Notes to the Financial Statements

1 Reorganisation and combination of the businesses of the Cheung Kong Group and the Hutchison Group

The Reorganisation Proposal, the Merger Proposal and the Spin-off Proposal announced jointly by the respective boards of directors of Cheung Kong (Holdings) Limited ("Cheung Kong"), the former holding company of the Group, and Hutchison Whampoa Limited ("Hutchison"), a former associated company of the Group, were successfully completed during the year.

With the completion of the Reorganisation Proposal, Cheung Kong and all its subsidiaries became direct and indirect subsidiaries of CK Hutchison Holdings Limited ("CK Hutchison" or the "Company") respectively, CK Hutchison became the new holding company of the Group, and the shares of CK Hutchison are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") while the listing status of Cheung Kong on the Stock Exchange had been withdrawn. The Reorganisation Proposal was not a business combination, but an internal capital reorganisation. Upon completion of the Reorganisation Proposal, CK Hutchison controls and operates the same assets and businesses as Cheung Kong. The Reorganisation Proposal did not involve any change in the beneficial ownership of the Group nor any change to the nature and scale of existing operations, save for changing the place of incorporation of the holding company of the Group from Hong Kong to the Cayman Islands. Accordingly, the consolidated financial statements of CK Hutchison is a continuation of Cheung Kong's existing and on-going activities with assets and liabilities at existing book values, and include Cheung Kong's full results for the year, including comparatives. Further details of the Reorganisation Proposal were set out in a circular issued by Cheung Kong dated 6 February 2015.

The Merger Proposal comprised the Hutchison Proposal and the Husky Share Exchange, under which the Group acquired the remaining 50.03% (which the Group did not previously own) of the issued and outstanding ordinary shares of Hutchison and an approximately 6.23% (in addition to the approximately 33.96% held by Hutchison) of the common shares of Husky Energy Inc. ("Husky"). With the completion of the Merger Proposal, Hutchison and all its subsidiaries became subsidiaries of CK Hutchison and the Group owned an approximately 40.19% of the common shares of Husky. As the completion of the Hutchison Proposal was subject to, amongst others, the completion of the Husky Share Exchange having occurred, they are accounted for together in the consolidated financial statements of CK Hutchison using the acquisition method of accounting. Further details of the Hutchison Proposal and the Husky Share Exchange were set out in a circular issued by CK Hutchison dated 31 March 2015 and a scheme document issued jointly by CK Hutchison, CK Global Investments Limited ("CK Global") and Hutchison dated 31 March 2015.

The Group's entire interest in the Cheung Kong Property Holdings Limited ("Cheung Kong Property") was distributed to shareholders pursuant to the Distribution In Specie under the Spin-off Proposal. The results of the Property and hotels operations are therefore presented as discontinued operations separately from continuing operations in the consolidated income statement and consolidated statement of comprehensive income of CK Hutchison. The Distribution In Specie is accounted for as a distribution of non-cash assets (shares in Cheung Kong Property) to shareholders, where the difference between the distribution liability measured at fair value and the book value of the disposal group (after netting HK$55,000 million received) is recognised in profit or loss in the consolidated financial statements of CK Hutchison upon settlement of the distribution liability. Further details of the Distribution In Specie were set out in a circular issued by CK Hutchison dated 31 March 2015 and a scheme document issued jointly by CK Hutchison, CK Global and Hutchison dated 31 March 2015.

2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out in note 3.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2015. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The Merger Proposal and the Spin-off Proposal have introduced significant changes to the nature of the Group's operations. As a result, the Group has updated its presentation of the financial statements to provide more relevant information. Accordingly, certain line item descriptions have been updated and certain comparative amounts have been reclassified to conform to the current year presentation. The reclassifications, based on the new presentation format, where material, are explained in notes (a) to (d) below:

2 Basis of preparation (continued)

(a) Reclassification – consolidated income statement for the year ended 31 December 2014

	Amounts before reclassification		Reclassifications		Amounts after reclassification
	HK$ millions		HK$ millions	HK$ millions	HK$ millions
				(v)	
Continuing operations					
Revenue	24,259	(i)	1,341	(24,038)	1,562
Investment and other income #	2,125	(i)	(1,341)	(784)	–
Cost of inventories sold	(12,980)	(ii)	(5)	12,985	–
Staff costs	(1,515)			525	(990)
Depreciation and amortisation	(393)			286	(107)
Other operating income (expenses)	(468)	(ii)	5	998	535
Share of profits less losses of:					
Associated companies before profits on disposal of investments and others	33,670	(iii)	(5,020)	(16,716)	11,934
Joint ventures	4,666			(2,835)	1,831
Associated companies' profits on disposal of investments and others	–	(iii)	5,020	–	5,020
Profit on disposal of property joint ventures #	2,349			(2,349)	–
Increase in fair value of investment properties #	4,542			(4,542)	–
	56,255			(36,470)	19,785
Interest expenses and other finance costs	(328)			(327)	(655)
Profit before tax	55,927			(36,797)	19,130
Current tax	(1,283)	(iv)		1,595	312
Deferred tax	(36)	(iv)		29	(7)
Profit after tax from continuing operations	54,608			(35,173)	19,435
Discontinued operations					
Profit after tax from discontinued operations	–			35,173	35,173
Profit after tax	54,608			–	54,608
Profit attributable to non-controlling interests and holders of perpetual capital securities arises from:					
Continuing operations	(739)			248	(491)
Discontinued operations	–			(248)	(248)
	(739)			–	(739)
Profit attributable to ordinary shareholders arises from:					
Continuing operations	53,869			(34,925)	18,944
Discontinued operations	–			34,925	34,925
	53,869			–	53,869

(i) Investment and other income of HK$1,341 million previously reported as a separate line item is reclassified and grouped under Revenue.

(ii) Cost of inventories sold of HK$5 million previously reported as a separate line item is reclassified and grouped under Other operating income (expenses).

(iii) Share of associated company's profits on disposal of investments and others of HK$5,020 million, previously grouped under Share of net profit of associates, is presented under the current year presentation as a separate line item Share of profits less losses of associated companies' profits on disposal of investments and others.

(iv) Current tax of HK$1,283 million and Deferred tax of HK$36 million, previously grouped under Taxation, are presented as separate line items.

(v) For separate presentation of discontinued operations. See note 11.

\# line items under the previously published presentation format are shown in italic.

2 Basis of preparation (continued)

(b) Reclassification – consolidated statement of financial position as at 31 December 2014

	Amounts before reclassification HK$ millions		Reclassification HK$ millions	Amounts after reclassification HK$ millions
ASSETS				
Non-current assets				
Fixed assets	17,454			17,454
Investment properties	33,285			33,285
Associated companies	216,841			216,841
Interests in joint ventures	68,754			68,754
Other non-current assets	–	(i)	1,272	1,272
Long term loan receivables #	301	(i)	(301)	–
Derivative financial instruments #	476	(i)	(476)	–
Liquid funds and other listed investments	10,705	(i)	(495)	10,210
	347,816			347,816
Current assets				
Cash and cash equivalents	33,179			33,179
Liquid funds and other listed investments	918			918
Trade and other receivables	2,510	(ii)	319	2,829
Derivative financial instruments #	319	(ii)	(319)	–
Inventories	73,199			73,199
	110,125			110,125
Current liabilities				
Trade and other payables	11,451	(iii)	191	11,642
Derivative financial instruments #	191	(iii)	(191)	–
Bank and other debts	18,352			18,352
Current tax liabilities	1,356			1,356
	31,350			31,350
Net current assets	78,775			78,775
Total assets less current liabilities	426,591			426,591
Non-current liabilities				
Bank and other debts	19,522			19,522
Deferred tax liabilities	1,022			1,022
	20,544			20,544
Net assets	406,047			406,047
CAPITAL AND RESERVES				
Share capital	10,489			10,489
Perpetual capital securities	9,045			9,045
Reserves	383,656			383,656
Total ordinary shareholders' funds and perpetual capital securities	403,190			403,190
Non-controlling interests	2,857			2,857
Total equity	406,047			406,047

(i) Long term loan receivables of HK$301 million, Derivative financial instruments of HK$476 million and Liquid funds and other listed investments of HK$495 million are reclassified and grouped under Other non-current assets.

(ii) Derivative financial instruments of HK$319 million is reclassified and grouped under Trade and other receivables.

(iii) Derivative financial instruments of HK$191 million is reclassified and grouped under Trade and other payables.

\# line items under the previously published presentation format are shown in italic.

2 Basis of preparation (continued)

(c) Reclassification – consolidated statement of financial position as at 31 December 2013 and 1 January 2014

	Amounts before reclassification HK$ millions		Reclassification HK$ millions	Amounts after reclassification HK$ millions
ASSETS				
Non-current assets				
Fixed assets	9,977			9,977
Investment properties	28,777			28,777
Associated companies	196,812			196,812
Interests in joint ventures	65,659			65,659
Other non-current assets	–	(i)	1,564	1,564
Long term loan receivables #	1,073	(i)	(1,073)	–
Liquid funds and other listed investments	9,334	(i)	(491)	8,843
	311,632			311,632
Current assets				
Cash and cash equivalents	33,197			33,197
Liquid funds and other listed investments	1,360			1,360
Trade and other receivables	2,313	(ii)	551	2,864
Derivative financial instruments #	551	(ii)	(551)	–
Inventories	79,784			79,784
	117,205			117,205
Current liabilities				
Trade and other payables	11,699	(iii)	167	11,866
Derivative financial instruments #	167	(iii)	(167)	–
Bank and other debts	2,438			2,438
Current tax liabilities	1,162			1,162
	15,466			15,466
Net current assets	101,739			101,739
Total assets less current liabilities	413,371			413,371
Non-current liabilities				
Bank and other debts	39,452			39,452
Deferred tax liabilities	986			986
Other non-current liabilities	–	(iv)	112	112
Derivative financial instruments #	112	(iv)	(112)	–
	40,550			40,550
Net assets	372,821			372,821
CAPITAL AND RESERVES				
Share capital	1,158			1,158
Share premium	9,331			9,331
Perpetual capital securities	9,048			9,048
Reserves	350,192			350,192
Total ordinary shareholders' funds and perpetual capital securities	369,729			369,729
Non-controlling interests	3,092			3,092
Total equity	372,821			372,821

(i) Long term loan receivables of HK$1,073 million and Liquid funds and other listed investments of HK$491 million are reclassified and grouped under Other non-current assets.

(ii) Derivative financial instruments of HK$551 million is reclassified and grouped under Trade and other receivables.

(iii) Derivative financial instruments of HK$167 million is reclassified and grouped under Trade and other payables.

(iv) Derivative financial instruments of HK$112 million is reclassified and grouped under Other non-current liabilities.

line items under the previously published presentation format are shown in italic.

2 Basis of preparation (continued)

(d) Reclassification – consolidated statement of cash flows for the year ended 31 December 2014

	Amounts before reclassification HK$ millions		Reclassification HK$ millions	Amounts after reclassification HK$ millions
	(i)			
Operating activities				
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	31,634			31,634
Interest expenses and other finance costs paid	–	(ii)	(328)	(328)
Tax paid	(1,089)			(1,089)
Investment in / loan advance to joint ventures #	(3,176)	(iii)	3,176	–
Dividend paid to shareholders of the Company #	(24,408)	(iv)	24,408	–
Dividend paid to non-controlling interests #	(309)	(iv)	309	–
Distribution paid on perpetual securities #	(460)	(iv)	460	–
Funds from operations	2,192			30,217
Changes in working capital	7,972	(ii)	(376)	7,596
Net cash from operating activities	10,164			37,813
Investing activities				
Purchase of fixed assets and investment properties	(7,867)			(7,867)
Repayments from associated companies and joint ventures	1,711			1,711
Purchase of and advances to (including deposits from) associated companies and joint ventures	(5,278)	(iii)	(3,176)	(8,454)
Proceeds on disposal of joint ventures	3,298			3,298
Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments	(8,136)			(11,312)
Disposal of liquid funds and other listed investments	595			595
Additions to liquid funds and other listed investments	(182)			(182)
Cash flows used in investing activities	(7,723)			(10,899)
Net cash inflow before financing activities	2,441			26,914
Financing activities				
Repayment of borrowings	(3,370)			(3,370)
Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders	(207)			(207)
Dividends paid to non-controlling interests	–	(iv)	(309)	(309)
Distributions paid on perpetual capital securities	–	(iv)	(460)	(460)
Dividends paid to ordinary shareholders	–	(iv)	(24,408)	(24,408)
Interest and other finance costs paid #	(704)	(ii)	704	–
Cash flows used in financing activities	(4,281)			(28,754)
Decrease in cash and cash equivalents	(1,840)			(1,840)
Cash and cash equivalents at 1 January	31,277			31,277
Cash and cash equivalents at 31 December	29,437			29,437

(i) Additional line items for cash flows arising from operating, investing and financing activities are presented under the new format adopted for the current year.

(ii) Interest expenses and other finance costs paid of HK$328 million and changes in interest payable of HK$376 million, previously reported as financing activities, are reclassified as operating activities.

(iii) Investment in / loan advance to joint venture of HK$3,176 million, previously reported as operating activities, is reclassified as investing activities.

(iv) Dividend paid to shareholders of the Company of HK$24,408 million, Dividend paid to non-controlling interests of HK$309 million and Distribution paid on perpetual securities of HK$460 million previously reported as operating activities, are reclassified as financing activities.

\# line items under the previously published presentation format are shown in italic.

3 Significant accounting policies

(a) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and joint ventures on the basis set out in notes 3(c) and 3(d) below. Results of subsidiary and associated companies and joint ventures acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2015 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(b) Subsidiary companies

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company 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. In the consolidated financial statements, subsidiary companies are accounted for as described in note 3(a) above.

(c) Associated companies

An associate is an entity, other than a subsidiary or a 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.

The results and net assets of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

3 Significant accounting policies (continued)

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached. Aircraft are depreciated on a straight-line basis, after taking into account a residual value of 10% of their costs, over an expected useful life of 25 years from their respective dates of first use.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for this purposes are as follows:

Motor vehicles	20 – 25%
Plant, machinery and equipment	$3^1/_3$ – 20%
Container terminal equipment	3 – 20%
Telecommunications equipment	2.5 – 20%
Rolling stock and other railway assets	2.9 – 5%
Water and sewerage infrastructure assets	0.5 – 25%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

(h) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights acquired in a business combination are recognised at fair value at the acquisition date. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 45 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

3 Significant accounting policies (continued)

(i) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

(j) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there are indications that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to nine years over the expected useful life of the customer relationship.

(l) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

(m) Liquid funds and other listed investments and other unlisted investments

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and other receivables. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

(m) Liquid funds and other listed investments and other unlisted investments (continued)

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interests earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in revaluation reserve is removed from revaluation reserve and recognised in the income statement.

(n) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under HKAS 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement as interest expenses and other finance costs. At the same time, the carrying amount of the hedged asset or liability in the statement of financial position is adjusted for the changes in fair value.

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value relating to the effective portion of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement as interest expenses and other finance costs. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then they are included in the initial cost of the asset or liability.

3 Significant accounting policies (continued)

(n) Derivative financial instruments and hedging activities (continued)

Derivatives designated as hedging instruments to hedge the net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion is recognised in other comprehensive income and accumulated under the heading of exchange reserve. The gain or loss relating to the ineffective portion is recognised in the income statement as interest expenses and other finance costs. Amounts accumulated are removed from exchange reserve and recognised in the income statement in the periods when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(p) Inventories

Inventories consist mainly of retail goods and, in relation to prior year, stock of properties. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

Stock of properties are stated at the lower of cost and net realisable value. Net realisable value is determined with reference to sales proceeds received after the reporting date less selling expenses, or by management estimates based on prevailing market conditions. Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to the properties.

(q) 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.

(r) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Trade and other payables

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

(t) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted.

3 Significant accounting policies (continued)

(u) Share capital

Share capital issued by the holding company of the Group are recorded in equity at the proceeds received, net of direct issue costs.

(v) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(w) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(x) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(y) Pension plans

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

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

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

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

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

3 Significant accounting policies (continued)

(z) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(aa) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The financial statements of foreign operations are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

(ab) Business combinations

The Group applies the provisions of HKFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

3 Significant accounting policies (continued)

(ab) Business combinations (continued)

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

(ac) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale or dispose.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operations.

(ad) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Ports and related services

Revenue from the provision of ports and related services is recognised when the service is rendered.

Property and hotels

When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are accounted for as customers' deposits received.

Property rental income is recognised on a straight-line basis over the period of the lease. Income from property and project management is recognised when services are rendered. Revenue from hotel and serviced suite operation is recognised upon provision of services.

Retail

Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

3 Significant accounting policies (continued)

(ad) Revenue recognition (continued)

Infrastructure

Income from long-term contracts is recognised according to the stage of completion.

Aircraft leasing income are recognised on a straight-line basis over the period of the lease.

Energy

Revenue associated with the sale of crude oil, natural gas, natural gas liquids, synthetic crude oil, purchased commodities and refined petroleum products is recognised when the title passes to the customer.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is provided.

Mobile and fixed-line telecommunications services

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is deferred until such time as the customer uses the card or upon the expiry of the service period.

For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a device (e.g. handsets), the amount of revenue recognised upon the sale of the device is accrued as determined by considering the estimated fair values of each of the services element and device element of the contract.

Other service income is recognised when the service is rendered.

Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income.

Total revenue arising from mobile and fixed-line telecommunications services comprises of service revenue, other service income and sale of device revenue.

Finance and investments

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

Interest income is recognised on a time proportion basis using the effective interest method.

3 Significant accounting policies (continued)

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2016, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2012-2014 Cycle (i)	Improvements to HKFRSs
HKAS 1 (Amendments) (i)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments) (i)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments) (i)	Agriculture: Bearer Plants
HKAS 27 (Amendments) (i)	Equity Method in Separate Financial Statements
HKFRS 9 (2014) (iii)	Financial Instruments
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments) (i)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments) (i)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 7 (Amendments) (ii)	Disclosure Initiative
HKAS 12 (Amendments) (ii)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 15 (iii)	Revenue from Contracts with Customers
HKFRS 16 (iv)	Leases
HKFRS 10 and HKAS 28 (Amendments) (v)	Sale or Contribution of Asset between an Investor and its Associate or Joint Venture

(i) Effective for the Group for annual periods beginning on or after 1 January 2016.
(ii) Effective for the Group for annual periods beginning on or after 1 January 2017.
(iii) Effective for the Group for annual periods beginning on or after 1 January 2018.
(iv) Effective for the Group for annual periods beginning on or after 1 January 2019.
(v) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA.

HKFRS 15 will be effective for the Group's financial statement for annual reporting periods beginning on or after 1 January 2018. HKFRS 15 will replace all existing HKFRS revenue guidance and requirements including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing the impact of HKFRS 15. It is currently anticipated that the application of HKFRS 15 in the future may impact the disclosure to be made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of HKFRS 15 as at the date of publication of these financial statements.

HKFRS 16 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2019. HKFRS 16 specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17. The Group is assessing the impact of HKFRS 16 and as a result, it is not practicable to provide a reasonable estimate of the impact of HKFRS 16 as at the date of publication of these financial statements.

The adoption of other standards, amendments and interpretations listed above, in future periods is not expected to have any material impact on the Group's results of operations and financial position.

4 Critical accounting estimates and judgements

Note 3 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those 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 the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

(a) Basis of consolidation

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

(b) Long-lived assets

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to dispose or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

4 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(ii) Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

On the basis of confirmation from the Ministry of the Italian Government that the Group's 3G licence term in Italy can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence, and the enactment by the UK Houses of Parliament of a statutory instrument, which inter alia changes the life of the Group's 3G licence to indefinite, the Group's 3G licences in Italy and in the UK are considered to have an indefinite useful life.

Brand names relate to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to determine the useful lives of the Group's telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(iii) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G and LTE customers. Telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

Judgement is required to determine the most appropriate accounting policy for telecommunications CACs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

(d) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test annually and when there are indications that the carrying value may not be recoverable.

4 Critical accounting estimates and judgements (continued)

(e) Tax

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

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

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

(f) Business combinations and goodwill

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

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

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

4 Critical accounting estimates and judgements (continued)

(h) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the year in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

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

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

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 3(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 3(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

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

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the elements as a result of changes in market conditions.

5 Revenue

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

	2015 **HK$ millions**	2014 HK$ millions
Sales of goods	**99,736**	–
Revenue from services	**64,872**	315
Interest	**2,018**	1,137
Dividends	**134**	110
	166,760	1,562

6 Operating segment information

The Merger Proposal and the Spin-off Proposal have introduced significant changes to the composition of the Group's operating segments. As a result, the Group has updated its presentation of operating segment information. As the Group's former Property and hotels operating segment consisted entirely of discontinued operations, information about property sales, property rental, hotel and serviced suite operation, and property and project management are not presented in the following operating segment information. Set out below is information about the new composition of the Group's operating segment for the current and comparative years:

Ports and related services:
This division had 269 operational berths as at 31 December 2015.

Retail:
The Retail division had 12,400 stores across 25 markets as at 31 December 2015.

Infrastructure:
The Infrastructure division comprises a 75.67% interest in Cheung Kong Infrastructure Holdings Limited ("CKI"), a company listed on the Stock Exchange; interests in certain co-owned infrastructure investments as well as aircraft leasing business is reported under this division.

Husky Energy:
This comprises of the Group's 40.18% interest in Husky, an integrated energy company listed on the Toronto Stock Exchange in Canada.

Telecommunications:
The Group's telecommunications division consists of **3** Group Europe with businesses in 6 countries in Europe, a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange, Hutchison Asia Telecommunications and a 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA").

HTAL's share of VHA's results are presented as separate items within the income statement line item titled profits on disposal of investments and others (see notes 7(a) and 7(b)).

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other Group areas which are not presented separately and includes Hutchison Water, Hutchison Whampoa (China), Hutchison E-Commerce and corporate head office operations, the Marionnaud business, listed subsidiary Hutchison China MediTech, listed associates TOM Group and CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences"), and returns earned on the Group's holdings of cash and liquid investments.

6 Operating segment information (continued)

Save as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies (including Hutchison's respective items before the completion of the Hutchison Proposal) and joint ventures' respective items, and segments are reported in a manner consistent with internal reporting currently provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments.

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK$49 million (2014 – nil), Hutchison Telecommunications Hong Kong Holdings of HK$110 million (2014 – nil) and Hutchison Asia Telecommunications of HK$9 million (2014 – nil).

(a) The following is an analysis of the Group's revenue by operating segments:

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2014 Total HK$ millions	%
Ports and related services #	14,732	12,242	26,974	8%	–	18,281	18,281	9%
Retail	74,587	47,127	121,714	38%	–	78,643	78,643	37%
Infrastructure	13,085	33,102	46,187	15%	959	30,060	31,019	15%
Husky Energy	–	29,620	29,620	9%	–	28,664	28,664	13%
3 Group Europe	37,517	12,635	50,152	16%	–	32,789	32,789	15%
Hutchison Telecommunications Hong Kong Holdings	12,957	4,563	17,520	6%	–	8,142	8,142	4%
Hutchison Asia Telecommunications	4,261	1,231	5,492	2%	–	2,876	2,876	1%
Finance & Investments and Others	9,621	9,038	18,659	6%	603	13,278	13,881	6%
	166,760	149,558	316,318	100%	1,562	212,733	214,295	100%
Non-controlling interests' share of HPH Trust's revenue	–	668	668		–	–	–	
	166,760	150,226	316,986		1,562	212,733	214,295	

\# includes the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2015. Revenue reduced by HK$668 million for the period from June to December 2015, being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

6 Operating segment information (continued)

(b) The Group uses two measures of segment results, EBITDA (see note 6(m)) and EBIT (see note 6(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA (LBITDA) [(m)]							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2014 Total HK$ millions	%
Ports and related services #	**4,527**	**4,949**	**9,476**	**13%**	–	6,223	6,223	12%
Retail	**8,007**	**4,251**	**12,258**	**17%**	–	7,769	7,769	15%
Infrastructure	**8,324**	**18,358**	**26,682**	**36%**	1,084	16,188	17,272	34%
Husky Energy	**–**	**6,899**	**6,899**	**9%**	–	7,200	7,200	14%
3 Group Europe	**11,174**	**3,078**	**14,252**	**19%**	–	7,793	7,793	16%
Hutchison Telecommunications Hong Kong Holdings	**1,597**	**671**	**2,268**	**3%**	–	1,389	1,389	3%
Hutchison Asia Telecommunications	**869**	**–**	**869**	**1%**	–	(139)	(139)	–
Finance & Investments and Others	**(198)**	**1,525**	**1,327**	**2%**	23	2,779	2,802	6%
EBITDA before profits on disposal of investments and others	**34,300**	**39,731**	**74,031**	**100%**	1,107	49,202	50,309	100%
Profits on disposal of investments and others (see note 7)	**–**	**–**	**–**		–	11,387	11,387	
Non-controlling interests' share of HPH Trust's EBITDA	**–**	**477**	**477**		–	–	–	
EBITDA (see note 37(a))	**34,300**	**40,208**	**74,508**		1,107	60,589	61,696	
Depreciation and amortisation	**(9,618)**	**(15,195)**	**(24,813)**		(107)	(17,815)	(17,922)	
Profits on disposal of investments and others (see note 7)	**14,260**	**(870)**	**13,390**		–	(4,088)	(4,088)	
Interest expenses and other finance costs	**(4,470)**	**(6,308)**	**(10,778)**		(655)	(8,619)	(9,274)	
Current tax	**(2,629)**	**(2,960)**	**(5,589)**		312	(4,116)	(3,804)	
Deferred tax	**(266)**	**65**	**(201)**		(7)	(58)	(65)	
Non-controlling interests	**(6,177)**	**(2,151)**	**(8,328)**		(491)	(7,108)	(7,599)	
	25,400	**12,789**	**38,189**		159	18,785	18,944	

\# includes the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2015. EBITDA reduced by HK$477 million for the period from June to December 2015, being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

6 Operating segment information (continued)

(c) The following is an analysis of the Group's results by operating segments by EBIT:

	EBIT (LBIT) (n)							
	Company and Subsidiaries	Associates and JV	2015 Total		Company and Subsidiaries	Associates and JV	2014 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Ports and related services #	2,986	3,256	6,242	12%	–	4,019	4,019	12%
Retail	6,826	3,420	10,246	21%	–	6,507	6,507	20%
Infrastructure	5,750	13,420	19,170	39%	991	11,855	12,846	39%
Husky Energy	–	1,796	1,796	4%	–	3,160	3,160	10%
3 Group Europe								
EBITDA before the following non-cash items:	11,174	3,078	14,252		–	7,793	7,793	
Depreciation	(2,784)	(1,436)	(4,220)		–	(3,766)	(3,766)	
Amortisation of licence fees and other rights	(604)	(240)	(844)		–	(584)	(584)	
EBIT - 3 Group Europe	7,786	1,402	9,188	19%	–	3,443	3,443	11%
Hutchison Telecommunications Hong Kong Holdings	745	351	1,096	2%	–	689	689	2%
Hutchison Asia Telecommunications	869	(248)	621	1%	–	(732)	(732)	-2%
Finance & Investments and Others	(280)	1,282	1,002	2%	9	2,446	2,455	8%
EBIT before profits on disposal of investments and others	24,682	24,679	49,361	100%	1,000	31,387	32,387	100%
Profits on disposal of investments and others (see note 7)	14,260	(870)	13,390		–	7,299	7,299	
Non-controlling interests' share of HPH Trust's EBIT	–	334	334		–	–	–	
Interest expenses and other finance costs	(4,470)	(6,308)	(10,778)		(655)	(8,619)	(9,274)	
Current tax	(2,629)	(2,960)	(5,589)		312	(4,116)	(3,804)	
Deferred tax	(266)	65	(201)		(7)	(58)	(65)	
Non-controlling interests	(6,177)	(2,151)	(8,328)		(491)	(7,108)	(7,599)	
	25,400	12,789	38,189		159	18,785	18,944	

\# includes the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2015. EBIT reduced by HK$334 million for the period from June to December 2015, being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

6 Operating segment information (continued)

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

	Depreciation and amortisation					
	Company and Subsidiaries	**Associates and JV**	**2015 Total**	Company and Subsidiaries	Associates and JV	2014 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions
Ports and related services #	**1,541**	**1,693**	**3,234**	–	2,204	2,204
Retail	**1,181**	**831**	**2,012**	–	1,262	1,262
Infrastructure	**2,574**	**4,938**	**7,512**	93	4,333	4,426
Husky Energy	**–**	**5,103**	**5,103**	–	4,040	4,040
3 Group Europe	**3,388**	**1,676**	**5,064**	–	4,350	4,350
Hutchison Telecommunications Hong Kong Holdings	**852**	**320**	**1,172**	–	700	700
Hutchison Asia Telecommunications	**–**	**248**	**248**	–	593	593
Finance & Investments and Others	**82**	**243**	**325**	14	333	347
	9,618	**15,052**	**24,670**	107	17,815	17,922
Non-controlling interests' share of HPH Trust's depreciation and amortisation	**–**	**143**	**143**	–	–	–
	9,618	**15,195**	**24,813**	107	17,815	17,922

\# includes the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2015. Depreciation and amortisation reduced by HK$143 million for the period from June to December 2015, being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

(e) The following is an analysis of the Group's capital expenditure by operating segments:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land	**Telecom-munications licences**	**Brand names and other rights**	**2015 Total**	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2014 Total
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	**2,918**	**–**	**434**	**3,352**	–	–	–	–
Retail	**1,420**	**–**	**–**	**1,420**	–	–	–	–
Infrastructure	**9,881**	**–**	**21**	**9,902**	7,565	–	–	7,565
Husky Energy	**–**	**–**	**–**	**–**	–	–	–	–
3 Group Europe (α)	**7,130**	**2,447**	**11**	**9,588**	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	**760**	**1**	**6**	**767**	–	–	–	–
Hutchison Asia Telecommunications	**20**	**–**	**27**	**47**	–	–	–	–
Finance & Investments and Others	**229**	**–**	**41**	**270**	6	–	–	6
	22,358	**2,448**	**540**	**25,346**	7,571	–	–	7,571
Reconciliation item @	**136**	**–**	**–**	**136**	296	–	–	296
	22,494	**2,448**	**540**	**25,482**	7,867	–	–	7,867

@ the reconciliation item represents the capital expenditure of Property and hotels.

6 Operating segment information (continued)

(f) The following is an analysis of the Group's total assets by operating segments:

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets (p)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2015 Total assets	Segment assets (p)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2014 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	74,765	440	27,309	102,514	–	–	–	–
Retail	193,879	902	12,409	207,190	–	–	–	–
Infrastructure	188,413	490	131,495	320,398	7,772	–	19,806	27,578
Husky Energy	–	–	54,434	54,434	–	–	–	–
3 Group Europe (q)	127,309	19,001	3	146,313	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	26,406	128	433	26,967	–	–	–	–
Hutchison Asia Telecommunications	2,615	–	–	2,615	–	–	–	–
Finance & Investments and Others	157,770	25	7,885	165,680	28,465	–	219,892	248,357
	771,157	20,986	233,968	1,026,111	36,237	–	239,698	275,935
Reconciliation item @	4	–	6,829	6,833	136,109	–	45,897	182,006
	771,161	20,986	240,797	1,032,944	172,346	–	285,595	457,941

@ the reconciliation item comprises total assets of HTAL and Property and hotels.

6 Operating segment information (continued)

(g) The following is an analysis of the Group's total liabilities by operating segments:

	Total liabilities							
	Segment liabilities (r)	Current & non-current borrowings (s) and other non-current liabilities	Current & deferred tax liabilities	2015 Total liabilities	Segment liabilities (r)	Current & non-current borrowings (s) and other non-current liabilities	Current & deferred tax liabilities	2014 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and related services	17,166	17,085	4,900	39,151	–	–	–	–
Retail	24,366	12,832	11,008	48,206	–	–	–	–
Infrastructure	14,883	79,748	7,826	102,457	585	–	(4)	581
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	26,360	66,791	4	93,155	–	–	–	–
Hutchison Telecommunications Hong Kong Holdings	4,038	4,590	508	9,136	–	–	–	–
Hutchison Asia Telecommunications	4,248	16,711	1	20,960	–	–	–	–
Finance & Investments and Others	7,852	158,661	4,253	170,766	564	37,274	37	37,875
	98,913	356,418	28,500	483,831	1,149	37,274	33	38,456
Reconciliation item @	2	–	–	2	10,493	600	2,345	13,438
	98,915	356,418	28,500	483,833	11,642	37,874	2,378	51,894

@ the reconciliation item comprises total liabilities of HTAL and Property and hotels.

Additional information in respect of geographical locations

(h) Additional disclosures of the Group's revenue by geographical location are shown below:

	Revenue							
	Company and Subsidiaries	Associates and JV	2015 Total		Company and Subsidiaries	Associates and JV	2014 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	33,235	16,190	49,425	15%	–	29,307	29,307	14%
Mainland China	18,247	13,692	31,939	10%	94	19,214	19,308	9%
Europe	82,494	65,404	147,898	47%	772	98,071	98,843	46%
Canada (t)	292	27,959	28,251	9%	8	28,264	28,272	13%
Asia, Australia and others	22,871	17,275	40,146	13%	85	24,599	24,684	12%
Finance & Investments and Others	9,621	9,038	18,659	6%	603	13,278	13,881	6%
	166,760	149,558	316,318 (1)	100%	1,562	212,733	214,295 (1)	100%

(1) see note 6(a) for reconciliation to total revenue included in the Group's income statement.

6 Operating segment information (continued)

(i) Additional disclosures of the Group's EBITDA by geographical location are shown below:

	EBITDA (LBITDA) [m]							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2014 Total HK$ millions	%
Hong Kong	1,874	2,622	4,496	6%	(14)	3,140	3,126	6%
Mainland China	3,474	5,593	9,067	12%	92	4,885	4,977	10%
Europe	22,461	17,905	40,366	55%	770	24,662	25,432	50%
Canada [t]	167	5,115	5,282	7%	7	6,625	6,632	13%
Asia, Australia and others	6,522	6,971	13,493	18%	229	7,111	7,340	15%
Finance & Investments and Others	(198)	1,525	1,327	2%	23	2,779	2,802	6%
EBITDA before profits on disposal of investments and others	34,300	39,731	74,031 [2]	100%	1,107	49,202	50,309 [2]	100%

(2) see note 6(b) for reconciliation to total EBITDA included in the Group's income statement.

(j) Additional disclosures of the Group's EBIT by geographical location are shown below:

	EBIT (LBIT) [n]							
	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2014 Total HK$ millions	%
Hong Kong	781	1,440	2,221	4%	(14)	1,672	1,658	5%
Mainland China	2,876	3,832	6,708	14%	52	3,544	3,596	11%
Europe	15,974	12,445	28,419	58%	748	16,190	16,938	52%
Canada [t]	92	924	1,016	2%	7	2,902	2,909	9%
Asia, Australia and others	5,239	4,756	9,995	20%	198	4,633	4,831	15%
Finance & Investments and Others	(280)	1,282	1,002	2%	9	2,446	2,455	8%
EBIT before profits on disposal of investments and others	24,682	24,679	49,361 [3]	100%	1,000	31,387	32,387 [3]	100%

(3) see note 6(c) for reconciliation to total EBIT included in the Group's income statement.

6 Operating segment information (continued)

(k) Additional disclosures of the Group's capital expenditure by geographical location are shown below:

	Capital expenditure							
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2015 Total HK$ millions	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2014 Total HK$ millions
Hong Kong	1,027	1	27	1,055	247	–	–	247
Mainland China	875	–	–	875	3,395	–	–	3,395
Europe	13,125	2,447	11	15,583	1,919	–	–	1,919
Canada	893	–	–	893	255	–	–	255
Asia, Australia and others	6,345	–	461	6,806	2,045	–	–	2,045
Finance & Investments and Others	229	–	41	270	6	–	–	6
	22,494 #	2,448	540	25,482	7,867 #	–	–	7,867

included in the balance are amount relating to Property and hotels HK$136 million (2014 – HK$296 million).

(l) Additional disclosures of the Group's total assets by geographical location are shown below:

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets (p) HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2015 Total assets HK$ millions	Segment assets (p) HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2014 Total assets HK$ millions
Hong Kong	74,107	169	42,209	116,485	126,860	–	5,430	132,290
Mainland China	54,277	566	27,132	81,975	7,658	–	38,299	45,957
Europe	392,250	19,984	72,039	484,273	1,930	–	16,854	18,784
Canada (t)	4,371	5	47,485	51,861	254	–	10	264
Asia, Australia and others	88,386	237	44,047	132,670	7,179	–	5,110	12,289
Finance & Investments and Others	157,770	25	7,885	165,680	28,465	–	219,892	248,357
	771,161	20,986	240,797	1,032,944	172,346 *	–	285,595 *	457,941

* as at 31 December 2014, included in the Segment assets and Investments in associated companies and interests in joint ventures are amounts relating to Property and hotels of HK$136,109 million and HK$45,897 million respectively.

6 Operating segment information (continued)

(m) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for this operation. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(n) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for this operation. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(o) Included in capital expenditures of **3** Group Europe for the year ended 31 December 2015 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2015 which has an effect of decreasing total expenditures by HK$505 million (2014 – nil).

(p) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and others amounted to HK$129,905 million (2014 – HK$267,380 million), HK$88,208 million (2014 – HK$42,814 million), HK$419,494 million (2014 – HK$18,750 million), HK$51,711 million (2014 – HK$10 million) and HK$115,173 million (2014 – HK$7,380 million) respectively.

(q) Included in total assets of **3** Group Europe is an unrealised foreign currency exchange loss arising on 31 December 2015 of HK$3,275 million (2014 – nil) from the translation of overseas subsidiaries' financial statements to Hong Kong dollars with an offsetting amount recorded in other reserves.

(r) Segment liabilities comprise trade and other payables and pension obligations.

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

(t) Include contribution from the United States of America for Husky Energy.

7 Profits on disposal of investments and others

	Attributable to			
	Ordinary shareholders [h] HK$ millions	Holders of perpetual capital securities HK$ millions	Non-controlling interests HK$ millions	Total HK$ millions
Year ended 31 December 2015				
Profits on disposal of investments				
Net gain on remeasurement of the Group's previously held equity interest in Hutchison and certain interests in co-owned assets	**14,260**	**–**	**–**	**14,260**
Others				
HTAL – share of operating losses of joint venture VHA [a]	**(568)**	**–**	**(79)**	**(647)**
	13,692	**–**	**(79)**	**13,613**
Share of former associated company, Hutchison's profits on disposal of investments and others [b]	**(196)**	**–**	**–**	**(196)**
Year ended 31 December 2014				
Share of former associated company, Hutchison's profit on disposal of investments and others				
Share of an associated company's gain on disposal [c]	8,026	–	–	8,026
Impairment of goodwill and store closure provision [d]	(325)	–	–	(325)
Mark-to-market gain on CKI's investments in AGN [e]	873	–	–	873
Provisions relating to the restructuring of **3** Ireland business [f]	(1,693)	–	–	(1,693)
Impairment charge on certain port assets and related provisions [g]	(290)	–	–	(290)
HTAL – share of operating losses of joint venture VHA [b]	(865)	–	–	(865)
Share of Husky Energy's impairment charge on certain crude oil and natural gas assets	(706)	–	–	(706)
	5,020	–	–	5,020

(a) It represents the Group's indirect subsidiary, HTAL's share of operating losses of a joint venture VHA.

(b) It represents the Group's share of former associated company, Hutchison's share of operating losses of HK$223 million (2014 — HK$985 million) net of non-controlling interests of HK$27 million (2014 — HK$120 million) of a joint venture VHA.

(c) It represents the Group's share of former associated company, Hutchison's gain arising from its listed associated company, Power Assets Holdings Limited's separate listing of its Hong Kong electricity businesses on the Stock Exchange of HK$10,269 million net of non-controlling interests in the associates of HK$2,243 million.

7 Profits on disposal of investments and others (continued)

(d) It represents the Group's share of former associated company, Hutchison's provision on impairment of goodwill and store closures of the Marionnaud businesses to exit Poland and down size operations in Portugal and Spain.

(e) It represents the Group's share of former associated company, Hutchison's marked-to-market gain of HK$1,118 million net of non-controlling interests in the associates of HK$245 million on CKI's investments in Australian Gas Networks Limited ("AGN") realised upon CKI's disposal of its interest in AGN to a joint venture on the AGN acquisition.

(f) It represents the Group's share of former associated company, Hutchison's provisions relating to the restructuring of **3** Ireland business on the acquisition of O_2 Ireland.

(g) It represents the Group's share of former associated company, Hutchison's impairment charges on certain port assets and related provisions of HK$379 million net of non-controlling interests in the associates of HK$89 million.

(h) Ordinary shareholders refer to the ordinary shareholders of the holding company of the Group, i.e. CK Hutchison for the current year and Cheung Kong for the comparative year.

8 Directors' emoluments

	2015 **HK$ millions**	2014 HK$ millions
Directors' emoluments	**554**	245

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses in the Group's income statement for 2015 and 2014 and do not include the amounts paid to directors as directors' emoluments by Hutchison and its subsidiaries (the "Hutchison Group") before the completion of the Merger Proposal, as under the accounting standards such amounts paid by the Hutchison Group during the period Hutchison was an associated company are not consolidated and reported as directors' emolument expenses in the Group's income statement.

Further details of the directors' emoluments of HK$554.24 million (2014: HK$244.63 million) are set out in note 8(a).

As additional information, payments by the Hutchison Group in 2015 and 2014 to directors, who were directors of Hutchison up to the completion of the Merger Proposal, amounted to HK$488.34 million (2014: HK$443.84 million), of which HK$467.43 million (2014: nil) were included in the amount disclosed above and in note 8(a) below and represented the amounts paid by the Hutchison Group during the period Hutchison is a subsidiary of the Group, and further details of these payments are set out in note 8(b).

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2014 – nil).

In 2015 and 2014, the five individuals whose emoluments were the highest for the year were five directors of the Company.

8 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement:

	2015					
Name of directors	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Discretionary bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing (1) (10)	0.01	–	–	–	–	0.01
LI Tzar Kuoi, Victor (2)						
Paid by the Company	0.22	21.30	55.39	1.85	–	78.76
Paid by CKI	0.08	–	28.15	–	–	28.23
	0.30	21.30	83.54	1.85	–	106.99
FOK Kin Ning, Canning (3)	0.22	6.41	202.51	1.33	–	210.47
CHOW WOO Mo Fong, Susan (3) (7)	0.13	4.69	45.22	0.96	–	51.00
Frank John SIXT (3)	0.22	4.69	43.77	0.42	–	49.10
IP Tak Chuen, Edmond (4)						
Paid by the Company	0.22	7.43	9.86	0.74	–	18.25
Paid by CKI	0.08	1.05	10.60	–	–	11.73
	0.30	8.48	20.46	0.74	–	29.98
KAM Hing Lam (5)						
Paid by the Company	0.22	10.42	9.59	0.91	–	21.14
Paid by CKI	0.08	2.45	10.60	–	–	13.13
	0.30	12.87	20.19	0.91	–	34.27
LAI Kai Ming, Dominic (3) (7)	0.13	3.12	43.19	0.61	–	47.05
CHOW Kun Chee, Roland (6)	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles (6)	0.22	–	–	–	–	0.22
LEUNG Siu Hon (6)	0.22	–	–	–	–	0.22
George Colin MAGNUS (6)						
Paid by the Company	0.22	–	–	–	–	0.22
Paid by CKI	0.08	–	–	–	–	0.08
	0.30	–	–	–	–	0.30
KWOK Tun-li, Stanley (8) (9) (10) (13)	0.38	–	–	–	–	0.38
CHENG Hoi Chuen, Vincent (7) (8) (9) (10)	0.24	–	–	–	–	0.24
Michael David KADOORIE (7) (8)	0.13	–	–	–	–	0.13
LEE Wai Mun, Rose (7) (8)	0.13	–	–	–	–	0.13
William SHURNIAK (7) (8) (9)	0.20	–	–	–	–	0.20
WONG Chung Hin (7) (8) (9) (10)	0.23	–	–	–	–	0.23
WONG Yick-ming, Rosanna (8) (10)	0.28	–	–	–	–	0.28
CHUNG Sun Keung, Davy (11)	0.09	4.61	–	0.46	–	5.16
PAU Yee Wan, Ezra (11)	0.09	5.23	–	0.52	–	5.84
WOO Chia Ching, Grace (11)	0.09	5.23	–	0.52	–	5.84
CHIU Kwok Hung, Justin (11)	0.09	4.69	–	0.47	–	5.25
YEH Yuan Chang, Anthony (8) (11)	0.09	–	–	–	–	0.09
Simon MURRAY (8) (11)	0.09	–	–	–	–	0.09
CHOW Nin Mow, Albert (8) (11)	0.09	–	–	–	–	0.09
HUNG Siu-lin, Katherine (8) (9) (11) (12)	0.14	–	–	–	–	0.14
CHEONG Ying Chew, Henry (8) (9) (11) (12)						
Paid by the Company	0.14	–	–	–	–	0.14
Paid by CKI	0.18	–	–	–	–	0.18
	0.32	–	–	–	–	0.32
Total	5.25	81.32	458.88	8.79	–	554.24

8 Directors' emoluments (continued)

(a) Directors' emolument expenses recognised in the Group's income statement (continued):

	2014					
Name of directors	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Discretionary bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing (1) (10)	0.01	–	–	–	–	0.01
LI Tzar Kuoi, Victor (2)	0.22	41.85	23.41	4.18	–	69.66
KAM Hing Lam (5)	0.22	20.43	0.88	2.04	–	23.57
IP Tak Chuen, Edmond (4)	0.22	16.75	10.24	1.67	–	28.88
CHUNG Sun Keung, Davy	0.22	10.40	18.27	1.04	–	29.93
PAU Yee Wan, Ezra	0.22	11.79	14.50	1.18	–	27.69
WOO Chia Ching, Grace	0.22	11.80	18.20	1.18	–	31.40
CHIU Kwok Hung, Justin	0.22	10.57	18.28	1.05	–	30.12
LEUNG Siu Hon (6)	0.22	–	–	–	–	0.22
FOK Kin Ning, Canning (6)	0.22	–	–	–	–	0.22
Frank John SIXT (6)	0.22	–	–	–	–	0.22
CHOW Kun Chee, Roland (6)	0.22	–	–	–	–	0.22
George Colin MAGNUS (6)	0.22	–	–	–	–	0.22
LEE Yeh Kwong, Charles (6)	0.22	–	–	–	–	0.22
KWOK Tun-li, Stanley (8) (9) (10)	0.41	–	–	–	–	0.41
YEH Yuan Chang, Anthony (8)	0.22	–	–	–	–	0.22
Simon MURRAY (8)	0.22	–	–	–	–	0.22
CHOW Nin Mow, Albert (8)	0.22	–	–	–	–	0.22
HUNG Siu-lin, Katherine (8) (9)	0.35	–	–	–	–	0.35
WONG Yick-ming, Rosanna (8) (10)	0.28	–	–	–	–	0.28
CHEONG Ying Chew, Henry (8) (9)	0.35	–	–	–	–	0.35
Total	4.92	123.59	103.78	12.34	–	244.63

(1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$5,000 (2014 – HK$5,000). The amount of director's fee shown above is a result of rounding. The director's fee of HK$20,958 (2014 – HK$50,000) received by Mr Li Ka-shing from Hutchison was paid to the Company. This amount was received during the period Hutchison was an associated company and therefore is not reflected in the amounts above.

(2) Part of the directors' emoluments in the sum of HK$1,699,719 (2014 – HK$3,864,000) received by Mr Li Tzar Kuoi, Victor from Hutchison was paid to the Company. This amount was received during the period Hutchison was an associated company and therefore is not reflected in the amounts above. In 2014, directors' fees of HK$75,000 received by him from listed associate, CK Life Sciences was paid to the Company and therefore is not reflected in the amounts above.

(3) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as directors that have been paid to the Company are not included in the amounts above.

(4) Part of the directors' emoluments in the sum of HK$750,000 (2014 – HK$1,875,000) received by Mr Ip Tak Chuen, Edmond from CKI was paid to the Company. This amount was received during the period Hutchison (the parent company of CKI) was an associated company and therefore is not reflected in the amounts above. In 2014, directors' emoluments in the sum of HK$1,875,000 received by him from listed associate, CK Life Sciences was paid to the Company and therefore is not reflected in the amounts above.

(5) Part of the directors' emoluments in the sum of HK$736,219 (2014 – HK$1,620,000) received by Mr Kam Hing Lam from Hutchison was paid to the Company. This amount was received during the period Hutchison was an associated company and therefore is not reflected in the amounts above. In 2014, directors' emoluments in the sum of HK$3,575,000 received by him from listed associate, CK Life Sciences was paid to the Company and therefore is not reflected in the amounts above.

(6) Non-executive director.

(7) Appointed on 3 June 2015.

(8) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK$2.32 million (2014 – HK$2.05 million).

(9) Member of the Audit Committee.

(10) Member of the Remuneration Committee.

(11) Resigned on 3 June 2015.

(12) Resigned on 3 June 2015 as Member of the Audit Committee.

(13) Resigned on 3 June 2015 as Member of the Remuneration Committee.

8 Directors' emoluments (continued)

(b) Directors' emolument payments made by the Hutchison Group:

	2015					
Name of directors of Hutchison	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Discretionary bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing (14) (21) (27)	0.02	–	–	–	–	0.02
LI Tzar Kuoi, Victor (15)						
Paid by Hutchison	0.09	4.70	55.39	–	–	60.18
Paid by CKI	0.08	–	28.15	–	–	28.23
	0.17	4.70	83.54	–	–	88.41
FOK Kin Ning, Canning (16)	0.09	11.10	202.51	2.28	–	215.98
CHOW WOO Mo Fong, Susan (16)	0.09	8.17	45.22	1.64	–	55.12
Frank John SIXT (16)	0.09	8.19	43.77	0.71	–	52.76
LAI Kai Ming, Dominic (16)	0.09	5.64	43.19	1.04	–	49.96
KAM Hing Lam (17)						
Paid by Hutchison	0.09	2.35	9.59	–	–	12.03
Paid by CKI	0.08	4.20	10.60	–	–	14.88
Paid to Hutchison	–	(1.75)	–	–	–	(1.75)
	0.17	4.80	20.19	–	–	25.16
LEE Yeh Kwong, Charles (18) (22)	0.09	–	–	–	–	0.09
George Colin MAGNUS (18) (22)						
Paid by Hutchison	0.09	–	–	–	–	0.09
Paid by CKI	0.08	–	–	–	–	0.08
	0.17	–	–	–	–	0.17
CHENG Hoi Chuen, Vincent (19) (20) (21) (22) (26) (27)	0.17	–	–	–	–	0.17
Michael David KADOORIE (19) (23)	0.09	–	–	–	–	0.09
LEE Wai Mun, Rose (19) (22)	0.09	–	–	–	–	0.09
William SHURNIAK (19) (20) (22) (26)	0.15	–	–	–	–	0.15
WONG Chung Hin (19) (20) (21) (22) (26) (27)	0.17	–	–	–	–	0.17
Total	1.65	42.60	438.42	5.67	–	488.34

(14) No remuneration was paid to Mr Li Ka-shing by Hutchison during the year other than a director's fee of HK$20,958 which he paid to the Company. In 2014, director's fee of HK$50,000 received by him was paid to the Company.

(15) In 2015, part of the directors' emoluments in the sum of HK$1,699,719 received by Mr Li Tzar Kuoi, Victor from Hutchison was paid to the Company. In 2014, part of the directors' emoluments in the sum of HK$3,864,000 received by him from Hutchison was paid to the Company.

(16) Directors' fees received by these directors from Hutchison's listed subsidiaries during the period they served as directors that have been paid to Hutchison are not included in the amounts above.

(17) In 2015, part of the directors' emoluments in the sum of HK$736,219 received by Mr Kam Hing Lam from Hutchison was paid to the Company. In 2014, part of the directors' emoluments in the sum of HK$1,620,000 received by him from Hutchison was paid to the Company.

8 Directors' emoluments (continued)

(b) Directors' emolument payments made by the Hutchison Group (continued):

Name of directors of Hutchison	2014 Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Discretionary bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing (14) (21)	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor (15)						
Paid by Hutchison	0.12	4.59	50.35	–	–	55.06
Paid by CKI	0.08	–	24.01	–	–	24.09
Paid to Hutchison	(0.08)	–	–	–	–	(0.08)
	0.12	4.59	74.36	–	–	79.07
FOK Kin Ning, Canning (16)	0.12	10.84	183.12	2.22	–	196.30
CHOW WOO Mo Fong, Susan (16)	0.12	8.01	41.11	1.59	–	50.83
Frank John SIXT (16)	0.12	8.03	39.83	0.69	–	48.67
LAI Kai Ming, Dominic (16)	0.12	5.45	39.26	1.01	–	45.84
KAM Hing Lam (17)						
Paid by Hutchison	0.12	2.30	8.96	–	–	11.38
Paid by CKI	0.08	4.20	10.27	–	–	14.55
Paid to Hutchison	(0.08)	(4.20)	–	–	–	(4.28)
	0.12	2.30	19.23	–	–	21.65
LEE Yeh Kwong, Charles (18)	0.12	–	–	–	–	0.12
George Colin MAGNUS (18)						
Paid by Hutchison	0.12	–	–	–	–	0.12
Paid by CKI	0.08	–	–	–	–	0.08
	0.20	–	–	–	–	0.20
CHENG Hoi Chuen, Vincent (19) (20) (21) (24)	0.15	–	–	–	–	0.15
Michael David KADOORIE (19)	0.12	–	–	–	–	0.12
Holger KLUGE (19) (20) (21) (25)	0.16	–	–	–	–	0.16
LEE Wai Mun, Rose (19)	0.12	–	–	–	–	0.12
William SHURNIAK (19) (20)	0.25	–	–	–	–	0.25
WONG Chung Hin (19) (20) (21)	0.31	–	–	–	–	0.31
Total	2.20	39.22	396.91	5.51	–	443.84

(18) Non-executive director.

(19) Independent non-executive director. The total emoluments of the independent non-executive directors of Hutchison are HK$0.67 million (2014 – HK$1.11 million).

(20) Member of the Audit Committee of Hutchison.

(21) Member of the Remuneration Committee of Hutchison.

(22) Resigned on 8 June 2015.

(23) Resigned on 24 July 2015.

(24) Appointed on 10 July 2014.

(25) Resigned on 10 July 2014.

(26) Ceased as Member of the Audit Committee of Hutchison on 8 June 2015.

(27) Ceased as Member of the Remuneration Committee of Hutchison on 8 June 2015.

9 Interest expenses and other finance costs

	2015 HK$ millions	2014 HK$ millions
Bank loans and overdrafts	974	297
Other loans	118	–
Notes and bonds	4,914	345
	6,006	642
Interest bearing loans from non-controlling shareholders	198	–
	6,204	642
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	15	–
Notional non-cash interest adjustments [(a)]	(1,708)	–
Other finance costs	55	13
	4,566	655
Less: interest capitalised [(b)]	(96)	–
	4,470	655

(a) Notional non-cash interest adjustments represent notional adjustments to the carrying amount of certain obligations recognised in the statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.5% to 5.6% per annum (2014 – nil).

10 Tax

	2015 HK$ millions	2014 HK$ millions
Current tax charge (credit)		
Hong Kong	**150**	34
Outside Hong Kong	**2,479**	(346)
	2,629	(312)
Deferred tax charge		
Hong Kong	**79**	–
Outside Hong Kong	**187**	7
	266	7
	2,895	(305)

Hong Kong profits tax has been provided for at the rate of 16.5% (2014 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	2015 HK$ millions	2014 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**7,403**	(88)
Tax effect of:		
Tax losses not recognised	**1,278**	–
Tax incentives	**(108)**	–
Income not subject to tax	**(2,730)**	(257)
Expenses not deductible for tax purposes	**1,874**	80
Recognition of previously unrecognised tax losses	**(1,863)**	–
Utilisation of previously unrecognised tax losses	**(693)**	(22)
Over provision in prior years	**(512)**	(18)
Deferred tax assets written off	**(14)**	–
Other temporary differences	**(951)**	–
Effect of change in tax rate	**(789)**	–
Total tax for the year	**2,895**	(305)

11 Discontinued operations

As disclosed in note 1, the results of the Property and hotels operations are presented as discontinued operations separately from continuing operations in the consolidated income statement and consolidated statement of comprehensive income. An analysis of the results of discontinued operations, and the results recognised on the remeasurement of assets of disposal group, is set out below:

	2015 HK$ millions	2014 HK$ millions
Revenue	9,334	24,822
Increase in fair value of investment properties	526	4,542
Expenses	(4,468)	(12,118)
Share of profits less losses of associated company	3,166	16,716
Share of profits less losses of joint ventures	(158)	2,835
Pre-tax profit before remeasurement of assets	8,400	36,797
Tax	(745)	(1,624)
After tax profit before remeasurement of assets	7,655	35,173
Pre-tax gain recognised on remeasurement of assets of the disposal group	72,859	–
Tax	–	–
After tax gain recognised on remeasurement of assets of the disposal group [(a)]	72,859	–
Profit after tax from discontinued operations	80,514	35,173
Profit from discontinued operations attributable to:		
Non-controlling interests and holders of perpetual capital securities	(133)	(248)
Ordinary shareholders	80,381	34,925

(a) Analysis of gain on remeasurement of assets

	Arising from		
	Remeasurement of assets [(b)] HK$ millions	Distribution In Specie [(c)] HK$ millions	Total HK$ millions
One-off non-cash gains before reclassification adjustments (see note 37(e))	18,351	48,004	66,355
Reclassification adjustments	3,578	2,926	6,504
One-off non-cash gains after reclassification adjustments	21,929	50,930	72,859

(b) Upon completion of the Hutchison Proposal, entities co-owned by CK Hutchison and Hutchison over which CK Hutchison has control became indirectly owned subsidiaries of the Group. These entities formed part of the Cheung Kong Property Group which was distributed to shareholders pursuant to the Distribution In Specie. One-off non-cash gain on remeasurement of these assets represents the difference between their fair value and the book value, including gains previously in exchange and other reserves related to these entities reclassified to profit or loss in the current year.

(c) See note 13(c).

12 Earnings per share for profit attributable to ordinary shareholders

	2015	2014
Earnings per share for profit attributable to ordinary shareholders arises from:		
Continuing operations	**HK$ 11.89**	HK$ 8.18
Discontinued operations	**HK$ 25.02**	HK$ 15.08
	HK$ 36.91	HK$ 23.26

The calculation of earnings per share is based on profit attributable to ordinary shareholders and on weighted average number of shares outstanding during 2015 and 2014 as follows:

	2015 **HK$ millions**	2014 HK$ millions
Profit attributable to ordinary shareholders arises from:		
Continuing operations	**38,189**	18,944
Discontinued operations	**80,381**	34,925
	118,570	53,869
Weighted average number of shares outstanding during 2015 and 2014	**3,212,671,194**	2,316,164,338

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2015. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2015 did not have a dilutive effect on earnings per share.

13 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2015 HK$ millions	2014 HK$ millions
Distribution paid on perpetual capital securities	**1,072**	460

(b) Dividends

	2015 HK$ millions	2014 HK$ millions
First interim dividend, paid of HK$0.70 per share (2014 – HK$0.638 per share)	**2,702**	1,478
Second interim dividend, nil declared, (2014 – HK$3.016 per share, in lieu of final dividend)	**–**	6,985
Final dividend, proposed of HK$1.85 per share (2014 – nil)	**7,140**	–
	9,842	8,463
Special dividend, nil declared (2014 – HK$7.00 per share)	**–**	16,213
	9,842	24,676

In 2015, the calculation of the interim dividend and final dividend is based on 3,859,678,500 shares in issue. In 2014, the calculation of the first interim, the second interim dividend in lieu of final dividend and special dividend is based on 2,316,164,338 shares in issue.

(c) Other distributions

	2015 HK$ millions	2014 HK$ millions
Distribution In Specie	**363,511**	–

The Group's entire interest in Cheung Kong Property was distributed to shareholders pursuant to the Distribution In Specie under the Spin-off Proposal and Cheung Kong Property became a separate listed company on the Main Board of the Stock Exchange. The Distribution In Specie is accounted for as a distribution of non-cash assets to shareholders, where the difference between the distribution liability measured at fair value and the book value of the disposal group (after netting off HK$55,000 million received) is recognised in the consolidated financial statements of CK Hutchison upon settlement of the distribution liability. This resulted in an one-off non-cash gain of approximately HK$50,930 million recognised and reported as part of the results from discontinued operations (see note 11(a)).

14 Other comprehensive income (losses)

	2015		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation losses recognised directly in reserves	**(797)**	**–**	**(797)**
Valuation gains previously in reserves recognised in income statement	**(1,021)**	**–**	**(1,021)**
Remeasurement of defined benefit obligations recognised directly in reserves	**(133)**	**(44)**	**(177)**
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves	**701**	**(8)**	**693**
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	**2,060**	**–**	**2,060**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(6,383)**	**–**	**(6,383)**
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	**12,925**	**–**	**12,925**
Share of other comprehensive income (losses) of associated companies	**(13,398)**	**–**	**(13,398)**
Share of other comprehensive income (losses) of joint ventures	**(2,380)**	**–**	**(2,380)**
	(8,426)	**(52)**	**(8,478)**

	2014		
	Before-tax amount HK$ millions	Tax effect HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised directly in reserves	462	–	462
Valuation gains previously in reserves recognised in income statement	(313)	–	(313)
Impairment charged to income statement	44	–	44
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	1,475	–	1,475
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(738)	–	(738)
Share of other comprehensive income (losses) of associated companies	(13,169)	–	(13,169)
Share of other comprehensive income (losses) of joint ventures	(3,256)	–	(3,256)
	(15,495)	–	(15,495)

15 Fixed assets

	Hotels and serviced suites HK$ millions	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Aircraft HK$ millions	Other assets [i] HK$ millions	Total HK$ millions
Cost						
At 1 January 2014	12,849	–	–	–	1,367	14,216
Additions	180	–	–	7,599	105	7,884
Disposals	–	–	–	–	(99)	(99)
Exchange translation differences	(2)	–	–	–	(1)	(3)
At 31 December 2014 and 1 January 2015	**13,027**	**–**	**–**	**7,599**	**1,372**	**21,998**
Additions	**49**	**1,140**	**810**	**6,675**	**13,820**	**22,494**
Relating to subsidiaries acquired (see note 37(c))	**–**	**27,225**	**25,265**	**–**	**114,550**	**167,040**
Disposals	**–**	**(316)**	**(4)**	**–**	**(663)**	**(983)**
Relating to subsidiaries disposed (see note 37(d))	**–**	**(764)**	**–**	**–**	**(821)**	**(1,585)**
Distribution In Specie (see note 37(e))	**(12,985)**	**–**	**–**	**–**	**(1,073)**	**(14,058)**
Transfer to other assets	**–**	**–**	**–**	**–**	**(76)**	**(76)**
Transfer between categories	**–**	**8**	**4,353**	**–**	**(4,361)**	**–**
Exchange translation differences	**(91)**	**(999)**	**(333)**	**–**	**(5,545)**	**(6,968)**
At 31 December 2015	**–**	**26,294**	**30,091**	**14,274**	**117,203**	**187,862**
Accumulated depreciation and impairment						
At 1 January 2014	3,001	–	–	–	1,238	4,239
Charge for the year	242	–	–	93	58	393
Disposals	–	–	–	–	(86)	(86)
Exchange translation differences	(1)	–	–	–	(1)	(2)
At 31 December 2014 and 1 January 2015	**3,242**	**–**	**–**	**93**	**1,209**	**4,544**
Charge for the year	**102**	**559**	**1,979**	**530**	**5,390**	**8,560**
Disposals	**–**	**–**	**–**	**–**	**(321)**	**(321)**
Relating to subsidiaries disposed (see note 37(d))	**–**	**(3)**	**–**	**–**	**(50)**	**(53)**
Distribution In Specie (see note 37(e))	**(3,341)**	**–**	**–**	**–**	**(864)**	**(4,205)**
Transfer from other assets	**–**	**5**	**–**	**–**	**2**	**7**
Transfer between categories	**–**	**–**	**(77)**	**–**	**77**	**–**
Exchange translation differences	**(3)**	**(119)**	**95**	**–**	**(498)**	**(525)**
At 31 December 2015	**–**	**442**	**1,997**	**623**	**4,945**	**8,007**
Net book value						
At 31 December 2015	**–**	**25,852**	**28,094**	**13,651**	**112,258**	**179,855**
At 31 December 2014	9,785	–	–	7,506	163	17,454
At 1 January 2014	9,848	–	–	–	129	9,977

(i) Cost and net book value of other assets include HK$18,993 million (2014 - nil) and HK$18,131 million (2014 - nil) respectively relate to the business of Ports and related services, and HK$75,624 million (2014 - nil) and HK$74,002 million (2014 - nil) respectively relate to the business of Infrastructure.

15 Fixed assets (continued)

The analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases of fixed assets is as follows:

	2015 HK$ millions	2014 HK$ millions
Within 1 year	**5,620**	753
After 1 year, but within 5 years	**14,360**	2,751
After 5 years	**5,546**	1,241

16 Investment properties

	2015 HK$ millions	2014 HK$ millions
Valuation		
At 1 January	**33,285**	28,777
Additions / cost adjustments	**–**	(34)
Relating to subsidiaries acquired (see note 37(c))	**305**	–
Increase in fair value of investment properties	**555**	4,542
Distribution In Specie (see note 37(e))	**(33,811)**	–
At 31 December	**334**	33,285

Investment properties have been fair valued as at 31 December 2015 and 31 December 2014 by DTZ Debenham Tie Leung Limited, professional valuers.

Investment properties as at 31 December 2015 were acquired as part of the acquisition of Hutchison pursuant to the Merger Proposal. As at 31 December 2015, the fair value of investment properties 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.

Investment properties as at 31 December 2014 were transferred during the current year to Cheung Kong Property pursuant to the Spin-off Proposal. The fair value of investment properties as at 31 December 2014 were generally derived using the income capitalisation method which was based on the capitalisation of net income and reversionary income potential by appropriate capitalisation rates; the capitalisation rates adopted, ranging between 4% to 8% generally and inversely related to the values derived, were based on analysis of relevant sale transactions and interpretation of prevailing market expectations and capitalisation rates adopted for major investment properties were as follows:

(i)	The Center (commercial office property)	5.00%
(ii)	1881 Heritage (retail shopping mall)	5.25%

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into / out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

16 Investment properties (continued)

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2015 HK$ millions	2014 HK$ millions
Within 1 year	**–**	1,210
After 1 year, but within 5 years	**–**	1,022

17 Leasehold land

	2015 HK$ millions	2014 HK$ millions
Net book value		
At 1 January	**–**	–
Relating to subsidiaries acquired (see note 37(c))	**7,861**	–
Amortisation for the year	**(189)**	–
Relating to subsidiaries disposed (see note 37(d))	**(327)**	–
Exchange translation differences	**(130)**	–
At 31 December	**7,215**	–

18 Telecommunications licences

	2015 HK$ millions	2014 HK$ millions
Net book value		
At 1 January	**–**	–
Additions	**2,448**	–
Relating to subsidiaries acquired (see note 37(c))	**31,571**	–
Amortisation for the year	**(352)**	–
Exchange translation differences	**(1,059)**	–
At 31 December	**32,608**	–
Cost	**32,960**	–
Accumulated amortisation and impairment	**(352)**	–
	32,608	–

At 31 December 2015, the carrying amount of the Group's telecommunications licences in Italy and the UK which are considered to have an indefinite useful life is €1,051 million (2014 – nil) and £1,357 million (2014 – nil) respectively.

In accordance with the Group's accounting policy on asset impairment (see note 3(x)), the carrying values of telecommunications licences were reviewed and tested for impairment as at 31 December 2015. The results of the reviews and tests undertaken as at 31 December 2015 indicated no impairment charge was necessary.

19 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Additions	–	540	540
Relating to subsidiaries acquired (see note 37(c))	66,740	16,795	83,535
Transfer from other assets	–	65	65
Amortisation for the year	(7)	(632)	(639)
Exchange translation differences	(561)	(707)	(1,268)
At 31 December	66,172	16,061	82,233
Cost	66,179	16,658	82,837
Accumulated amortisation	(7)	(597)	(604)
	66,172	16,061	82,233

The carrying amount of brand names and other rights primarily arises from the acquisition of Hutchison and its subsidiaries under the Merger Proposal. Brand names relate to Retail of approximately HK$52 billion and Telecommunications of approximately HK$14 billion are considered to have an indefinite useful life.

Other rights, which include rights of use of telecommunications network infrastructure sites of HK$927 million (2014 - nil), operating and service content rights of HK$11,786 million (2014 - nil), resource consents and customer lists of HK$3,180 million (2014 - nil) are amortised over their finite useful lives.

20 Goodwill

	2015 HK$ millions	2014 HK$ millions
Cost		
At 1 January	–	–
Relating to subsidiaries acquired (see note 37(c))	264,051	–
Exchange translation differences	(2,602)	–
At 31 December	261,449	–

Goodwill primarily arises from the acquisition of the Hutchison's businesses pursuant to the Merger Proposal. The carrying amount of goodwill has been allocated to the businesses of the Ports and related services of approximately HK$13 billion, Retail of approximately HK$114 billion, Infrastructure of approximately HK$69 billion, **3** Group Europe of approximately HK$26 billion, Hutchison Telecommunications Hong Kong Holdings of approximately HK$10 billion and Finance & Investments and Others of approximately HK$30 billion.

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 18, 19 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount. The results of the tests undertaken as at 31 December 2015 indicated no impairment charge was necessary.

As additional information,

(i) the recoverable amount for the purpose of impairment testing for the Retail division and Hutchison Telecommunications Hong Kong Holdings are based on its value in use which utilises cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 6% to 9% and 3% to 4% respectively and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1% to 3% per annum;

(ii) the recoverable amount for the purpose of impairment testing for the other respective business units and divisions are based on their fair value less costs of disposal. Their fair value is by reference, where available, to the quoted market value / share price or estimated using a value/ EBITDA multiple approach or a price to earnings multiple approach (Level 3 of the HKFRS 13 fair value hierarchy) based on the latest approved financial budget for 5 years. The value / EBITDA multiple and price to earnings multiple are derived from observable market data for broadly comparable businesses with due consideration for market development expectations; and

(iii) the Group prepared the financial budgets reflecting current and prior year performances, market development expectations and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and, for the value in use calculation, the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, for the fair value less cost of disposal calculation, the EBITDA and earnings multiple that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions.

21 Associated companies

	2015 HK$ millions	2014 HK$ millions
Unlisted shares	8,667	6
Listed shares, Hong Kong	65,803	28,132
Listed shares, outside Hong Kong	77,405	–
Share of undistributed post acquisition reserves	(8,712)	187,889
	143,163	216,027
Amounts due from associated companies	5,209	814
	148,372	216,841

The market value of the above listed investments at 31 December 2015 was HK$113,173 million (2014 – HK$193,562 million), inclusive of HK$31,467 million and HK$59,026 million for material associated companies, namely Husky and Power Assets Holdings Limited ("Power Assets") respectively (2014 – inclusive of HK$190,121 million and HK$3,441 million for material associated companies, namely Hutchison and CK Life Sciences respectively).

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 41.

Set out below are additional information in respect of the Group's material associated companies in 2015.

	2015 Material associated companies		
	Hutchison [(a)] HK$ millions	Husky HK$ millions	Power Assets HK$ millions
Dividends received from associated companies	3,739	2,717	2,232
Gross amount of the following items of the associated companies [(b) (c)]:			
Total revenue	106,157	54,780	1,308
EBITDA	32,880	12,662	16,829
EBIT	19,914	4,122	12,424
Other comprehensive income (losses)	(11,756)	(16,629)	(1,482)
Total comprehensive income (losses)	(3,698)	(14,767)	6,250
Current assets	–	16,202	68,544
Non-current assets	–	222,390	103,674
Current liabilities	–	21,328	2,119
Non-current liabilities	–	79,035	9,642
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	–	133,842	160,457
Reconciliation to the carrying amount of the Group's interests in associated companies:			
Group's interest	–	40.2%	38.9%
Group's share of net assets	–	53,774	62,370
Amounts due from associated companies	–	660	–
Carrying amount	–	54,434	62,370

21 Associated companies (continued)

	Hutchison [a] HK$ millions	Husky HK$ millions	Power Assets HK$ millions	Other associated companies HK$ millions	2015 Total HK$ millions
Group's share of the following items of the associated companies [b]:					
Profits less losses after tax (before profits on disposal of investments and others)	4,222	751	1,639	833	7,445
Profits on disposal of investments and others	(196)	–	–	–	(196)
Other comprehensive income (losses)	(5,372)	(6,681)	(364)	(781)	(13,198)
Total comprehensive income (losses)	(1,346)	(5,930)	1,275	52	(5,949)

Set out below are additional information in respect of the Group's material associated companies in 2014:

	2014 Material associated companies	
	Hutchison HK$ millions	CK Life Sciences HK$ millions
Dividends received from associated companies	19,939	30
Gross amount of the following items of the associated companies [b] [c]:		
Total revenue	265,060	5,267
EBITDA	88,136	591
EBIT	55,313	455
Other comprehensive income (losses)	(25,001)	(375)
Total comprehensive income (losses)	8,702	(111)
Current assets	211,178	3,000
Non-current assets	672,257	7,297
Current liabilities	132,425	1,142
Non-current liabilities	231,948	4,280
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	426,580	4,663
Reconciliation to the carrying amount of the Group's interests in associated companies:		
Group's interest	49.9%	45.3%
Group's share of net assets	213,119	2,113
Adjustment to cost of investment	799	(5)
Carrying amount	213,918	2,108

21 Associated companies (continued)

	Hutchison	CK Life Sciences	Other associated companies	2014 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Group's share of the following items of the associated companies (b):				
Profits less losses after tax (before profits on disposal of investments and others)	11,815	119	–	11,934
Profits on disposal of investments and others	5,020	–	–	5,020
Other comprehensive income (losses)	(12,490)	(169)	–	(12,659)
Total comprehensive income (losses)	4,345	(50)	–	4,295

(a) As Hutchison became a wholly owned subsidiary of the Group during the current year, Hutchison's respective profit and loss items are included in the summarised financial information for the Group's material associated companies above up to the effective date it became a wholly owned subsidiary, and Hutchison's respective statement of financial position items as at 31 December 2015 are not included above as it is no longer an associated company and its assets and liabilities are consolidated in the Group's statement of financial position as at that date.

(b) After translation into Hong Kong dollars and consolidation adjustments.

(c) As additional information, the gross amount of profits less losses after tax arising from discontinued operations of Hutchison for the year ended 31 December 2015 and 2014 amounted to HK$6,334 million and HK$33,453 million respectively.

Particulars regarding the principal associated companies are set forth on pages 276 to 279.

22 Interests in joint ventures

	2015	2014
	HK$ millions	HK$ millions
Joint ventures		
Unlisted shares	**75,984**	25,712
Share of undistributed post acquisition reserves	**(474)**	25,213
	75,510	50,925
Amounts due from joint ventures	**16,915**	17,829
	92,425	68,754

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 41.

22 Interests in joint ventures (continued)

Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2015 HK$ millions	2014 HK$ millions
Profits less losses after tax [(a)]	**6,187**	1,831
Other comprehensive income (losses)	**(2,349)**	(1,625)
Total comprehensive income	**3,838**	206
Capital commitments	**1,469**	–

(a) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. Since then, HTAL's share of VHA's results is presented as a separate item under profits on disposal of investments and others (see note 7(a) and 7(b)) to separately identify it from the recurring earnings profile.

Particulars regarding the principal joint ventures are set forth on pages 276 to 279.

23 Deferred tax

	2015 HK$ millions	2014 HK$ millions
Deferred tax assets	**20,986**	–
Deferred tax liabilities	**26,062**	1,022
Net deferred tax liabilities	**(5,076)**	(1,022)

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2015 HK$ millions	2014 HK$ millions
At 1 January	**(1,022)**	(986)
Relating to subsidiaries acquired (see note 37(c))	**(4,344)**	–
Distribution In Specie (see note 37(e))	**1,013**	–
Relating to subsidiaries disposed (see note 37(d))	**(81)**	–
Transfer to current tax	**(7)**	–
Net charge to other comprehensive income	**(52)**	–
Net credit (charge) to the income statement		
Unused tax losses	**(302)**	–
Accelerated depreciation allowances	**1,550**	(90)
Fair value adjustments arising from acquisitions	**(197)**	–
Withholding tax on undistributed earnings	**(71)**	(7)
Other temporary differences	**(1,257)**	61
Exchange translation differences	**(306)**	–
At 31 December	**(5,076)**	(1,022)

23 Deferred tax (continued)

Analysis of net deferred tax assets (liabilities):

	2015 HK$ millions	2014 HK$ millions
Unused tax losses	**18,110**	–
Accelerated depreciation allowances	**(10,749)**	(900)
Fair value adjustments arising from acquisitions	**(9,665)**	–
Revaluation of investment properties and other investments	**86**	–
Withholding tax on undistributed earnings	**(499)**	(42)
Other temporary differences	**(2,359)**	(80)
	(5,076)	(1,022)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2015, the Group has recognised accumulated deferred tax assets amounting to HK$20,986 million (2014 - nil) of which HK$19,001 million (2014 - nil) relates to **3** Group Europe.

Note 4(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The Group has not recognised deferred tax assets of HK$22,037 million at 31 December 2015 (2014 - HK$462 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$99,244 million (2014 - HK$2,727 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$72,464 million (2014 - HK$2,727 million) can be carried forward indefinitely and the balances expire in the following years:

	2015 HK$ millions	2014 HK$ millions
In the first year	**5,000**	–
In the second year	**2,441**	–
In the third year	**6,455**	–
In the fourth year	**3,720**	–
After the fourth year	**9,164**	–
	26,780	–

24 Other non-current assets

	2015 HK$ millions	2014 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**436**	–
Loan and other receivables	**–**	301
	436	301
Available-for-sale investments		
Unlisted equity securities	**1,518**	177
Unlisted debt securities	**–**	318
Fair value hedges		
Interest rate swaps	**256**	–
Cash flow hedges		
Interest rate swaps	**76**	–
Net investment hedges	**1,902**	476
Other derivative financial instruments	**50**	–
	4,238	1,272

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2015 is 1.8% (2014 - 3.3%).

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

25 Liquid funds and other listed investments

	2015 HK$ millions	2014 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**4,773**	–
Listed / traded debt securities, outside Hong Kong	**1,177**	23
Listed equity securities, Hong Kong	**2,029**	6,594
Listed equity securities, outside Hong Kong	**2,181**	3,593
	10,160	10,210
Financial assets at fair value through profit or loss	**95**	–
Held-for-trading investments		
Listed debt securities, outside Hong Kong	**–**	620
Listed equity securities, Hong Kong	**–**	116
Listed equity securities, outside Hong Kong	**–**	182
	–	918
	10,255	11,128

25 Liquid funds and other listed investments (continued)

Liquid funds and other listed investments are analysed as:

	2015 HK$ millions	2014 HK$ millions
Current portion	–	918
Non-current portion	10,255	10,210
	10,255	11,128

Components of managed funds, outside Hong Kong are as follows:

	2015 HK$ millions	2014 HK$ millions
Listed debt securities	4,606	–
Listed equity securities	153	–
Cash and cash equivalents	14	–
	4,773	–

Included in listed / traded debt securities outside Hong Kong as at 31 December 2015 (2014 - nil) are notes issued by listed associated company, Husky at a principal amount of US$25 million mature in 2019.

The fair value of the available-for-sale investments, financial assets designated as "at fair value through profit or loss" and held-for-trading investments are based on quoted market prices.

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2015		2014	
	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Held-for-trading investments Percentage
HK dollars	30%	–	82%	13%
US dollars	54%	36%	11%	20%
Other currencies	16%	64%	7%	67%
	100%	100%	100%	100%

25 Liquid funds and other listed investments (continued)

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2015 Percentage	2014 Percentage
Credit ratings		
Aaa / AAA	14%	–
Aa1 / AA+	66%	–
Aa3 / AA-	2%	–
A2 / A	–	96%
Other investment grades	4%	4%
Unrated	14%	–
	100%	100%
Sectorial		
US Treasury notes	61%	–
Government and government guaranteed notes	18%	–
Husky notes	4%	–
Financial institutions notes	2%	96%
Others	15%	4%
	100%	100%
Weighted average maturity	2.0 years	0.9 years
Weighted average effective yield	1.88%	3.20%

26 Cash and cash equivalents

	2015 HK$ millions	2014 HK$ millions
Cash at bank and in hand	28,107	4,064
Short term bank deposits	93,064	25,373
Bank deposits maturing over three months	–	3,742
	121,171	33,179

The carrying amount of cash and cash equivalents approximates their fair value.

27 Trade and other receivables

	2015 HK$ millions	2014 HK$ millions
Trade receivables	**19,165**	1,781
Less: provision for estimated impairment losses for bad debts	**(3,767)**	–
Trade receivables – net	**15,398**	1,781
Loan receivables	**–**	13
Other receivables and prepayments	**35,672**	716
Fair value hedges		
Interest rate swaps	**547**	–
Cash flow hedges		
Forward foreign exchange contracts	**2**	–
Net investment hedges	**423**	–
Other derivative financial instruments	**–**	319
	52,042	2,829

Trade and other receivables are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable. The carrying amount of these assets approximates their fair value.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 4% of the Group's turnover for the year ended 31 December 2015 (2014 – less than 30%).

(a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2015 HK$ millions	2014 HK$ millions
Less than 31 days	**10,262**	1,718
Within 31 to 60 days	**1,843**	28
Within 61 to 90 days	**673**	16
Over 90 days	**6,387**	19
	19,165	1,781

27 Trade and other receivables (continued)

(b) As at 31 December 2015, out of the trade receivables of HK$19,165 million (2014 - HK$1,781 million), HK$11,808 million (2014 - nil) are impaired and it is assessed that portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$3,767 million (2014 - nil). The ageing analysis of these trade receivables is as follows:

	2015 HK$ millions	2014 HK$ millions
Not past due	**3,920**	–
Past due less than 31 days	**651**	–
Past due within 31 to 60 days	**517**	–
Past due within 61 to 90 days	**407**	–
Past due over 90 days	**6,313**	–
	11,808	–

Movements on the provision for estimated impairment losses for bad debts are as follows:

	2015 HK$ millions	2014 HK$ millions
At 1 January	**–**	–
Additions	**4,137**	–
Utilisations	**(224)**	–
Write back	**(220)**	–
Relating to subsidiaries disposed	**(8)**	–
Exchange translation differences	**82**	–
At 31 December	**3,767**	–

The ageing analysis of trade receivables not impaired is as follows:

	2015 HK$ millions	2014 HK$ millions
Not past due	**5,024**	1,667
Past due less than 31 days	**1,451**	56
Past due within 31 to 60 days	**422**	25
Past due within 61 to 90 days	**168**	15
Past due over 90 days	**292**	18
	7,357	1,781

28 Inventories

	2015 HK$ millions	2014 HK$ millions
Retail stock	**19,761**	–
Properties for / under development	**–**	47,232
Joint development projects	**–**	21,903
Properties for sale	**–**	4,064
	19,761	73,199

At 31 December 2014, properties for / under development and joint development projects amounting to HK$43,175 million were not scheduled for completion within twelve months.

29 Trade and other payables

	2015 HK$ millions	2014 HK$ millions
Trade payables	**20,393**	1,663
Other payables and accruals	**72,366**	3,797
Customers' deposits received	**–**	5,991
Provisions (see note 30)	**1,017**	–
Interest free loans from non-controlling shareholders	**951**	–
Cash flow hedges		
Forward foreign exchange contracts	**1**	–
Net investment hedges	**121**	–
Other derivative financial instruments	**–**	191
	94,849	11,642

The Group's five largest suppliers accounted for less than 29% of the Group's cost of purchases for the year ended 31 December 2015 (2014 – less than 49%).

At 31 December, the ageing analysis of the trade payables is as follows:

	2015 HK$ millions	2014 HK$ millions
Less than 31 days	**12,948**	1,605
Within 31 to 60 days	**3,234**	13
Within 61 to 90 days	**2,067**	12
Over 90 days	**2,144**	33
	20,393	1,663

30 Provisions

	Provision for commitments, onerous contracts and other guarantees	Restructuring and closure provision	Assets retirement obligation	Others	Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–	–
Additions	–	44	9	294	347
Relating to subsidiaries acquired	36,179	457	887	316	37,839
Interest accretion	–	2	14	–	16
Utilisations	(1,459)	(13)	(65)	(16)	(1,553)
Write back	–	(3)	–	(65)	(68)
Exchange translation differences	(487)	6	(28)	(5)	(514)
At 31 December 2015	34,233	493	817	524	36,067

Provisions are analysed as:

	2015	2014
	HK$ millions	HK$ millions
Current portion (see note 29)	1,017	–
Non-current portion (see note 34)	35,050	–
	36,067	–

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located. The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value.

31 Bank and other debts

The carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	2015			2014		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans	**9,663**	**75,410**	**85,073**	12,409	12,891	25,300
Other loans	**214**	**2,573**	**2,787**	250	350	600
Notes and bonds	**22,357**	**177,386**	**199,743**	5,693	6,281	11,974
Total principal amount of bank and other debts	**32,234**	**255,369**	**287,603**	18,352	19,522	37,874
Unamortised fair value adjustments arising from acquisitions	**1,020**	**15,383**	**16,403**	–	–	–
Total bank and other debts before the following items (i)	**33,254**	**270,752**	**304,006**	18,352	19,522	37,874
Unamortised loan facilities fees and premiums or discounts related to debts	**–**	**(197)**	**(197)**	–	–	–
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	**(238)**	**(19)**	**(257)**	–	–	–
	33,016	**270,536**	**303,552**	18,352	19,522	37,874

(i) See note 35(c)(i).

31 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2015			2014		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans	**9,663**	**75,410**	**85,073**	12,409	12,891	25,300
Other loans	**214**	**2,573**	**2,787**	250	350	600
Notes and bonds						
HK$500 million notes, 4.4% due 2015	**–**	**–**	**–**	500	–	500
HK$150 million notes, 5.1% due 2016	**150**	**–**	**150**	–	150	150
HK$330 million notes, 2.45% due 2016	**330**	**–**	**330**	–	330	330
HK$377 million notes, 2.56% due 2016	**377**	**–**	**377**	–	377	377
HK$500 million notes, 4.88% due 2018	**–**	**500**	**500**	–	500	500
HK$500 million notes, 4.3% due 2020	**–**	**500**	**500**	–	500	500
HK$500 million notes, 4.35% due 2020	**–**	**500**	**500**	–	500	500
HK$300 million notes, 3.9% due 2020	**–**	**300**	**300**	–	300	300
HK$400 million notes, 3.45% due 2021	**–**	**400**	**400**	–	400	400
HK$300 million notes, 3.35% due 2021	**–**	**300**	**300**	–	300	300
HK$260 million notes, 4% due 2027	**–**	**260**	**260**	–	–	–
US$500 million notes, LIBOR* + 1.5% due 2015	**–**	**–**	**–**	3,877	–	3,877
US$300 million notes, LIBOR* + 0.7% due 2017	**–**	**2,340**	**2,340**	–	–	–
US$492 million notes-Series B, 7.45% due 2017	**–**	**3,837**	**3,837**	–	–	–
US$1,000 million notes, 2% due 2017	**–**	**7,800**	**7,800**	–	–	–
US$1,000 million notes, 3.5% due 2017	**–**	**7,800**	**7,800**	–	–	–
US$2,000 million notes, 1.625% due 2017	**–**	**15,600**	**15,600**	–	–	–
US$1,000 million notes, 5.75% due 2019	**–**	**7,800**	**7,800**	–	–	–
US$1,500 million notes, 7.625% due 2019	**–**	**11,700**	**11,700**	–	–	–
US$1,500 million notes, 4.625% due 2022	**–**	**11,700**	**11,700**	–	–	–
US$500 million notes, 3.25% due 2022	**–**	**3,900**	**3,900**	–	–	–
US$1,500 million notes, 3.625% due 2024	**–**	**11,700**	**11,700**	–	–	–
US$329 million notes-Series C, 7.5% due 2027	**–**	**2,565**	**2,565**	–	–	–
US$1,039 million notes, 7.45% due 2033	**–**	**8,107**	**8,107**	–	–	–
US$25 million notes-Series D, 6.988% due 2037	**–**	**196**	**196**	–	–	–
SGD225 million notes, 2.25% due 2015	**–**	**–**	**–**	1,316	–	1,316
SGD180 million notes, 2.585% due 2016	**994**	**–**	**994**	–	1,053	1,053
SGD320 million notes, 3.408% due 2018	**–**	**1,767**	**1,767**	–	1,871	1,871

31 Bank and other debts (continued)

Analysis of principal amount of bank and other debts (continued):

	2015			2014		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
EUR669 million notes, 4.625% due 2016	5,667	–	5,667	–	–	–
EUR1,750 million notes, 4.75% due 2016	14,822	–	14,822	–	–	–
EUR1,250 million notes, 2.5% due 2017	–	10,588	10,588	–	–	–
EUR1,500 million notes, 1.325% due 2021	–	12,705	12,705	–	–	–
EUR750 million notes, 3.625% due 2022	–	6,353	6,353	–	–	–
GBP113 million bonds, 5.625% due 2017	–	1,305	1,305	–	–	–
GBP300 million bonds, 6% due 2017	–	3,462	3,462	–	–	–
GBP300 million bonds, 5.831% due 2020	–	3,462	3,462	–	–	–
GBP100 million notes, 5.82% due 2021	–	1,154	1,154	–	–	–
GBP350 million bonds, 6.875% due 2023	–	4,039	4,039	–	–	–
GBP400 million bonds, 6.359% due 2025	–	4,616	4,616	–	–	–
GBP303 million bonds, 5.625% due 2026	–	3,496	3,496	–	–	–
GBP90 million notes, 3.54% due 2030	–	1,039	1,039	–	–	–
GBP350 million bonds, 5.625% due 2033	–	4,039	4,039	–	–	–
GBP248 million bonds, 5.87526% due 2034	8	2,849	2,857	–	–	–
GBP400 million bonds, 6.697% due 2035	–	4,616	4,616	–	–	–
GBP50 million notes, 5.01% due 2036	–	577	577	–	–	–
GBP100 million notes, LIBOR* + 2.33% due 2036	–	1,154	1,154	–	–	–
GBP204 million bonds, RPI# + 2.033% due 2036	–	2,364	2,364	–	–	–
GBP60 million bonds, 6.627% due 2037	9	680	689	–	–	–
GBP80 million bonds, RPI# + 1.6274% due 2041	–	930	930	–	–	–
GBP360 million bonds, 5.125% due 2042	–	4,154	4,154	–	–	–
GBP133 million bonds, RPI# + 1.7118% due 2049	–	1,540	1,540	–	–	–
GBP133 million bonds, RPI# + 1.7484% due 2053	–	1,540	1,540	–	–	–
JPY3,000 million notes, 1.75% due 2019	–	192	192	–	–	–
JPY15,000 million notes, 2.6% due 2027	–	960	960	–	–	–
	22,357	**177,386**	**199,743**	5,693	6,281	11,974
	32,234	**255,369**	**287,603**	18,352	19,522	37,874

* LIBOR represents the London Interbank Offered Rates

\# RPI represents UK Retail Price Index

31 Bank and other debts (continued)

Bank and other debts at principal amount are repayable as follows:

	2015			2014		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Current portion	9,663	–	9,663	12,409	–	12,409
After 1 year, but within 2 years	–	22,594	22,594	–	4,300	4,300
After 2 years, but within 5 years	–	46,556	46,556	–	8,591	8,591
After 5 years	–	6,260	6,260	–	–	–
	9,663	75,410	85,073	12,409	12,891	25,300
Other loans						
Current portion	214	–	214	250	–	250
After 1 year, but within 2 years	–	790	790	–	50	50
After 2 years, but within 5 years	–	735	735	–	300	300
After 5 years	–	1,048	1,048	–	–	–
	214	2,573	2,787	250	350	600
Notes and bonds						
Current portion	22,357	–	22,357	5,693	–	5,693
After 1 year, but within 2 years	–	52,750	52,750	–	1,910	1,910
After 2 years, but within 5 years	–	26,807	26,807	–	2,371	2,371
After 5 years	–	97,829	97,829	–	2,000	2,000
	22,357	177,386	199,743	5,693	6,281	11,974
	32,234	255,369	287,603	18,352	19,522	37,874

The bank and other debts of the Group as at 31 December 2015 are secured to the extent of HK$22,948 million (2014 – nil).

Borrowings with principal amount of HK$92,384 million (2014 – HK$29,777 million) bear interest at floating interest rates and borrowings with principal amount of HK$195,219 million (2014 – HK$8,097 million) bear interest at fixed interest rates.

Borrowings at principal amount are denominated in the following currencies:

	2015 Percentage	2014 Percentage
US dollars	36%	14%
Euro	25%	5%
HK dollars	7%	62%
British Pounds	25%	8%
Other currencies	7%	11%
	100%	100%

31 Bank and other debts (continued)

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2015, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$47,973 million (2014 – HK$2,450 million).

In addition, interest rate swap agreements with notional amount of HK$6,061 million (2014 – nil) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

(a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	2015			2014		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see notes 24 and 27)	547	256	803	–	–	–
	547	256	803	–	–	–
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 24)	–	76	76	–	–	–
Forward foreign exchange contracts (see note 27)	2	–	2	–	–	–
	2	76	78	–	–	–
Derivative financial liabilities						
Interest rate swaps (see note 34)	–	(160)	(160)	–	–	–
Forward foreign exchange contracts (see note 29)	(1)	–	(1)	–	–	–
Other contracts (see note 34)	–	(433)	(433)	–	–	–
	(1)	(593)	(594)	–	–	–
	1	(517)	(516)	–	–	–
Net investment hedges						
Derivative financial assets (see notes 24 and 27)	423	1,902	2,325	–	476	476
Derivative financial liabilities (see notes 29 and 34)	(121)	(19)	(140)	–	–	–
	302	1,883	2,185	–	476	476

32 Interest bearing loans from non-controlling shareholders

	2015 HK$ millions	2014 HK$ millions
Interest bearing loans from non-controlling shareholders	4,827	–

At 31 December 2015, these loans bear interest at rates ranging from Stockholm Interbank Offered Rate ("STIBOR") +1.73% to 11% per annum (2014 – nil). The carrying amount of the borrowings approximates their fair value.

33 Pension plans

	2015 HK$ millions	2014 HK$ millions
Defined benefit assets	–	–
Defined benefit liabilities	4,066	–
Net defined benefit liabilities	4,066	–

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

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The Group's major plans were valued by Towers Watson, qualified actuaries as at 31 December 2015 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2015	2014
Discount rates	0.57%-3.95%	Not applicable
Future salary increases	0.5%-3.0%	Not applicable
Interest credited on two principal plans in Hong Kong	5.0%-6.0%	Not applicable

The amount recognised in the consolidated statement of financial position is determined as follows:

	2015 HK$ millions	2014 HK$ millions
Present value of defined benefit obligations	28,823	–
Fair value of plan assets	24,760	–
	4,063	–
Restrictions on assets recognised	3	–
Net defined benefit liabilities	4,066	–

33 Pension plans (continued)

(a) Defined benefit plans (continued)

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations HK$ millions	Fair value of plan assets HK$ millions	Asset ceiling HK$ millions	Net defined benefit liabilities HK$ millions
At 1 January 2015	–	–	–	–
Relating to subsidiaries acquired (see note 37(c))	30,974	(26,605)	3	4,372
Net charge (credit) to the income statement				
Current service cost	411	32	–	443
Past service cost and gains and losses on settlements	13	–	–	13
Interest cost (income)	534	(456)	–	78
	958	(424)	–	534
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial loss arising from change in demographic assumptions	397	–	–	397
Actuarial gain arising from change in financial assumptions	(1,978)	–	–	(1,978)
Actuarial loss arising from experience adjustment	635	–	–	635
Return on plan assets excluding interest income	–	1,120	–	1,120
Exchange translation differences	(1,164)	999	–	(165)
	(2,110)	2,119	–	9
Contributions paid by the employer	–	(514)	–	(514)
Contributions paid by the employee	57	(57)	–	–
Benefits paid	(698)	698	–	–
Relating to subsidiaries disposed (see note 37(d))	(336)	–	–	(336)
Transfer from (to) other liabilities	(22)	23	–	1
At 31 December 2015	28,823	(24,760)	3	4,066

33 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2015. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4% per annum. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2015, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$11 million (2014 – nil) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2015 (2014 – nil) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 31 December 2012, the ratio of assets to liabilities for the Felixstowe Scheme was 78%. Contributions to fund the deficit were increased and the shortfall was expected to be eliminated by June 2023. The main assumptions in the valuation are an investment return of (i) 5.90% per annum (pre-retirement), (ii) 5.30% per annum and 3.25% per annum (post-retirement for non-pensioners and pensioners respectively), pensionable salary increases of 2.75% per annum and pension increases for pensioners of 2.65% per annum (for service before 6 April 1997), 2.3% per annum (for service between 6 April 1997 and 5 April 2005) and 1.70% per annum (for service after 5 April 2005). The valuation was performed by Lloyd Cleaver, a Fellow of the Institute of Actuaries, of Towers Watson Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for part of its retail operation in the United Kingdom. It is not open to new entrants. The latest formal valuation for funding purposes was carried out on 31 March 2012. This allowed for the cessation of accrual of future defined benefits for all active members on 28 February 2010, from which date final salary linkage was also severed. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 75%. The sponsoring employer will make further additional contributions of £3.7 million per annum up to 30 September 2016 towards the shortfall being corrected by 30 September 2016, assuming the market conditions as at 31 March 2012 remain unchanged. The main assumptions in the valuation are an investment return of 4.1% to 5.7% per annum and pensionable salary increases of 2.0% to 3.2% per annum. The valuation was performed by David Lindsay, a Fellow of the Institute and Faculty of Actuaries, of Aon Hewitt Limited.

33 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2015 Percentage	2014 Percentage
Equity instruments		
Consumer markets and manufacturing	10%	–
Energy and utilities	3%	–
Financial institutions and insurance	9%	–
Telecommunications and information technology	3%	–
Units trust and equity instrument funds	3%	–
Others	12%	–
	40%	–
Debt instruments		
US Treasury notes	1%	–
Government and government guaranteed notes	11%	–
Financial institutions notes	3%	–
Others	7%	–
	22%	–
Qualifying insurance policies	18%	–
Properties	2%	–
Other assets	18%	–
	100%	–

The debt instruments are analysed by issuers' credit rating as follows:

	2015 Percentage	2014 Percentage
Aaa / AAA	29%	–
Aa1 / AA+	12%	–
Aa2 / AA	16%	–
Aa3 / AA-	2%	–
A1 / A+	2%	–
A2 / A	12%	–
Other investment grades	25%	–
No investment grades	2%	–
	100%	–

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

Fair value of plan assets of HK$24,760 million (2014 - nil) includes investments in the Company's shares with a fair value of HK$93 million (2014 - nil).

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

33 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2015 is 17 years (2014 – nil).

The Group expects to make contributions of HK$863 million (2014 – nil) to the defined benefit plans next year.

HKAS 19 "Employee Benefits" requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 4.1% or increase by 4.2% respectively (2014 – nil).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.6% or decrease by 0.6% respectively (2014 – nil).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$732 million (2014 – HK$138 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$1 million (2014 – HK$4 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2015 (2014 – nil) to reduce future years' contributions.

34 Other non-current liabilities

	2015 HK$ millions	2014 HK$ millions
Cash flow hedges		
Interest rate swaps	**160**	–
Other contracts	**433**	–
Net investment hedges	**19**	–
Other derivative financial instruments	**1,172**	–
Obligations for telecommunications licences and other rights	**6,588**	–
Other non-current liabilities	**4,617**	–
Provisions (see note 30)	**35,050**	–
	48,039	–

35 Share capital, share premium, perpetual capital securities and capital management

(a) Share capital and share premium

	Number of shares	Share capital HK$ millions	Share premium HK$ millions	Total HK$ millions
At 1 January 2014 - Cheung Kong	2,316,164,338	1,158	9,331	10,489
Transition to no-par value regime (i)	–	9,331	(9,331)	–
At 31 December 2014 - Cheung Kong	2,316,164,338	10,489	–	10,489
At 1 January 2015 - Cheung Kong	**2,316,164,338**	**10,489**	**–**	**10,489**
Cancellation of the shares of Cheung Kong pursuant to the Reorganisation Proposal	**(2,316,164,338)**	**(10,489)**	**–**	**(10,489)**
Issue of new CK Hutchison shares (ii):				
On incorporation	**1**	**–**	**–**	**–**
Pursuant to the Reorganisation Proposal	**2,316,164,337**	**2,316**	**349,509**	**351,825**
Pursuant to the Merger Proposal	**1,543,514,162**	**1,544**	**258,693**	**260,237**
Distribution In Specie	**–**	**–**	**(363,511)**	**(363,511)**
At 31 December 2015 - CK Hutchison	**3,859,678,500**	**3,860**	**244,691**	**248,551**

(i) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the amounts standing to the credit of the share premium account created under the sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32) have become part of the Cheung Kong's share capital.

(ii) CK Hutchison was incorporated in the Cayman Islands on 11 December 2014 with an authorised share capital of HK$380,000 divided into 380,000 shares of HK$1 par value each. The authorised share capital of CK Hutchison was subsequently increased to HK$8,000,000,000 by the creation of 7,999,620,000 shares of HK$1 par value each on 2 March 2015. On the date of incorporation, 1 share was issued and allotted. During the year, 2,316,164,337 and 1,543,514,162 shares were issued and allotted pursuant to the Reorganisation Proposal and the Merger Proposal respectively.

35 Share capital, share premium, perpetual capital securities and capital management (continued)

(b) Perpetual capital securities

	2015 HK$ millions	2014 HK$ millions
SGD730 million issued in 2011 (i) (iv)	**4,643**	4,647
HK$1,000 million issued in 2012 (i) (iv)	**1,025**	1,025
US$425.3 million issued in 2013 (i) (iv)	**3,373**	3,373
US$1,705 million issued in 2010 (ii) (iii)	**–**	–
US$1,000 million issued in 2012 (ii) (iv)	**7,870**	–
EUR1,750 million issued in 2013 (ii) (iv)	**18,242**	–
	35,153	9,045

(i) In September 2011, July 2012 and January 2013, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amounts of SGD730 million (approximately HK$4,578 million), HK$1,000 million and US$500 million (approximately HK$3,875 million) respectively for cash.

(ii) With completion of the Hutchison Proposal, the Group consolidates perpetual capital securities that were issued by wholly owned subsidiary companies of Hutchison in October 2010, May 2012 and May 2013 with nominal amounts of US$2,000 million (approximately HK$15,600 million), US$1,000 million (approximately HK$7,800 million) and EUR1,750 million (approximately HK$17,879 million) respectively for cash.

(iii) During the year ended 31 December 2015, the Group had redeemed the full amount of the remaining outstanding nominal amount of perpetual capital securities that were originally issued in October 2010.

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

35 Share capital, share premium, perpetual capital securities and capital management (continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2015, total equity amounted to HK$549,111 million (2014 – HK$406,047 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$172,580 million (2014 – net cash of HK$6,433 million). As at 31 December 2015, the Group's net debt to net total capital ratio is 23.7%.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of including loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios (i) at 31 December 2015:

	2015
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**23.7%**
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**24.2%**
B1 – including interest-bearing loans from non-controlling shareholders as debt	**24.4%**
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**24.9%**

(i) Net debt is defined on the Consolidated Statement of Cash Flows. With effect from 1 January 2015, total bank and other debts is defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

36 Other reserves

	Attributable to ordinary shareholders		
	Exchange reserve HK$ millions	Others [a] HK$ millions	Total HK$ millions
At 1 January 2015	(10,334)	22,125	11,791
Other comprehensive income (losses)			
Available-for-sale investments			
Valuation losses recognised directly in reserves	–	(697)	(697)
Valuation gains previously in reserves recognised in income statement	–	(1,039)	(1,039)
Gains on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised in reserves	–	692	692
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	1,783	–	1,783
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(5,044)	–	(5,044)
Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	16,097	(2,368)	13,729
Share of other comprehensive income (losses) of associated companies	(13,604)	402	(13,202)
Share of other comprehensive income (losses) of joint ventures	(2,880)	514	(2,366)
Tax relating to components of other comprehensive income (losses)	–	(6)	(6)
Other comprehensive income (losses)	(3,648)	(2,502)	(6,150)
Cancellation of Cheung Kong shares [b]	–	(341,336)	(341,336)
Share option schemes and long term incentive plans of subsidiary companies	–	(11)	(11)
Relating to deemed disposal of associated companies	–	(19,823)	(19,823)
Relating to purchase of non-controlling interests	–	(14)	(14)
Relating to partial disposal of subsidiary companies	(4)	(478)	(482)
At 31 December 2015	(13,986)	(342,039)	(356,025)

36 Other reserves (continued)

	Attributable to ordinary shareholders		
	Exchange reserve HK$ millions	Others [a] HK$ millions	Total HK$ millions
At 1 January 2014	3,234	4,242	7,476
Other comprehensive income (losses)			
Available-for-sale investments			
Valuation gains recognised directly in reserves	–	462	462
Valuation gains previously in reserves recognised in income statement	–	(313)	(313)
Impairment charged to income statement	–	44	44
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	1,475	–	1,475
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	(737)	–	(737)
Share of other comprehensive income (losses) of associated companies	(12,379)	(699)	(13,078)
Share of other comprehensive income (losses) of joint ventures	(2,531)	(504)	(3,035)
Other comprehensive income (losses)	(14,172)	(1,010)	(15,182)
Share of dilution surplus of an associated company [c]	604	18,893	19,497
At 31 December 2014	(10,334)	22,125	11,791

(a) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2015, revaluation reserve deficit amounted to HK$763 million (1 January 2015 – surplus of HK$2,918 million and 1 January 2014 – surplus of HK$3,538 million), hedging reserve surplus amounted to HK$673 million (1 January 2015 – deficit of HK$35 million and 1 January 2014 – surplus of HK$359 million) and other capital reserves deficit amounted to HK$341,949 million (1 January 2015 – surplus of HK$19,242 million and 1 January 2014 – surplus of HK$345 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

(b) See note (e) on the consolidated statement of changes in equity.

(c) See note (g) on the consolidated statement of changes in equity.

37 Notes to consolidated statement of cash flows

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

	2015 HK$ millions	2014 HK$ millions
Profit after tax	**124,880**	54,608
Less: share of profits less losses of		
Associated companies before profits on disposal of investments and others	**(10,611)**	(28,650)
Joint ventures	**(6,029)**	(4,666)
Associated companies' profits on disposal of investments and others	**196**	(5,020)
	108,436	16,272
Adjustments for:		
Current tax charge	**3,363**	1,283
Deferred tax charge	**277**	36
Interest expenses and other finance costs	**4,346**	328
Depreciation and amortisation	**9,740**	393
Profits on disposal of investments and others (see notes 7 and 11)	**(86,472)**	–
EBITDA of Company and subsidiaries (i)	**39,690**	18,312
Loss on disposal of other unlisted investments	**24**	–
Loss on disposal of fixed assets	**192**	–
Dividends received from associated companies and joint ventures	**12,192**	21,873
Profit on disposal of joint ventures	**(1,377)**	(2,349)
Increase in bank deposits maturing over three months	**–**	(1,822)
Other non-cash items	**(797)**	(4,380)
	49,924	31,634

37 Notes to consolidated statement of cash flows (continued)

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

(i) Reconciliation of EBITDA from continuing operations:

	2015 HK$ millions	2014 HK$ millions
EBITDA of Company and subsidiaries from continuing and discontinued operations	**39,690**	18,312
Less: EBITDA of Company and subsidiaries from discontinued operations	**(5,390)**	(17,205)
EBITDA of Company and subsidiaries from continuing operations	**34,300**	1,107
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies before profits on disposal of investments and others	**7,445**	11,934
Joint ventures	**6,187**	1,831
Associated companies' profits on disposal of investments and others	**(196)**	5,020
Adjustments for:		
Depreciation and amortisation	**15,195**	17,815
Interest expenses and other finance costs	**6,308**	8,619
Current tax charge	**2,960**	4,116
Deferred tax charge (credit)	**(65)**	58
Non-controlling interests	**2,151**	7,108
Profits on disposal of investments and others (see note 7)	**223**	4,088
	40,208	60,589
EBITDA (see notes 6(b) and 6(m))	**74,508**	61,696

(b) Changes in working capital

	2015 HK$ millions	2014 HK$ millions
Decrease in inventories	**2,158**	6,944
Decrease in debtors and prepayments	**5,455**	1,324
Decrease in creditors	**(3,065)**	(672)
Other non-cash items	**(1,716)**	–
	2,832	7,596

37 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

With the completion of the Merger Proposal, the Group completed its acquisition of the remaining 50.03% (which the Group did not previously own) of the issued and outstanding ordinary share capital of Hutchison and an approximately 6.23% (in addition to the approximately 33.96% held by Hutchison) of the common shares of Husky.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised for acquisitions completed during the years.

	Merger Proposal HK$ millions	Others HK$ millions	2015 Total HK$ millions	2014 Total HK$ millions
Fair value				
Fixed assets	89,596	77,444	167,040	–
Investment properties	305	–	305	–
Leasehold land	7,861	–	7,861	–
Telecommunications licences	31,571	–	31,571	–
Brand names and other rights	74,121	9,414	83,535	–
Associated companies	152,041	–	152,041	–
Interests in joint ventures	97,551	67	97,618	–
Deferred tax assets	20,589	–	20,589	–
Other non-current assets	3,382	–	3,382	–
Cash and cash equivalents	106,313	3,490	109,803	–
Liquid funds and other listed investments	11,970	–	11,970	–
Assets held for distribution	191,122	–	191,122	–
Trade and other receivables	52,192	3,102	55,294	–
Inventories	20,981	55	21,036	–
Creditors and current tax liabilities	(93,127)	(9,830)	(102,957)	–
Bank and other debts	(252,516)	(61,681)	(314,197)	–
Interest bearing loans from non-controlling shareholders	(3,151)	(2,538)	(5,689)	–
Deferred tax liabilities	(17,411)	(7,522)	(24,933)	–
Pension obligations	(3,229)	(1,143)	(4,372)	–
Other non-current liabilities	(47,073)	(543)	(47,616)	–
Liabilities held for distribution	(14,286)	–	(14,286)	–
Net identifiable assets acquired	428,802	10,315	439,117	–
Non-controlling interests	(116,575)	(3,612)	(120,187)	–
Perpetual capital securities	(39,116)	–	(39,116)	–
	273,111	6,703	279,814	–
Goodwill	232,785	31,266	264,051	–
Total consideration	505,896	37,969	543,865	–
Purchase consideration transferred:				
Shares issued, at fair value	260,236	–	260,236	–
Fair value of investments held by the Company prior to acquisition	245,660	18,979	264,639	–
Cost of investments held by Hutchison prior to acquisition	–	18,990	18,990	–
	505,896	37,969	543,865	–
Net cash inflow arising from acquisition:				
Cash payment	–	–	–	–
Cash and cash equivalents acquired	(106,313)	(3,490)	(109,803)	–
Total net cash inflow	(106,313)	(3,490)	(109,803)	–

37 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies (continued)

Pursuant to the Merger Proposal, Hutchison and all its subsidiaries became subsidiaries of CK Hutchison. Further details of the acquisition of the remaining 50.03% (which the Group did not previously own) of the issued and outstanding ordinary shares of Hutchison and an approximately 6.23% (in addition to the approximately 33.96% held by Hutchison) of the common shares of Husky, and the nature and financial effects of this acquisition were set out in a circular issued by CK Hutchison dated 31 March 2015, and a scheme document jointly issued by CK Hutchison, CK Global and Hutchison dated 31 March 2015, and in respect of the completion of this acquisition were set out in an announcement jointly issued by CK Hutchison, Cheung Kong Property, CK Global and Hutchison dated 3 June 2015, and an announcement jointly issued by CK Hutchison, CK Global and Hutchison dated 19 May 2015.

As a result of the acquisition of the Hutchison's businesses, the Group becomes a multinational conglomerate of significant size and scale, operating in over 50 countries, in the businesses of the Ports and Related Services, Retail, Infrastructure, Energy, Telecommunication and Finance & Investments and Others. The goodwill recognised is attributable to a number of factors including the expected synergies arising from the enhanced size and scale.

The fair values are provisional due to the complexity of the process. The finalisation of the fair value of the acquired assets and liabilities will be completed in the first half of 2016. The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level. No fair value adjustments arising from acquisitions are recognised at the underlying companies' separate financial statements. Goodwill arising on these acquisitions is recorded at the consolidation level and is not expected to be deductible for tax purposes.

Acquisition related costs of approximately HK$640 million had been charged to income statement during the year and included in the line item titled profits on disposal of investments and others (HK$500 million) and profit after tax from discontinued operations (HK$140 million).

These operations contributed HK$164,309 million of revenue and HK$25,935 million to profit before tax. Also see note 7.

If the combinations had been effective 1 January 2015, the operations would have contributed additional revenue of HK$110,557 million and an increase in profit before tax from continuing operations for the Group of HK$12,715 million.

37 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2015 HK$ millions	2014 HK$ millions
Aggregate net assets disposed at the date of disposal (excluding cash and cash equivalents):		
Fixed assets	**1,532**	–
Leasehold land	**327**	–
Deferred tax assets	**81**	–
Trade and other receivables	**148**	–
Inventories	**63**	–
Creditors and current tax liabilities	**(364)**	–
Bank and other debts	**(117)**	–
Pension obligations	**(336)**	–
Non-controlling interests	**(804)**	–
	530	–
Loss on disposal*	**(9)**	–
	521	–
Less: Investments retained subsequent to disposal	**(1,161)**	–
	(640)	–
Satisfied by:		
Cash and cash equivalents received as consideration	**18**	–
Less: Cash and cash equivalents sold	**(658)**	–
Total net cash consideration	**(640)**	–

* The loss on disposal for the year ended 31 December 2015 is recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed is not material for the year ended 31 December 2015.

37 Notes to consolidated statement of cash flows (continued)

(e) Distribution In Specie to shareholders

Pursuant to the Spin-off Proposal, the Group distributed the Group's entire interests in Cheung Kong Property to the shareholders. Details are set out below.

	2015 HK$ millions
Breakdown of net assets disposed of:	
Assets acquired net of liabilities assumed arising from acquisition of Hutchison (see note 37(c))	176,836
Fixed assets	9,853
Investment properties	33,811
Associated companies	3
Interests in joint ventures	51,074
Liquid funds and other listed investments	7,823
Current assets (including bank balances and cash of HK$14,351 million)	88,523
Current liabilities	(12,047)
Deferred tax liabilities	(1,013)
Non-controlling interests	(2,707)
Book value of net assets distributed	352,156
Deduct cash received	(55,000)
	297,156
One-off non-cash gain recognised on remeasurement of assets (see note 11(a))	18,351
One-off non-cash gain recognised on Distribution In Specie (see note 11(a) and 13(c))	48,004
Distribution In Specie	363,511
Analysis of net cash inflow arising from Distribution In Specie:	
Intercompany loans repaid	55,000
Bank balances and cash disposed	(14,351)
	40,649

38 Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

39 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

(a) Cash management and funding

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

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$131,426 million at 31 December 2015 (2014 – HK$44,307 million). Liquid assets were denominated as to 28% in HK dollars, 40% in US dollars, 8% in Renminbi, 5% in Euro, 11% in British Pounds and 8% in other currencies (2014 – 54% were denominated in HK dollars, 16% in US dollars, 26% in Renminbi and 4% in other currencies).

Cash and cash equivalents represented 92% (2014 – 75%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2014 – 1%) and listed equity securities 4% (2014 – 24%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 61% (2014 – nil), government and government guaranteed notes of 18% (2014 – nil), notes issued by the Group's associated company, Husky Energy of 4% (2014 – nil), notes issued by financial institutions of 2% (2014 – 96%), and others of 15% (2014 – 4%). Of these US Treasury notes and listed / traded debt securities, 80% (2014 – nil) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.0 years (2014 – 0.9 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

39 Financial risk management (continued)

(b) Interest rate exposure

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

At 31 December 2015, approximately 32% (2014 – approximately 79%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 68% (2014 – approximately 21%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$47,973 million (2014 – approximately HK$2,450 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$6,061 million (2014 – nil) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 47% (2014 – approximately 85%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 53% (2014 – approximately 15%) were at fixed rates at 31 December 2015. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

(c) Foreign currency exposure

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

The Group has operations in over 50 countries and conducts businesses in 46 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings.

The Group's total principal amount of bank and other debts are denominated as follows: 36% in US dollars, 25% in Euro, 7% in HK dollars, 25% in British Pounds and 7% in other currencies (2014 – 14% in US dollars, 5% in Euro, 62% in HK dollars, 8% in British Pounds and 11% in other currencies).

(d) Credit exposure

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

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

39 Financial risk management (continued)

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 8% (2014 – approximately 24%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair value. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair value (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 26)
- some of the listed debt securities and managed funds (see note 25) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 25) that bear interest at floating rate
- some of the bank and other debts (see note 31) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 32)

Under these assumptions, the impact of a hypothetical 100 basis points (2014 – 100 basis points) increase in market interest rate at 31 December 2015, with all other variables held constant:

– profit for the year would decrease by HK$384 million (2014 – HK$152 million) due to increase in interest expense;
– total equity would decrease by HK$384 million (2014 – HK$152 million) due to increase in interest expense; and
– total equity would have no material impact due to change in fair value of interest rate swaps (2014 – nil).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward currency contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair value. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7. Changes in the fair value of cash flow currency hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

39 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 26)
- some of the liquid funds and other listed investments (see note 25)
- some of the bank and other debts (see note 31)

Under these assumptions, the impact of a hypothetical 5% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2015		2014	
	Hypothetical increase (decrease) in profit after tax	**Hypothetical increase (decrease) in total equity**	Hypothetical increase (decrease) in profit after tax	Hypothetical increase (decrease) in total equity
	HK$ millions	**HK$ millions**	HK$ millions	HK$ millions
Euro	**(61)**	**(197)**	–	–
British Pounds	**(11)**	**(1,297)**	–	(148)
Australian dollars	**106**	**(294)**	–	–
Renminbi	**190**	**202**	447	447
US dollars	**940**	**940**	–	–
Japanese Yen	**(96)**	**(96)**	–	–

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 25)
- financial assets at fair value through profit or loss (see note 25)

39 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(iii) Other price sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 5% increase in the market price of the Group's available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK$5 million (2014 – HK$63 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$5 million (2014 – HK$63 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$508 million (2014 – HK$527 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions	Difference from carrying amounts HK$ millions	Carrying amounts HK$ millions
At 31 December 2015						
Trade payables	20,393	–	–	20,393	–	20,393
Other payables and accruals	72,366	–	–	72,366	–	72,366
Interest free loans from non-controlling shareholders	951	–	–	951	–	951
Bank loans	9,663	69,150	6,260	85,073	(343)	84,730
Other loans	214	1,525	1,048	2,787	10	2,797
Notes and bonds	22,357	79,557	97,829	199,743	16,282	216,025
Interest bearing loans from non-controlling shareholders	–	2,415	2,412	4,827	–	4,827
Obligations for telecommunications licences and other rights	1,163	3,028	2,970	7,161	(573)	6,588
	127,107	155,675	110,519	393,301	15,376	408,677

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$10,563 million in "within 1 year" maturity band, HK$28,650 million in "after 1 year, but within 5 years" maturity band, and HK$38,153 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

39 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions
At 31 December 2015				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(76)	(139)	(2)	(217)
Forward foreign exchange contracts				
Inflow	18	–	–	18
Outflow	(20)	–	–	(20)
Other contracts				
Net outflow	(8)	(176)	(297)	(481)
Net investment hedges				
Inflow	3,140	1,143	1,713	5,996
Outflow	(3,235)	(1,154)	(1,685)	(6,074)
Other derivative financial instruments				
Net outflow	(164)	(1,090)	(801)	(2,055)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions	Difference from carrying amounts HK$ millions	Carrying amounts HK$ millions
At 31 December 2014						
Trade payables	1,663	–	–	1,663	–	1,663
Other payables and accruals	3,797	–	–	3,797	–	3,797
Bank loans	12,409	12,891	–	25,300	–	25,300
Other loans	250	350	–	600	–	600
Notes and bonds	5,693	4,281	2,000	11,974	–	11,974
	23,812	17,522	2,000	43,334	–	43,334

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$575 million in "within 1 year" maturity band, HK$867 million in "after 1 year, but within 5 years" maturity band, and HK$49 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

39 Financial risk management (continued)

(h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement include the following items:

	2015 HK$ millions	2014 HK$ millions
Change in fair value of financial assets at fair value through profit or loss	(108)	28
Losses arising on derivatives in a designated fair value hedge	(391)	–
Gains arising on adjustment for hedged items in a designated fair value hedge	391	–
Interest income on available-for-sale financial assets	99	55

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

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

	2015		2014	
	Carrying amounts HK$ millions	Fair values HK$ millions	Carrying amounts HK$ millions	Fair values HK$ millions
Financial assets				
Loans and receivables *				
Trade receivables (see note 27)	15,398	15,398	1,781	1,781
Loan receivables (see note 27)	–	–	13	13
Other receivables and prepayments (see note 27)	35,672	35,672	716	716
Unlisted debt securities (see note 24)	436	436	–	–
Loan and other receivables (see note 24)	–	–	301	301
	51,506	51,506	2,811	2,811
Available-for-sale investments #				
Unlisted equity securities (see note 24)	1,518	1,518	177	177
Unlisted debt securities (see note 24)	–	–	318	318
Managed funds, outside Hong Kong (see note 25)	4,773	4,773	–	–
Listed / traded debt securities, outside Hong Kong (see note 25)	1,177	1,177	23	23
Listed equity securities, Hong Kong (see note 25)	2,029	2,029	6,594	6,594
Listed equity securities, outside Hong Kong (see note 25)	2,181	2,181	3,593	3,593
Financial assets at fair value through profit or loss # (see note 25)	95	95	–	–
Held-for-trading investments # (see note 25)	–	–	918	918
	11,773	11,773	11,623	11,623
Fair value hedges #				
Interest rate swaps (see notes 24 and 27)	803	803	–	–
Cash flow hedges #				
Interest rate swaps (see note 24)	76	76	–	–
Forward foreign exchange contracts (see note 27)	2	2	–	–
Net investment hedges # (see notes 24 and 27)	2,325	2,325	476	476
Other derivative financial instruments # (see notes 24 and 27)	50	50	319	319
	3,256	3,256	795	795
	66,535	66,535	15,229	15,229

39 Financial risk management (continued)

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

	2015		2014	
	Carrying amounts HK$ millions	**Fair values HK$ millions**	Carrying amounts HK$ millions	Fair values HK$ millions
Financial liabilities				
Financial liabilities *				
Trade payables (see note 29)	**20,393**	**20,393**	1,663	1,663
Other payables and accruals (see note 29)	**72,366**	**72,366**	3,797	3,797
Bank and other debts (see note 31)	**303,552**	**307,074**	37,874	38,066
Interest free loans from non-controlling shareholders (see note 29)	**951**	**951**	–	–
Interest bearing loans from non-controlling shareholders (see note 32)	**4,827**	**4,827**	–	–
Obligations for telecommunications licences and other rights (see note 34)	**6,588**	**6,588**	–	–
	408,677	**412,199**	43,334	43,526
Cash flow hedges #				
Interest rate swaps (see note 34)	**160**	**160**	–	–
Forward foreign exchange contracts (see note 29)	**1**	**1**	–	–
Other contracts (see note 34)	**433**	**433**	–	–
Net investment hedges # (see notes 29 and 34)	**140**	**140**	–	–
Other derivative financial instruments # (see notes 29 and 34)	**1,172**	**1,172**	191	191
	1,906	**1,906**	191	191
	410,583	**414,105**	43,525	43,717

* carried at amortised costs (see note 39(j)(ii) below)

\# carried at fair value (see note 39(j)(i) below)

39 Financial risk management (continued)

(j) Fair value measurements

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

Fair value hierarchy

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

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

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2015				
Available-for-sale investments				
Unlisted equity securities (see note 24)	–	–	1,518	1,518
Managed funds, outside Hong Kong (see note 25)	4,773	–	–	4,773
Listed / traded debt securities, outside Hong Kong (see note 25)	323	854	–	1,177
Listed equity securities, Hong Kong (see note 25)	2,029	–	–	2,029
Listed equity securities, outside Hong Kong (see note 25)	2,181	–	–	2,181
Financial assets at fair value through profit or loss (see note 25)	–	95	–	95
	9,306	949	1,518	11,773
Fair value hedges				
Interest rate swaps (see notes 24 and 27)	–	803	–	803
Cash flow hedges				
Interest rate swaps (see note 24)	–	76	–	76
Forward foreign exchange contracts (see note 27)	–	2	–	2
Net investment hedges (see notes 24 and 27)	–	2,325	–	2,325
Other derivative financial instruments (see note 24)	–	50	–	50
	–	3,256	–	3,256
Cash flow hedges				
Interest rate swaps (see note 34)	–	(160)	–	(160)
Forward foreign exchange contracts (see note 29)	–	(1)	–	(1)
Other contracts (see note 34)	–	(433)	–	(433)
Net investment hedges (see notes 29 and 34)	–	(140)	–	(140)
Other derivative financial instruments (see note 34)	–	(1,172)	–	(1,172)
	–	(1,906)	–	(1,906)

39 Financial risk management (continued)

(j) Fair value measurements (continued)

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

Fair value hierarchy (continued)

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2014				
Available-for-sale investments				
Unlisted equity securities (see note 24)	–	13	164	177
Unlisted debt securities (see note 24)	–	318	–	318
Listed debt securities, outside Hong Kong (see note 25)	23	–	–	23
Listed equity securities, Hong Kong (see note 25)	6,594	–	–	6,594
Listed equity securities, outside Hong Kong (see note 25)	3,593	–	–	3,593
Held-for-trading investments (see note 25)	918	–	–	918
	11,128	331	164	11,623
Net investment hedges (see note 24)	–	476	–	476
Other derivative financial instruments (see note 27)	–	319	–	319
	–	795	–	795
Other derivative financial instruments (see note 29)	–	(191)	–	(191)
	–	(191)	–	(191)

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

During the year ended 31 December 2015 and 2014, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

(j) Fair value measurements (continued)

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

Level 3 fair values

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

	2015 HK$ millions	2014 HK$ millions
At 1 January	**164**	181
Total gains (losses) recognised in		
Income statement	**(1)**	–
Other comprehensive income	**(442)**	(47)
Additions	**68**	42
Relating to subsidiaries acquired	**1,771**	–
Disposals	**(13)**	(12)
Exchange translation differences	**(29)**	–
At 31 December	**1,518**	164
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**(1)**	–

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

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

(ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table (i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$ millions	**Level 2** HK$ millions	**Level 3** HK$ millions	**Total** HK$ millions
At 31 December 2015				
Bank and other debts	**210,377**	**96,697**	**–**	**307,074**

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2014				
Bank and other debts	–	38,066	–	38,066

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

39 Financial risk management (continued)

(k) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:

(1) are offset in the Group's consolidated statement of financial position; or

(2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	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)	
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2015						
Financial assets						
Trade receivables	83	(63)	20	–	–	20
Other receivables and prepayments	709	(411)	298	–	–	298
Cash flow hedges						
Interest rate swaps	60	–	60	(17)	–	43
Net investment hedges	375	–	375	(140)	–	235
Other derivative financial instruments	50	–	50	(32)	–	18
	1,277	(474)	803	(189)	–	614
Financial liabilities						
Trade payables	(3,967)	429	(3,538)	–	–	(3,538)
Other payables and accruals	(53)	45	(8)	–	–	(8)
Cash flow hedges						
Interest rate swaps	(17)	–	(17)	17	–	–
Net investment hedges	(140)	–	(140)	140	–	–
Other derivative financial instruments	(200)	–	(200)	32	–	(168)
	(4,377)	474	(3,903)	189	–	(3,714)

40 Pledge of assets

At 31 December 2015, assets of the Group totalling HK$28,828 million (2014 – nil) were pledged as security for bank and other debts.

41 Contingent liabilities

At 31 December 2015, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK$3,797 million (2014 – HK$3,423 million).

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

	2015 **HK$ millions**	2014 HK$ millions
To associated companies		
Other businesses	**2,355**	–
To joint ventures		
Property businesses	**–**	1,243
Other businesses	**533**	1,335
	533	2,578

At 31 December 2015, the Group had provided performance and other guarantees of HK$3,557 million (2014 – HK$1,024 million).

42 Commitments

In March 2015, Hutchison entered into an agreement with Telefónica SA to acquire O_2 UK for £9.25 billion cash and deferred upside interest sharing payments of up to £1 billion upon achievement by the combined business of **3** UK and O_2 UK of agreed financial targets. The completion of this transaction is subject to regulatory approval.

Other than the aforementioned commitments, the Group's outstanding commitments contracted for at 31 December 2015, where material, not provided for in the financial statements at 31 December 2015 are as follows:

Capital commitments

(i) Ports and related services – HK$164 million (2014 – nil)
(ii) **3** Group Europe – HK$1,770 million (2014 – nil)
(iii) Telecommunications, Hong Kong and Asia – HK$634 million (2014 – nil)
(iv) Investment in joint ventures – nil (2014 – HK$853 million)
(v) Investment in associated companies – nil (2014 – HK$693 million)
(vi) Other fixed assets – HK$148 million (2014 – HK$7,185 million)
(vii) Others – nil (2014 – HK$63 million)

42 Commitments (continued)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

(a) In the first year - HK$11,508 million (2014 - HK$180 million)

(b) In the second to fifth years inclusive - HK$19,550 million (2014 - HK$248 million)

(c) After the fifth year - HK$32,937 million (2014 - HK$6 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

(a) In the first year - HK$1,173 million (2014 - HK$7 million)

(b) In the second to fifth years inclusive - HK$3,772 million (2014 - nil)

(c) After the fifth year - HK$676 million (2014 - nil)

43 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures as disclosed in notes 21 and 22 are unsecured. Balances totalling HK$18,216 million (2014 - HK$9,349 million) are interest bearing. In addition, during the year, the acquisition of Hutchison resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky with a principal amount of US$25 million which will mature in 2019.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation).

44 Legal proceedings

As at 31 December 2015, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

45 Subsequent events

In March 2016, CKI issued new ordinary shares in connection with an issue of perpetual capital securities for an aggregate principal amount of US$1,200 million. Because these new shares are issued to and held by the fiduciary in connection with the issue of perpetual capital securities these new shares are ignored for the purpose of determining the number of shares held by the public and therefore the Group's profit sharing in CKI continues to be 75.67%.

46 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation into US dollars of these financial statements as of, and for the year ended, 31 December 2015, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

47 Profit before tax

Profit before tax is shown after crediting and charging the following items:

	2015 HK$ millions	2014 HK$ millions
Credits:		
Share of profits less losses of associated companies (including share of profits on disposal of investments and others of HK$196 million of associated companies in 2015 (2014 – HK$5,020 million))		
Listed	**6,984**	16,954
Unlisted	**265**	–
	7,249	16,954
Dividend and interest income from managed funds and other investments		
Listed	**394**	148
Unlisted	**65**	17
Charges:		
Depreciation and amortisation		
Fixed assets	**8,438**	107
Leasehold land	**189**	–
Telecommunications licences	**352**	–
Brand names and other rights	**639**	–
	9,618	107
Inventories write-off	**247**	–
Operating leases		
Properties	**10,923**	147
Hire of plant and machinery	**1,307**	–
Auditors' remuneration		
Audit and audit related work – PricewaterhouseCoopers	**159**	2
– other auditors	**28**	–
Non-audit work – PricewaterhouseCoopers	**56**	–
– other auditors	**16**	–

48 Statement of financial position of the Company, as at 31 December 2015

	2015 HK$ millions	2014 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	355,164	–
Current assets		
Amounts due from subsidiary companies [(b)]	9,362	–
Current liabilities		
Other payables and accruals	2	–
Net current assets	9,360	–
Net assets	**364,524**	–
Capital and reserves		
Share capital (see note 35(a))	3,860	–
Share premium	244,691	–
Reserves [(c)]	115,973	–
Shareholders' funds	**364,524**	–

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

48 Statement of financial position of the Company, as at 31 December 2015 (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 276 to 279.

(b) Amounts due to subsidiary companies are interest-free, unsecured and repayable on demand.

(c) Reserves

	Retained profit HK$ millions
At 11 December 2014 (date of incorporation)	–
Profit for the period	–
At 31 December 2014	**–**
Profit for the year	**118,675**
Dividends paid relating to 2015	**(2,702)**
At 31 December 2015	**115,973**

(d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(e) The net profit of the Company is HK$118,675 million (2014 – loss of HK$51,000) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2015, the Company's share premium and retained profit amounted to HK$244,691 million (2014 – nil) and HK$115,973 million (2014 – accumulated loss of HK$51,000) respectively, and subject to a solvency test, they are available for distribution to shareholders.

49 Approval of financial statements

The financial statements set out on pages 170 to 279 were approved and authorised for issue by the Board of Directors on 17 March 2016.