 2019 and 2018.

22. GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Intangible Assets

HK$ million	Brand name and trademarks	Customer contracts	Resource consents	Computer software	Operation license	Others	Total
Cost							
At 1st January, 2018	129	60	1,505	58	–	13	1,765
Additions	–	–	–	9	91	–	100
Exchange translation differences	(4)	(2)	(46)	(3)	–	(1)	(56)
At 31st December, 2018	125	58	1,459	64	91	12	1,809
Additions	–	–	71	4	–	1	76
Exchange translation differences	(3)	(1)	(37)	(2)	(2)	–	(45)
At 31st December, 2019	122	57	1,493	66	89	13	1,840
Accumulated amortisation							
At 1st January, 2018	–	32	75	12	–	11	130
Charge for the year	–	6	18	6	1	1	32
Exchange translation differences	–	(1)	(2)	–	–	(1)	(4)
At 31st December, 2018	–	37	91	18	1	11	158
Charge for the year	–	6	17	6	52	–	81
Exchange translation differences	–	(1)	(2)	–	(1)	–	(4)
At 31st December, 2019	–	42	106	24	52	11	235
Carrying value							
At 31st December, 2019	**122**	**15**	**1,387**	**42**	**37**	**2**	**1,605**
At 31st December, 2018	125	21	1,368	46	90	1	1,651

For brand name and trademarks of the Group that are regarded to have indefinite useful lives, there is no foreseeable limit to the period over which these assets are expected to generate cash flows for the Group.

For other intangible assets of the Group that are regarded to have finite useful lives, they are amortised on a straight-line basis according to their legal lives or contract lives.

23. INVENTORIES

HK$ million	2019	2018
Raw materials	**37**	65
Work-in-progress	**32**	39
Stores, spare parts and supplies	**47**	43
Finished goods	**21**	23
Total	**137**	170

24. DEBTORS AND PREPAYMENTS

HK$ million	2019	2018
Trade debtors	**263**	274
Prepayments, deposits and other receivables	**819**	859
Total	**1,082**	1,133

The aging analysis of the Group's trade debtors is as follows:

HK$ million	2019	2018
Current	**171**	173
Less than 1 month past due	**70**	81
1 to 3 months past due	**17**	15
More than 3 months but less than 12 months past due	**10**	10
More than 12 months past due	**7**	8
Amount past due	**104**	114
Loss allowance	**(12)**	(13)
Total after allowance	**263**	274

Trade with customers is carried out largely on credit, except for new customers, residential customers of waste management services and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally due within 1 month of issuance, except for certain well-established customers, where the terms are extended to 2 months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

24. DEBTORS AND PREPAYMENTS (CONT'D)

During the year ended 31st December, 2019, the Group measured the loss allowance based on provision matrix or individual assessment under the expected credit loss model.

The Group used average loss rates ranging from 0.1% to 31.4% for provision matrix assessment. The average loss rates were estimated based on historically observed default rates of the debtors and were adjusted for any forward-looking information that was available without undue cost or effort.

The movement in the loss allowance during the year is as follows:

HK$ million	2019	2018
At 1st January	**13**	25
Impairment loss recognised	**1**	1
Impairment loss written back	**(2)**	(5)
Uncollective amounts written off	**–**	(7)
Exchange translation differences	**–**	(1)
At 31st December	**12**	13

25. BANK BALANCES AND DEPOSITS

Bank balances and deposits carry average effective interest rate at 1.98 per cent (2018: 1.84 per cent) per annum.

26. BANK AND OTHER LOANS

HK$ million	2019	2018
Unsecured bank loans repayable:		
Within 1 year	**4,447**	–
In the 2nd year	**4,421**	4,424
In the 3rd to 5th year, inclusive	**15,070**	17,583
	23,938	22,007
Obligations under finance leases repayable:		
Within 1 year	**–**	4
In the 2nd year	**–**	4
In the 3rd to 5th year, inclusive	**–**	6
	–	14
Unsecured notes and bonds repayable:		
Within 1 year	**–**	210
In the 2nd year	**–**	–
In the 3rd to 5th year, inclusive	**5,202**	–
After 5 years	**1,330**	6,680
	6,532	6,890
Secured bank loans repayable:		
Within 1 year	**–**	1,228
In the 2nd year	**–**	–
In the 3rd to 5th year, inclusive	**1,272**	–
	1,272	1,228
Total	**31,742**	30,139
Portion classified as:		
Current liabilities	**4,447**	1,442
Non-current liabilities	**27,295**	28,697
Total	**31,742**	30,139

26. BANK AND OTHER LOANS (CONT'D)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Bank loans		Finance leases		Notes		Bonds		Total	
HK$ million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
GBP	**3,048**	2,976	**–**	–	**–**	–	**–**	–	**3,048**	2,976
AUD	**14,593**	15,108	**–**	–	**–**	–	**–**	–	**14,593**	15,108
JPY	**1,070**	840	**–**	–	**1,070**	1,260	**–**	–	**2,140**	2,100
EUR	**867**	895	**–**	–	**–**	–	**5,202**	5,370	**6,069**	6,265
NZD	**1,272**	1,228	**–**	14	**–**	–	**–**	–	**1,272**	1,242
USD	**–**	8	**–**	–	**–**	–	**–**	–	**–**	8
HKD	**4,360**	2,180	**–**	–	**260**	260	**–**	–	**4,620**	2,440
Total	**25,210**	23,235	**–**	14	**1,330**	1,520	**5,202**	5,370	**31,742**	30,139

The average effective interest rate of the Group's bank loans is 2.23 per cent (2018: 2.40 per cent) per annum. For the year ended 31st December, 2018, the average effective interest rate of the Group's finance lease was 7.22 per cent per annum.

The Group's notes and bonds of HK$6,532 million (2018: HK$6,890 million) were arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other borrowings were arranged at floating rates, thus exposed the Group to cash flow interest rate risk.

Bank loans carried interest at floating rate, which was determined with reference to BBSY*, LIBOR, USD LIBOR, EURIBOR, BKBM or British Bankers Association Interest Settlement Rate for JPY deposit plus an average margin less than 1 per cent (2018: 2 per cent) per annum.

Fixed rate notes and bonds carried interest ranging from 1.00 per cent to 4.00 per cent (2018: interest ranging from 1.00 per cent to 5.82 per cent for fixed rate notes, bonds and finance leases) per annum.

Certain assets were pledged to secure bank borrowings totalling HK$1,272 million granted to the Group. At 31st December, 2018, shares of a subsidiary were pledged to secure bank borrowings totalling HK$1,228 million granted to the Group.

* BBSY – Australian Bank Bill Swap Bid Rate

26. BANK AND OTHER LOANS (CONT'D)

Details of the present value of the minimum finance lease payments at 31st December, 2018 were shown below:

HK$ million	2018
Minimum lease payments:	
Within 1 year	4
In the 2nd year	4
In the 3rd to 5th year, inclusive	6
	14
Less: Future finance charges	–
Present value of lease payments	14
Less: Amount due for settlement within 12 months	(4)
Amount due for settlement after 12 months	10

At 31st December, 2018, the remaining weighted average lease term was 2.47 years. All leases were denominated in NZD on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. The Group's obligations under finance leases were secured by the lessors' charge over the leased assets (note 16).

27. CREDITORS, ACCRUALS AND OTHERS

HK$ million	2019	2018
Trade creditors	**248**	228
Other payables and accruals	**5,091**	4,475
Lease liabilities	**22**	–
Total	**5,361**	4,703

The aging analysis of the Group's trade creditors is as follows:

HK$ million	2019	2018
Current	**194**	171
1 month	**26**	32
2 to 3 months	**7**	7
Over 3 months	**21**	18
Total	**248**	228

At 31st December, 2019, non-current lease liabilities of HK$192 million has included under other non-current liabilities.

The aging analysis of the Group's lease liabilities is as follows:

HK$ million	2019
Within 1 year	**22**
Within a period of more than 1 year but not more than 2 years	**30**
Within a period of more than 2 years but not more than 5 years	**54**
Within a period of more than 5 years	**108**
	214
Less: Amount due for settlement within 12 months shown under current liabilities	**(22)**
Amount due for settlement after 12 months shown under non-current liabilities (included in other non-current liabilities)	**192**

28. DEFERRED TAX ASSETS/LIABILITIES

HK$ million	2019	2018
Deferred tax assets	**(3)**	(12)
Deferred tax liabilities	**450**	463
Total	**447**	451

The followings are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior years:

HK$ million	Accelerated tax depreciation	Tax losses	Fair value arising from business combination	Others	Total
At 1st January, 2018	81	(6)	408	(22)	461
Charge to profit for the year	7	–	–	3	10
Exchange translation differences	(2)	–	(13)	1	(14)
Others	–	–	–	(6)	(6)
At 31st December, 2018	86	(6)	395	(24)	451
Adjustment upon application of HKFRS 16	–	–	–	(4)	(4)
At 1st January, 2019 (as restated)	86	(6)	395	(28)	447
Charge/(credit) to profit for the year	66	(67)	4	14	17
Exchange translation differences	(2)	–	(11)	–	(13)
Others	–	6	–	(10)	(4)
At 31st December, 2019	**150**	**(67)**	**388**	**(24)**	**447**

28. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Apart from the unused tax losses of which the deferred tax assets were recognised as presented above, the Group had unused tax losses and other unused tax credits totalling HK$1,563 million (2018: HK$1,464 million) at 31st December, 2019. No deferred tax asset has been recognised in respect of these tax losses and tax credits due to the unpredictability of future profit streams to utilise the available tax losses and tax credits.

An analysis of the expiry dates of the tax losses and tax credits is as follows:

HK$ million	2019	2018
Within 1 year	–	19
In the 2nd year	80	84
In the 3rd to 5th year, inclusive	30	106
No expiry date	1,453	1,255
Total	**1,563**	1,464

29. RETIREMENT PLANS

Defined Contribution Retirement Plans

The Group provides defined contribution retirement plans for its eligible employees.

Contributions to the defined contribution plans in Hong Kong are made by either the employer only at 10 per cent of the employees' monthly basic salaries or by both the employer and the employees each at 10 or 15 per cent of the employees' monthly basic salaries. The Company and its Hong Kong subsidiaries also participate in master trust Mandatory Provident Fund ("MPF") schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5 per cent of the employees' monthly relevant income each capped at HK$30,000.

Contribution to the defined contribution plans in New Zealand are made by either the employer only at 9 per cent of the employees' monthly basic salaries or by both the employer and employees each at 4 to 9 per cent of the employees' monthly basic salaries.

29. RETIREMENT PLANS (CONT'D)

Defined Contribution Retirement Plans (Cont'd)

As the Group's retirement plans in Hong Kong, are all MPF-exempted recognised occupational retirement schemes ("ORSO schemes"), except for certain subsidiaries of which the new Hong Kong employees have to join the MPF schemes, the Group offers an option to its new Hong Kong employees to elect between the ORSO schemes and the MPF schemes.

The Group's costs in respect of defined contribution plans for the year amounted to HK$27 million (2018: HK$25 million). Forfeited contributions and earnings for the year under the defined contribution plans amounting to HK$1 million were used to reduce the existing level of contributions (2018: HK$2 million). At 31st December, 2019, there were no forfeited contributions and earnings available to the Group to reduce its contributions to the defined contribution plans in future years (2018: nil).

30. SHARE CAPITAL

	Number of Shares		Amount	
	2019	2018	**2019** **HK$ million**	2018 HK$ million
Authorised: Ordinary shares of HK$1 each	**4,000,000,000**	4,000,000,000	**4,000**	4,000
Issued and fully paid: Ordinary shares of HK$1 each	**2,650,676,042**	2,650,676,042	**2,651**	2,651

31. PERPETUAL CAPITAL SECURITIES

On 1st March, 2016, OVPH Limited (the "Issuer") issued US$1,200 million perpetual capital securities which are guaranteed by the Company and listed on Hong Kong Stock Exchange at an issue price of 100 per cent. Distribution is payable semi-annually in arrear based on a fixed rate, which is 5.875 per cent per annum. Distribution by the Issuer may be deferred at its sole discretion. These perpetual capital securities have no fixed maturity and are redeemable in whole, but not in part, at the Issuer's option on 1st March, 2021, or any distribution payment date falling thereafter at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 2nd March, 2016, the Company issued 131,065,097 new ordinary shares to the Issuer for a consideration of approximately US$1,200 million (equivalent to approximately HK$9,360 million). The net proceeds for the shares issued were approximately HK$9,245 million. The shares were issued in connection with the issue of the above perpetual capital securities. A swap agreement dated 1st March, 2016 was entered into between the Company and the Issuer under which the Issuer is obliged to act in accordance with directions from the Company on certain matters. As a result, these shares were accounted for as treasury shares.

On 23rd August, 2017, the Group issued US$500 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent. These perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid semi-annually in arrears from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

On 3rd November, 2017, the Group issued US$150 million 4.85 per cent guaranteed perpetual capital securities at an issue price of 100 per cent plus an amount corresponding to accrued distribution from and including 23rd August, 2017 to, but excluding 3rd November, 2017. The perpetual capital securities were issued for general corporate funding purposes. Distributions on these perpetual capital securities are paid from 23rd August, 2017 and may be deferred at the discretion of the Group. These perpetual capital securities have no fixed maturity and are redeemable at the Group's option on or after 23rd August, 2022 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

32. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can expand and generate attractive and predictable returns for shareholders and benefits for other stakeholders, by establishing and maintaining a quality investment portfolio with stable earnings and appropriate level of risks that the management are comfortable with.

The capital structure of the Group consists of debts, which includes bank borrowings, notes, bonds as detailed in note 26, lease liabilities, bank balances and deposits, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and perpetual capital securities as detailed in the consolidated statement of changes in equity.

The management actively and regularly reviews and manages the Group's capital structure to maintain a balance between high shareholders' returns and strong capital position, and makes adjustments to the capital structure in light of changes in the global market conditions.

The Group maintained a low net debt to net total capital ratio of 13.5 per cent (2018: 16.5 per cent) as at 31st December, 2019. The management targets to maintain a solid capital position to pursue more new investment opportunities. The Group's overall strategy remains unchanged from 2018.

The net debt to net total capital ratios at 31st December, 2019 and 2018 were as follows:

HK$ million	2019	2018
Total debts	**31,742**	30,139
Bank balances and deposits	**(12,077)**	(6,090)
Net debt	**19,665**	24,049
Net total capital	**146,039**	145,953
Net debt to net total capital ratio	**13.5%**	16.5%

During the current year, the Company acted as the guarantor in respect of certain loan facilities granted to its subsidiaries, and fully complied with the capital requirements under the loan facility agreements.

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash from Operations

HK$ million	2019	2018
Profit before taxation	**11,473**	11,358
Share of results of associates	**(3,033)**	(3,405)
Share of results of joint ventures	**(4,459)**	(4,894)
Interest income from loans granted to associates	**(289)**	(332)
Interest income from loans granted to joint ventures	**(2,784)**	(3,045)
Bank interest income	**(196)**	(136)
Finance costs	**332**	502
Depreciation of property, plant and equipment	**220**	195
Amortisation of intangible assets	**81**	32
Change in fair values of investment properties	**(16)**	(22)
Gain on disposal of property, plant and equipment	**(2)**	(2)
Gain on disposal of an associate	**(427)**	–
Gain on disposal of joint ventures	**(88)**	–
Change in fair value of derivative financial instruments	**–**	(10)
Curtailments of defined benefit retirement plans	**–**	(4)
Unrealised exchange loss/(gain)	**39**	(6)
Returns received from joint ventures	**134**	94
Interest received from associates	**284**	346
Interest received from joint ventures	**2,453**	2,982
Others	**3**	(71)
Operating cash flows before changes in working capital	**3,725**	3,582
Decrease in inventories	**33**	–
Decrease/(Increase) in debtors and prepayments	**21**	(363)
Increase in creditors and accruals	**952**	508
Exchange translation differences	**(489)**	267
Cash from operations	**4,242**	3,994

33. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(b) Reconciliation of liabilities arising from financial activities

HK$ million	Unsecured bank loans	Secured bank loans	Lease liabilities	Obligations under finance leases	Unsecured notes and bonds	Total
At 1st January, 2018	26,648	1,284	–	24	7,080	35,036
Financing cash flows	(3,272)	(16)	–	(10)	–	(3,298)
Exchange loss	(1,369)	(40)	–	–	(190)	(1,599)
At 31st December, 2018	22,007	1,228	–	14	6,890	30,139
Opening adjustment upon application of HKFRS 16	–	–	236	(14)	–	222
At 1st January, 2019 (as restated)	22,007	1,228	236	–	6,890	30,361
Financing cash flows	2,385	71	(35)	–	(213)	2,208
New lease entered/lease modified	–	–	10	–	–	10
Interest expenses	–	–	10	–	–	10
Exchange loss	(454)	(27)	(7)	–	(145)	(633)
At 31st December, 2019	**23,938**	**1,272**	**214**	**–**	**6,532**	**31,956**

34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments comprise payments to the Company's directors by the Group in connection with the management of the affairs of the Group. The independent non-executive directors ("INED") receive an annual director's fee of HK$75,000 each; and for those acting as the audit committee members ("ACM") and remuneration committee members ("RCM"), additional annual fee of HK$80,000 each is paid for the former and HK$25,000 each is paid for the latter. The emoluments of each of the Company's directors for the current year, excluding emoluments received from the Group's associates, are as follows:

HK$ million	Fees	Basic Salaries, Allowances and Other Benefits	Bonuses	Provident Fund Contributions	Inducement or Compensation Fees	**Total Emoluments 2019**	Total Emoluments 2018
Victor T K Li [(1)]	0.075	–	33.236	–	–	**33.311**	33.311
Kam Hing Lam	0.075	4.200	12.072	–	–	**16.347**	15.972
Ip Tak Chuen, Edmond	0.075	1.800	12.072	–	–	**13.947**	13.572
Fok Kin Ning, Canning [(1)]	0.075	–	–	–	–	**0.075**	0.075
Frank John Sixt	0.075	–	–	–	–	**0.075**	0.075
Andrew John Hunter [(1)]	0.075	12.658	14.831	1.265	–	**28.829**	27.589
Chan Loi Shun [(1 and 2)]	0.075	6.867	3.166	0.685	–	**10.793**	10.468
Chen Tsien Hua	0.075	5.573	2.544	0.555	–	**8.747**	8.429
Cheong Ying Chew, Henry [(3)]	0.180	–	–	–	–	**0.180**	0.180
Kwok Eva Lee [(3)]	0.112	–	–	–	–	**0.112**	0.155
Sng Sow-Mei [(3)]	0.155	–	–	–	–	**0.155**	0.155
Colin Stevens Russel [(3)]	0.180	–	–	–	–	**0.180**	0.180
Lan Hong Tsung, David [(3)]	0.155	–	–	–	–	**0.155**	0.155
Barrie Cook	0.075	–	–	–	–	**0.075**	0.075
Paul Joseph Tighe [(3)]	0.138	–	–	–	–	**0.138**	0.075
Lee Pui Ling, Angelina	0.075	–	–	–	–	**0.075**	0.075
George Colin Magnus	0.075	–	–	–	–	**0.075**	0.075
Total for the year 2019	**1.745**	**31.098**	**77.921**	**2.505**	**–**	**113.269**	
Total for the year 2018	1.725	29.965	76.535	2.391	–		110.616

Notes:

(1) During the year, Mr. Victor T K Li, Mr. Andrew John Hunter and Mr. Chan Loi Shun each received directors' fees of HK$70,000 (2018: HK$70,000), Mr. Fok Kin Ning, Canning received director's fees of HK$120,000 (2018: HK$120,000) from Power Assets. The directors' fees totalling HK$330,000 (2018: HK$330,000) were then paid back to the Company.

(2) During the year, the directors' emoluments in the sum of HK$5,316,000 (2018: HK$5,072,520) received by Mr. Chan Loi Shun from Power Assets were paid back to the Company.

34. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONT'D)

Notes (Cont'd):

(3) INED, ACM and RCM – During the year, Mr. Cheong Ying Chew, Henry, Mr. Lan Hong Tsung, David, Mr. Colin Stevens Russel and Mrs. Sng Sow-Mei have acted as INED and ACM of the Company. Mrs. Kwok Eva Lee has acted as INED of the Company during the year and acted as ACM of the Company during the period from 1st January, 2019 to 16th June, 2019. Mr. Paul Joseph Tighe has acted as INED of the Company during the year and acted as ACM of the Company during the period from 20th March, 2019 to 31st December, 2019. Mr. Cheong Ying Chew, Henry and Mr. Colin Stevens Russel have acted as RCM of the Company during the year. The total emoluments paid to these INED, ACM and RCM during the year were HK$919,507 (2018: HK$900,000).

Of the five individuals with the highest emoluments in the Group, all (2018: all) are directors whose emoluments are disclosed above.

35. COMMITMENTS

(a) The Group's capital commitments outstanding at 31st December and not provided for in the consolidated financial statements are as follows:

	Contracted but not provided for	
HK$ million	2019	2018
Investment in a joint venture	242	334
Plant and machinery	219	64
Total	461	398

(b) At 31st December, 2018, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings and other assets, which fall due as follows:

HK$ million	2018
Within 1 year	56
In the 2nd to 5th year, inclusive	121
Over 5 years	119
Total	296

36. CONTINGENT LIABILITIES

The contingent liabilities of the Group are as follows:

HK$ million	2019	2018
Guarantee in respect of bank loan drawn by a joint venture	**1,161**	1,136
Other guarantees given in respect of a joint venture	**493**	529
Performance bond indemnities	**103**	89
Total	**1,757**	1,754

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group advanced HK$24 million (2018: HK$9 million) to its unlisted associates. The Group received repayment of HK$112 million (2018: HK$263 million) from an unlisted associate during the year. The total outstanding loan balances as at 31st December, 2019 amounted to HK$2,923 million (2018: HK$3,111 million), of which HK$2,744 million (2018: HK$2,946 million) at fixed rates ranging from 10.85 per cent to 11.19 per cent (2018: from 10.85 per cent to 11.19 per cent) per annum and HK$179 million (2018: HK$165 million) was interest-free. The average effective interest rate of the loan granted to associates is 11.04 per cent (2018: 11.03 per cent) per annum. As stated in note 7, interest income from loans granted to associates during the year amounted to HK$289 million (2018: HK$332 million). Except for a loan of HK$94 million (2018: HK$94 million) which was repayable within two years (2018: three years), the loans had no fixed terms of repayment.

During the year, the Group advanced HK$93 million (2018: HK$1 million) to its joint ventures. The Group received return of capital of HK$29 million (2018: HK$44 million) and repayments HK$25 million (2018: HK$1,422 million) from its joint ventures. The total outstanding loan balances as at 31st December, 2019 amounted to HK$41,719 million (2018: HK$41,472 million), of which HK$17,849 million (2018: HK$18,131 million) bore interest with reference to London Interbank Offered Rate, Australian Bank Bill Swap Reference Rate and return from joint ventures, and HK$23,071 million (2018: HK$22,934 million) at fixed rate ranging from 4.2 per cent to 14 per cent (2018: from 4.9 per cent to 14 per cent) per annum, and HK$799 million (2018: HK$407 million) was interest-free. The average effective interest rate of the loan granted to joint ventures is 6.84 per cent (2018: 7.28 per cent) per annum. As stated in note 7, interest income from loans granted to joint ventures during the year amounted to HK$2,784 million (2018: HK$3,045 million). The loans had no fixed terms of repayment.

Moreover, the Group's sales and purchases of infrastructure materials to/from a joint venture for the current year amounted to HK$292 million (2018: HK$357 million) and HK$2 million (2018: nil), respectively. The Group also received income and incurred operating costs from sales of waste management services from/to its joint ventures amounted to HK$91 million (2018: HK$100 million) and HK$55 million (2018: HK$51 million), respectively for the current year.

The emoluments of key management have been presented in note 34 above.

The above related party transactions made during the year did not constitute connected transactions or continuing connected transactions.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position of the Company

as at 31st December

HK$ million	2019	2018
Property, plant and equipment	3	1
Unlisted investments in subsidiaries	48,170	50,638
Total non-current assets	48,173	50,639
Amounts due from subsidiaries	56,753	55,598
Amount due from a joint venture	2	2
Prepayments, deposits and other receivables	33	45
Bank balances	9	18
Total current assets	56,797	55,663
Amounts due to subsidiaries	50,468	51,511
Other payables and accruals	296	302
Total current liabilities	50,764	51,813
Net current assets	6,033	3,850
Net assets	54,206	54,489
Representing:		
Share capital	2,651	2,651
Reserves	51,555	51,838
Total equity	54,206	54,489

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONT'D)

(b) Movements in the Company's Equity

HK$ million	Share capital	Share premium	Retained profits	Total
At 1st January, 2018	2,651	25,267	26,842	54,760
Profit for the year	–	–	6,064	6,064
Final dividend paid for the year 2017	–	–	(4,533)	(4,533)
Interim dividend paid	–	–	(1,802)	(1,802)
At 31st December, 2018	2,651	25,267	26,571	54,489
Profit for the year	–	–	6,158	6,158
Final dividend paid for the year 2018	–	–	(4,639)	(4,639)
Interim dividend paid	–	–	(1,802)	(1,802)
At 31st December, 2019	**2,651**	**25,267**	**26,288**	**54,206**

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 87 to 151 were approved by the Board of Directors on 18th March, 2020.

PRINCIPAL SUBSIDIARIES

APPENDIX 1

The table below shows the subsidiaries as at 31st December, 2019 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Proportion of nominal value of issued capital held by the Group (per cent)	Principal activities
Anderson Asia (Holdings) Limited	Hong Kong	HK$1 ordinary HK$60,291,765 Non-voting deferred	100	Investment holding
Anderson Asphalt Limited	Hong Kong	HK$30,300,000	100	Production and laying of asphalt and investment holding
Cheung Kong China Infrastructure Limited	Hong Kong	HK$2	100	China infrastructure investment holding
China Cement Company (International) Limited	Hong Kong	HK$1,000,000	70	Investment holding
Green Island Cement Company, Limited	Hong Kong	HK$306,694,931	100	Manufacturing, sale and distribution of cement and property investment
Green Island Cement (Holdings) Limited	Hong Kong	HK$722,027,503	100	Investment holding
Enviro Waste Services Limited	New Zealand	NZ$84,768,736	100	Waste management services

Note: The shares of all the above subsidiaries are indirectly held by the Company.

PRINCIPAL ASSOCIATES

APPENDIX 2

The table below shows the associates as at 31st December, 2019 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the associates would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Power Assets Holdings Limited (note 1)	Hong Kong	HK$6,610,008,417	36	Investment in energy and utility-related businesses
SA Power Networks Partnership (note 2)	Australia	N/A	23	Electricity distribution
Victoria Power Networks Pty Limited (note 3)	Australia	A$315,498,640	23	Electricity distribution

Notes:

1. The associate is listed on Hong Kong Stock Exchange.

2. SA Power Networks Partnership, an unincorporated body, is formed by the following companies:

   CKI Utilities Development Limited
   PAI Utilities Development Limited
   Spark Infrastructure SA (No.1) Pty Ltd
   Spark Infrastructure SA (No.2) Pty Ltd
   Spark Infrastructure SA (No.3) Pty Ltd

   CKI Utilities Development Limited and PAI Utilities Development Limited, both of which are associates of the Group, together own a 51 per cent interest in SA Power Networks Partnership.

   The partnership operates and manages the electricity distribution business in the State of South Australia of Australia.

3. Victoria Power Networks Pty Limited owns 100 per cent interests in the following companies:

   Powercor Australia Ltd
   CitiPower Pty Ltd
   The CitiPower Trust

   Powercor Australia Ltd and The CitiPower Trust each operates and manages an electricity distribution business in the State of Victoria of Australia.

PRINCIPAL JOINT VENTURES

APPENDIX 3

The table below shows the joint ventures as at 31st December, 2019 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of all the joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
UK Power Networks Holdings Limited	United Kingdom	£6,000,000 A ordinary £4,000,000 B ordinary £360,000,000 A preference £240,000,000 B preference	40	Electricity distribution
Northumbrian Water Group Limited (note 3)	United Kingdom	£19 A ordinary £142 B ordinary	52	Water supply, sewerage and waste water businesses
Northern Gas Networks Holdings Limited	United Kingdom	£71,670,979 ordinary £1 special	47	Gas distribution
Wales & West Gas Networks (Holdings) Limited (note 3)	United Kingdom	£29,027	39	Gas distribution
Electricity First Limited	United Kingdom	£1,004	50	Electricity generation
Eversholt UK Rails Limited (note 3)	United Kingdom	£102	65	Leasing of rolling stock
CK William UK Holdings Limited (note 1 & 2)	United Kingdom	£2,049,000,000	40	Investment holding
Australian Gas Networks Limited	Australia	A$879,082,753	45	Gas distribution
Canadian Power Holdings Inc.	Canada	C$137,000,000 ordinary	50	Electricity generation
1822604 Alberta Ltd. (note 3)	Canada	C$1	65	Off-airport parking operation

APPENDIX 3 (CONT'D)

Name	Place of incorporation/ principal place of business	Issued share capital	Percentage of equity attributable to the Group	Principal activities
Husky Midstream Limited Partnership	Canada	C$1,153,845,000 class A units C$621,301,154 class B units C$1,776,923 general partnership interest	16	Oil pipelines, storage facilities and ancillary assets operation
CKP (Canada) Holdings Limited	Canada	C$1,143,862,830	25	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
Wellington Electricity Distribution Network Limited	New Zealand	NZ$406,500,100	50	Electricity distribution
Trionista TopCo GmbH	Germany	€25,000	35	Sub-metering and related services
AVR-Afvalverwerking B.V. (note 3)	The Netherlands	€1	46	Producing energy from waste
Iberwind – Desenvolvimento e Projectos, S.A.	Portugal	€50,000	50	Generation and sale of wind energy

Notes:

1. CK William UK Holdings Limited owns 100 per cent interests in the following companies:

   Energy Developments Pty Limited
   Multinet Group Holdings Pty Limited
   DBNGP Holdings Pty Limited

   Energy Developments Pty Limited owns and operates an energy generation business mainly in Australia. Multinet Group Holdings Pty Limited and DBNGP Holdings Pty Limited operate natural gas distribution businesses in Australia.

2. CK William UK Holdings Limited owns 66 per cent interests in United Energy Distribution Holdings Pty Limited, which operates an energy distribution business in Australia.

3. The percentage of equity attributable to the Group includes the additional interests under the agreements dated 30th December, 2019. Further details are set out in the Company's announcement dated 31st July, 2019.

SCHEDULE OF MAJOR PROPERTIES

APPENDIX 4

Location	Lot Number	Group's Interest (per cent)	Approximate floor/site area attributable to the Group (sq. m.)	Existing Usage	Lease Term
14-18 Tsing Tim Street, Tsing Yi	TYTL 98	100	3,355	I	Medium
TMTL 201 Tap Shek Kok	TMTL 201	100	152,855	I	Medium
Certain units of Harbour Centre Tower 2, 8 Hok Cheung Street, Hunghom	KML 113	100	5,528	C	Medium

I: Industrial C: Commercial