Notes to the Financial Statements

1 Basis of preparation

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company" or "CK Hutchison") and its subsidiaries (the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirement of the Hong Kong Companies Ordinance Cap. 622. These 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 2.

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 2016. 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.

2 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 2(c) and 2(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 2016 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 2(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.

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.

2 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. Aircrafts 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 these 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	2.5 - 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 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.

(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.

2 Significant accounting policies (continued)

(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 is indication 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

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to seven 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.

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.

2 Significant accounting policies (continued)

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

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 or firm commitments 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. At the same time, the carrying amount of the hedged asset or liability or firm commitments 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. 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.

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. 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.

2 Significant accounting policies (continued)

(p) Inventories

Inventories consist mainly of retail goods. 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.

(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

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 is recognised over the period of the borrowings using the 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.

(u) Share capital

Share capital issued by the Company 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.

2 Significant accounting policies (continued)

(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.

(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.

2 Significant accounting policies (continued)

(aa) Foreign exchange (continued)

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.

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.

2 Significant accounting policies (continued)

(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.

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.

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.

2 Significant accounting policies (continued)

(ad) Revenue recognition (continued)

Mobile and fixed-line telecommunications services (continued)

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.

2 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 2017, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2014-2016 Cycle (i)(ii)	Improvements to HKFRSs
HKAS 7 (Amendments) (i)	Disclosure Initiative
HKAS 12 (Amendments) (i)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 40 (Amendments) (ii)	Transfers of Investment Property
HKFRS 2 (Amendments) (ii)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 (ii)	Financial Instruments
HKFRS 15 and HKFRS 15 (Amendments) (ii)	Revenue from Contracts with Customers
HKFRS 16 (iii)	Leases
HKFRS 10 and HKAS 28 (Amendments) (iv)	Sale or Contribution of Asset between an Investor and its Associate or Joint Venture
IFRIC 22 (ii)	Foreign Currency Transactions and Advance Consideration

(i) Effective for the Group for annual periods beginning on or after 1 January 2017.
(ii) Effective for the Group for annual periods beginning on or after 1 January 2018.
(iii) Effective for the Group for annual periods beginning on or after 1 January 2019.
(iv) 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 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. It is currently anticipated that the application of HKFRS 16 in the future may impact the Group's financial statements. However, 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.

3 Critical accounting estimates and judgements

Note 2 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, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements. The 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.

3 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 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 term of the 3G licences in Italy held by H3G S.p.A. 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 the UK are considered to have an indefinite useful life.

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

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

(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.

3 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 2(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.

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

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

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(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 2(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.

4 Revenue

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

	2016 HK$ millions	2015 HK$ millions
Sales of goods	**152,606**	99,736
Revenue from services	**104,124**	64,872
Interest	**2,979**	2,018
Dividends	**133**	134
	259,842	166,760

5 Operating segment information

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies (including Hutchison Whampoa Limited ("HWL")'s respective items before the completion of the Hutchison Proposal in the comparative year ended 31 December 2015) and joint ventures' respective items. 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. Information about the discontinued operations is not presented in the following operating segment analysis.

Ports and Related Services:
This division had 275 operational berths as at 31 December 2016.

Retail:
The Retail division had 13,331 stores across 25 markets as at 31 December 2016.

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

Husky Energy:
This comprises of the Group's 40.18% interest in Husky Energy, 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").

Following the completion in November 2016 of the formation of a 50 / 50 joint venture, VIP-CKH Luxembourg S.à r.l. (the "Italian Joint Venture"), to jointly own and operate the telecommunications businesses in Italy of 3 Italia S.p.A., a then indirect subsidiary of the Company, and WIND Acquisition Holdings Finance S.p.A., a then wholly-owned subsidiary of VimpelCom Ltd, the Group's share of the results of the Italian Joint Venture is presented in the column headed as Associates and JV. Prior to the completion of the formation of the Italian Joint Venture, the results of the Group's telecommunications businesses in Italy was presented in the column headed as Company and Subsidiaries.

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 6(c) and 6(d)).

5 Operating segment information (continued)

Finance & Investments and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group which are not presented separately and include 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 the returns earned on the Group's holdings of cash and liquid investments.

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK$52 million (2015 - HK$49 million), Hutchison Telecommunications Hong Kong Holdings of HK$297 million (2015 - HK$110 million) and Hutchison Asia Telecommunications of HK$11 million (2015 - HK$9 million).

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

	Revenue							
	Company and Subsidiaries	**Associates and JV**	**2016 Total**		Company and Subsidiaries	Associates and JV	2015 Total	
	HK$ millions	**HK$ millions**	**HK$ millions**	**%**	HK$ millions	HK$ millions	HK$ millions	%
Ports and Related Services #	**24,027**	**8,157**	**32,184**	**9%**	14,732	12,242	26,974	8%
Retail	**121,969**	**29,533**	**151,502**	**41%**	74,587	47,127	121,714	38%
Infrastructure	**19,569**	**33,642**	**53,211**	**14%**	13,085	33,102	46,187	15%
Husky Energy	**–**	**30,467**	**30,467**	**8%**	–	29,620	29,620	9%
3 Group Europe	**58,417**	**3,998**	**62,415**	**17%**	37,517	12,635	50,152	16%
Hutchison Telecommunications Hong Kong Holdings	**12,133**	**–**	**12,133**	**3%**	12,957	4,563	17,520	6%
Hutchison Asia Telecommunications	**8,200**	**–**	**8,200**	**2%**	4,261	1,231	5,492	2%
Finance & Investments and Others	**15,527**	**7,047**	**22,574**	**6%**	9,621	9,038	18,659	6%
	259,842	**112,844**	**372,686**	**100%**	166,760	149,558	316,318	100%
Non-controlling interests' share of HPH Trust's revenue	**–**	**1,017**	**1,017**		–	668	668	
	259,842	**113,861**	**373,703**		166,760	150,226	316,986	

\# includes the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2016. Revenue reduced by HK$1,017 million for 2016 (2015 - HK$668 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

5 Operating segment information (continued)

(b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(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	2016 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%
Ports and Related Services #	7,705	3,934	11,639	13%	4,527	4,949	9,476	13%
Retail	11,949	2,618	14,567	16%	8,007	4,251	12,258	17%
Infrastructure	11,358	19,770	31,128	34%	8,324	18,358	26,682	36%
Husky Energy	–	9,284	9,284	10%	–	6,899	6,899	9%
3 Group Europe	17,242	1,702	18,944	20%	11,174	3,078	14,252	19%
Hutchison Telecommunications Hong Kong Holdings	2,543	64	2,607	3%	1,597	671	2,268	3%
Hutchison Asia Telecommunications	2,298	–	2,298	2%	869	–	869	1%
Finance & Investments and Others	231	1,282	1,513	2%	(198)	1,525	1,327	2%
EBITDA before profits on disposal of investments and others	53,326	38,654	91,980	100%	34,300	39,731	74,031	100%
Non-controlling interests' share of HPH Trust's EBITDA	–	711	711		–	477	477	
EBITDA (see note 36(a))	53,326	39,365	92,691		34,300	40,208	74,508	
Depreciation and amortisation	(16,014)	(13,806)	(29,820)		(9,618)	(15,195)	(24,813)	
Profits on disposal of investments and others (see note 6)	27	(371)	(344)		14,260	(870)	13,390	
Interest expenses and other finance costs	(7,118)	(5,111)	(12,229)		(4,470)	(6,308)	(10,778)	
Current tax	(3,334)	(2,913)	(6,247)		(2,629)	(2,960)	(5,589)	
Deferred tax	(1,217)	(552)	(1,769)		(266)	65	(201)	
Non-controlling interests	(8,904)	(370)	(9,274)		(6,177)	(2,151)	(8,328)	
	16,766	16,242	33,008		25,400	12,789	38,189	

\# includes the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2016. EBITDA reduced by HK$711 million for 2016 (2015 – HK$477 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

5 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 HK$ millions	Associates and JV HK$ millions	2016 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%
Ports and Related Services #	5,019	2,548	7,567	12%	2,986	3,256	6,242	12%
Retail	10,028	2,031	12,059	19%	6,826	3,420	10,246	21%
Infrastructure	7,547	14,615	22,162	36%	5,750	13,420	19,170	39%
Husky Energy	–	3,429	3,429	5%	–	1,796	1,796	4%
3 Group Europe								
EBITDA before the following non-cash items:	17,242	1,702	18,944		11,174	3,078	14,252	
Depreciation	(4,208)	(161)	(4,369)		(2,784)	(1,436)	(4,220)	
Amortisation of licence fees and other rights	(1,567)	(170)	(1,737)		(604)	(240)	(844)	
EBIT - **3** Group Europe	11,467	1,371	12,838	21%	7,786	1,402	9,188	19%
Hutchison Telecommunications Hong Kong Holdings	1,036	19	1,055	2%	745	351	1,096	2%
Hutchison Asia Telecommunications	2,130	–	2,130	3%	869	(248)	621	1%
Finance & Investments and Others	85	1,089	1,174	2%	(280)	1,282	1,002	2%
EBIT before profits on disposal of investments and others	37,312	25,102	62,414	100%	24,682	24,679	49,361	100%
Profits on disposal of investments and others (see note 6)	27	(371)	(344)		14,260	(870)	13,390	
Non-controlling interests' share of HPH Trust's EBIT	–	457	457		–	334	334	
Interest expenses and other finance costs	(7,118)	(5,111)	(12,229)		(4,470)	(6,308)	(10,778)	
Current tax	(3,334)	(2,913)	(6,247)		(2,629)	(2,960)	(5,589)	
Deferred tax	(1,217)	(552)	(1,769)		(266)	65	(201)	
Non-controlling interests	(8,904)	(370)	(9,274)		(6,177)	(2,151)	(8,328)	
	16,766	16,242	33,008		25,400	12,789	38,189	

includes the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2016. EBIT reduced by HK$457 million for 2016 (2015 – HK$334 million for the 7 months from June to December), being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

5 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 HK$ millions	**Associates and JV HK$ millions**	**2016 Total HK$ millions**	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions
Ports and Related Services #	**2,686**	**1,386**	**4,072**	1,541	1,693	3,234
Retail	**1,921**	**587**	**2,508**	1,181	831	2,012
Infrastructure	**3,811**	**5,155**	**8,966**	2,574	4,938	7,512
Husky Energy	**–**	**5,855**	**5,855**	–	5,103	5,103
3 Group Europe	**5,775**	**331**	**6,106**	3,388	1,676	5,064
Hutchison Telecommunications Hong Kong Holdings	**1,507**	**45**	**1,552**	852	320	1,172
Hutchison Asia Telecommunications	**168**	**–**	**168**	–	248	248
Finance & Investments and Others	**146**	**193**	**339**	82	243	325
	16,014	**13,552**	**29,566**	9,618	15,052	24,670
Non-controlling interests' share of HPH Trust's depreciation and amortisation	**–**	**254**	**254**	–	143	143
	16,014	**13,806**	**29,820**	9,618	15,195	24,813

\# includes the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2016. Depreciation and amortisation reduced by HK$254 million for 2016 (2015 HK$143 million for the 7 months from June to December), 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 HK$ millions	**Telecom-munications licences HK$ millions**	**Brand names and other rights HK$ millions**	**2016 Total HK$ millions**	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
Ports and Related Services	**2,858**	**–**	**26**	**2,884**	2,918	–	434	3,352
Retail	**2,403**	**–**	**–**	**2,403**	1,420	–	–	1,420
Infrastructure	**5,532**	**–**	**18**	**5,550**	9,881	–	21	9,902
Husky Energy	**–**	**–**	**–**	**–**	–	–	–	–
3 Group Europe	**7,449**	**427**	**376**	**8,252**	7,130	2,447	11	9,588
Hutchison Telecommunications Hong Kong Holdings	**1,131**	**1,779**	**40**	**2,950**	760	1	6	767
Hutchison Asia Telecommunications	**439**	**1,807**	**–**	**2,246**	20	–	27	47
Finance & Investments and Others	**234**	**–**	**27**	**261**	229	–	41	270
	20,046	**4,013**	**487**	**24,546**	22,358	2,448	540	25,346
Reconciliation item @	**–**	**–**	**–**	**–**	136	–	–	136
	20,046	**4,013**	**487**	**24,546**	22,494	2,448	540	25,482

@ the reconciliation item represents the capital expenditure of the discontinued operation, Property and hotels in the comparative year ended 31 December 2015.

5 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 (α)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2016 Total assets	Segment assets (α)	Deferred tax assets	Investments in associated companies and interests in joint ventures	2015 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and Related Services	72,286	151	25,982	98,419	74,765	440	27,309	102,514
Retail	191,458	871	11,181	203,510	193,879	902	12,409	207,190
Infrastructure	161,567	482	122,900	284,949	188,413	490	131,495	320,398
Husky Energy	–	–	58,709	58,709	–	–	54,434	54,434
3 Group Europe	93,493	14,270	24,365	132,128	127,309	19,001	3	146,313
Hutchison Telecommunications Hong Kong Holdings	26,628	53	459	27,140	26,406	128	433	26,967
Hutchison Asia Telecommunications	5,111	–	–	5,111	2,615	–	–	2,615
Finance & Investments and Others	190,407	29	7,946	198,382	157,770	25	7,885	165,680
	740,950	15,856	251,542	1,008,348	771,157	20,986	233,968	1,026,111
Reconciliation item @	–	–	5,117	5,117	4	–	6,829	6,833
	740,950	15,856	256,659	1,013,465	771,161	20,986	240,797	1,032,944

@ the reconciliation item comprises total assets of HTAL.

5 Operating segment information (continued)

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

	Total liabilities							
	Segment liabilities (p)	Current & non-current borrowings (q) and other non-current liabilities	Current & deferred tax liabilities	2016 Total liabilities	Segment liabilities (p)	Current & non-current borrowings (q) and other non-current liabilities	Current & deferred tax liabilities	2015 Total liabilities
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Ports and Related Services	15,888	15,212	4,485	35,585	17,166	17,085	4,900	39,151
Retail	23,929	12,428	10,322	46,679	24,366	12,832	11,008	48,206
Infrastructure	14,448	72,881	6,120	93,449	14,883	79,748	7,826	102,457
Husky Energy	–	–	–	–	–	–	–	–
3 Group Europe	17,954	12,223	32	30,209	26,360	66,791	4	93,155
Hutchison Telecommunications Hong Kong Holdings	3,615	4,926	579	9,120	4,038	4,590	508	9,136
Hutchison Asia Telecommunications	4,616	16,990	2	21,608	4,248	16,711	1	20,960
Finance & Investments and Others	8,017	220,122	4,486	232,625	7,852	158,661	4,253	170,766
	88,467	354,782	26,026	469,275	98,913	356,418	28,500	483,831
Reconciliation item @	–	–	–	–	2	–	–	2
	88,467	354,782	26,026	469,275	98,915	356,418	28,500	483,833

@ the reconciliation item comprises total liabilities of HTAL.

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	2016 Total		Company and Subsidiaries	Associates and JV	2015 Total	
	HK$ millions	HK$ millions	HK$ millions	%	HK$ millions	HK$ millions	HK$ millions	%
Hong Kong	44,859	5,107	49,966	13%	33,235	16,190	49,425	15%
Mainland China	29,178	6,585	35,763	10%	18,247	13,692	31,939	10%
Europe (s)	127,743	52,906	180,649	49%	81,755	65,163	146,918	47%
Canada (r)	478	29,514	29,992	8%	292	27,959	28,251	9%
Asia, Australia and Others (s)	42,057	11,685	53,742	14%	23,610	17,516	41,126	13%
Finance & Investments and Others	15,527	7,047	22,574	6%	9,621	9,038	18,659	6%
	259,842	112,844	372,686 (1)	100%	166,760	149,558	316,318 (1)	100%

(1) see note 5(a) for reconciliation to total revenue included in the Group's income statement.

5 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	2016 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%
Hong Kong	2,766	2,034	4,800	5%	1,874	2,622	4,496	6%
Mainland China	5,802	4,165	9,967	11%	3,474	5,593	9,067	12%
Europe [s]	34,113	16,789	50,902	55%	22,436	17,894	40,330	55%
Canada [r]	347	8,200	8,547	9%	167	5,115	5,282	7%
Asia, Australia and Others [s]	10,067	6,184	16,251	18%	6,547	6,982	13,529	18%
Finance & Investments and Others	231	1,282	1,513	2%	(198)	1,525	1,327	2%
EBITDA before profits on disposal of investments and others	53,326	38,654	91,980 [2]	100%	34,300	39,731	74,031 [2]	100%

(2) see note 5(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	2016 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JV HK$ millions	2015 Total HK$ millions	%
Hong Kong	927	991	1,918	3%	781	1,440	2,221	4%
Mainland China	4,831	2,662	7,493	12%	2,876	3,832	6,708	14%
Europe [s]	23,669	13,094	36,763	59%	15,989	12,450	28,439	58%
Canada [r]	249	3,120	3,369	5%	92	924	1,016	2%
Asia, Australia and Others [s]	7,551	4,146	11,697	19%	5,224	4,751	9,975	20%
Finance & Investments and Others	85	1,089	1,174	2%	(280)	1,282	1,002	2%
EBIT before profits on disposal of investments and others	37,312	25,102	62,414 [3]	100%	24,682	24,679	49,361 [3]	100%

(3) see note 5(c) for reconciliation to total EBIT included in the Group's income statement.

5 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	2016 Total HK$ millions	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
Hong Kong	1,575	1,779	40	3,394	1,027	1	27	1,055
Mainland China	952	–	–	952	875	–	–	875
Europe [s]	13,876	427	376	14,679	13,097	2,447	11	15,555
Canada	27	–	–	27	893	–	–	893
Asia, Australia and Others [s]	3,382	1,807	44	5,233	6,373	–	461	6,834
Finance & Investments and Others	234	–	27	261	229	–	41	270
	20,046	4,013	487	24,546	22,494 #	2,448	540	25,482

included in the balance for the comparative year ended 31 December 2015 is an amount relating to the discontinued operation, Property and hotels of HK$136 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 [o] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2016 Total assets HK$ millions	Segment assets [o] HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2015 Total assets HK$ millions
Hong Kong	66,608	94	38,123	104,825	74,107	169	42,209	116,485
Mainland China	48,818	479	29,014	78,311	54,277	566	27,132	81,975
Europe [s]	335,587	15,022	87,365	437,974	391,827	19,984	72,039	483,850
Canada [r]	4,732	8	53,543	58,283	4,371	5	47,485	51,861
Asia, Australia and Others [s]	94,798	224	40,668	135,690	88,809	237	44,047	133,093
Finance & Investments and Others	190,407	29	7,946	198,382	157,770	25	7,885	165,680
	740,950	15,856	256,659	1,013,465	771,161	20,986	240,797	1,032,944

5 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 HKFRS.

(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 HKFRS.

(o) 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$116,283 million (2015 – HK$129,905 million), HK$85,976 million (2015 – HK$88,208 million), HK$383,148 million (2015 – HK$419,416 million), HK$58,432 million (2015 – HK$51,711 million) and HK$119,226 million (2015 – HK$115,251 million) respectively. To conform to current year presentation, comparative information for Watsons Turkey has been reclassified to Asia, Australia and Others from Europe.

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

(q) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders. Included in the balance presented under Finance & Investments and Others as at 31 December 2016 are borrowings of HK$66,952 million which are denominated in Euro (2015 – HK$20,412 million and HK$39,870 million borrowings that are denominated in Euro are included in Finance & Investments and Others and **3** Group Europe respectively).

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

(s) To conform to current year presentation, comparative information for Watsons Turkey has been reclassified to Asia, Australia and Others from Europe.

6 Profits on disposal of investments and others

	Attributable to			
	Ordinary shareholders HK$ millions	Holders of perpetual capital securities HK$ millions	Non-controlling interests HK$ millions	Total HK$ millions
Year ended 31 December 2016				
Profits on disposal of investments	**–**	**–**	**–**	**–**
Others				
Impairment of certain ports assets [a]	**(577)**	**–**	**(144)**	**(721)**
Remeasurement gain on interest in a port operation [b]	**598**	**–**	**150**	**748**
HTAL – share of operating losses of joint venture VHA [c]	**(326)**	**–**	**(45)**	**(371)**
	(305)	**–**	**(39)**	**(344)**
Year ended 31 December 2015				
Profits on disposal of investments				
Net gain on remeasurement of the Group's previously held equity interest in HWL and certain interests in co-owned assets	14,260	–	–	14,260
Others				
HTAL – share of operating losses of joint venture VHA [c]	(568)	–	(79)	(647)
	13,692	–	(79)	13,613
Share of former associated company, HWL's profits on disposal of investments and others [d]	(196)	–	–	(196)

(a) In 2016, the Group recognised impairment charge on certain non-core investments held by the ports operation.

(b) It represents a mark-to-market gain realised on the acquisition of an additional interest in an existing port operation.

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

(d) It represents the Group's share of former associated company, HWL's share of operating losses of HK$223 million net of non-controlling interests of HK$27 million of a joint venture VHA.

7 Directors' emoluments

	2016 HK$ millions	2015 HK$ millions
Directors' emoluments	**488**	554

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 2016 and 2015 and do not include the amounts paid to directors as directors' emoluments by HWL and its subsidiaries (the "HWL Group") before the completion of the Merger Proposal during the comparative year ended 31 December 2015, as under the accounting standards such amounts paid by the HWL Group during the period HWL 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$487.61 million (2015 – HK$554.24 million) are set out in note 7(a).

As additional information, payments by the HWL Group in 2015 to directors, who were directors of HWL up to the completion of the Merger Proposal, amounted to HK$488.34 million, of which HK$467.43 million were included in the comparative amount disclosed above and in note 7(a) below and represented the amounts paid by the HWL Group during the period HWL is a subsidiary of the Group, and further details of these payments are set out in note 7(b).

The Company does not have a share 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 (2015 – nil).

In 2016 and 2015, the five individuals whose emoluments were the highest for the year were five directors of the Company.

7 Directors' emoluments (continued)

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

	2016					
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						
Paid by the Company	0.22	4.89	53.87	–	–	58.98
Paid by CKI	0.08	–	30.44	–	–	30.52
	0.30	4.89	84.31	–	–	89.50
FOK Kin Ning, Canning (3)	0.22	11.60	186.99	1.95	–	200.76
CHOW WOO Mo Fong, Susan (3) (11)	0.13	5.08	34.83	1.00	–	41.04
Frank John SIXT (3)	0.22	8.55	42.58	0.75	–	52.10
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	9.59	–	–	11.43
Paid by CKI	0.08	1.80	11.02	–	–	12.90
	0.30	3.42	20.61	–	–	24.33
KAM Hing Lam						
Paid by the Company	0.22	2.42	9.59	–	–	12.23
Paid by CKI	0.08	4.20	11.02	–	–	15.30
	0.30	6.62	20.61	–	–	27.53
LAI Kai Ming, Dominic (3)	0.22	5.82	42.00	1.10	–	49.14
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)	0.35	–	–	–	–	0.35
CHENG Hoi Chuen, Vincent (8) (9) (10)	0.41	–	–	–	–	0.41
Michael David KADOORIE (8)	0.22	–	–	–	–	0.22
LEE Wai Mun, Rose (8)	0.22	–	–	–	–	0.22
William SHURNIAK (8) (9)	0.35	–	–	–	–	0.35
WONG Chung Hin (8) (9) (10)	0.41	–	–	–	–	0.41
WONG Yick-ming, Rosanna (8) (10)	0.28	–	–	–	–	0.28
Total	4.90	45.98	431.93	4.80	–	487.61

7 Directors' emoluments (continued)

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

	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)] [(14)]	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 [(12)]	0.09	4.61	–	0.46	–	5.16
PAU Yee Wan, Ezra [(12)]	0.09	5.23	–	0.52	–	5.84
WOO Chia Ching, Grace [(12)]	0.09	5.23	–	0.52	–	5.84
CHIU Kwok Hung, Justin [(12)]	0.09	4.69	–	0.47	–	5.25
YEH Yuan Chang, Anthony [(8)] [(12)]	0.09	–	–	–	–	0.09
Simon MURRAY [(8)] [(12)]	0.09	–	–	–	–	0.09
CHOW Nin Mow, Albert [(8)] [(12)]	0.09	–	–	–	–	0.09
HUNG Siu-lin, Katherine [(8)] [(9)] [(12)] [(13)]	0.14	–	–	–	–	0.14
CHEONG Ying Chew, Henry [(8)] [(9)] [(12)] [(13)]						
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

7 Directors' emoluments (continued)

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

(1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$5,000 (2015 – HK$5,000). The amount of director's fee shown above is a result of rounding. In 2015, the director's fee of HK$20,958 received by Mr Li Ka-shing from HWL was paid to the Company. This amount was received during the period HWL was an associated company and therefore is not reflected in the amounts above.

(2) In 2015, part of the directors' emoluments in the sum of HK$1,699,719 received by Mr Li Tzar Kuoi, Victor from HWL was paid to the Company. This amount was received during the period HWL was an associated 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) In 2015, part of the directors' emoluments in the sum of HK$750,000 received by Mr Ip Tak Chuen, Edmond from CKI was paid to the Company. This amount was received during the period HWL (the parent company of CKI) was an associated company and therefore is not reflected in the amounts above.

(5) In 2015, part of the directors' emoluments in the sum of HK$736,219 received by Mr Kam Hing Lam from HWL was paid to the Company. This amount was received during the period HWL was an associated 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$2.24 million (2015 – HK$2.32 million).

(9) Member of the Audit Committee.

(10) Member of the Remuneration Committee.

(11) Retired on 1 August 2016.

(12) Resigned on 3 June 2015.

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

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

7 Directors' emoluments (continued)

(b) Additional information – directors' emolument payments made by the HWL Group in 2015:

	2015					
Name of directors of HWL	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 (15) (22) (26)	0.02	–	–	–	–	0.02
LI Tzar Kuoi, Victor (16)						
Paid by HWL	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 (17)	0.09	11.10	202.51	2.28	–	215.98
CHOW WOO Mo Fong, Susan (17)	0.09	8.17	45.22	1.64	–	55.12
Frank John SIXT (17)	0.09	8.19	43.77	0.71	–	52.76
LAI Kai Ming, Dominic (17)	0.09	5.64	43.19	1.04	–	49.96
KAM Hing Lam (18)						
Paid by HWL	0.09	2.35	9.59	–	–	12.03
Paid by CKI	0.08	4.20	10.60	–	–	14.88
Paid to HWL	–	(1.75)	–	–	–	(1.75)
	0.17	4.80	20.19	–	–	25.16
LEE Yeh Kwong, Charles (19) (23)	0.09	–	–	–	–	0.09
George Colin MAGNUS (19) (23)						
Paid by HWL	0.09	–	–	–	–	0.09
Paid by CKI	0.08	–	–	–	–	0.08
	0.17	–	–	–	–	0.17
CHENG Hoi Chuen, Vincent (20) (21) (22) (23) (25) (26)	0.17	–	–	–	–	0.17
Michael David KADOORIE (20) (24)	0.09	–	–	–	–	0.09
LEE Wai Mun, Rose (20) (23)	0.09	–	–	–	–	0.09
William SHURNIAK (20) (21) (23) (25)	0.15	–	–	–	–	0.15
WONG Chung Hin (20) (21) (22) (23) (25) (26)	0.17	–	–	–	–	0.17
Total	1.65	42.60	438.42	5.67	–	488.34

(15) In 2015, no remuneration was paid to Mr Li Ka-shing by HWL during the year other than a director's fee of HK$20,958 which he paid to the Company.

(16) In 2015, part of the directors' emoluments in the sum of HK$1,699,719 received by Mr Li Tzar Kuoi, Victor from HWL was paid to the Company.

(17) In 2015, directors' fees received by these directors from HWL's listed subsidiaries during the period they served as directors that have been paid to HWL are not included in the amounts above.

(18) In 2015, part of the directors' emoluments in the sum of HK$736,219 received by Mr Kam Hing Lam from HWL was paid to the Company.

(19) Non-executive director.

(20) Independent non-executive director. The total emoluments of the independent non-executive directors of HWL are HK$0.67 million.

(21) Member of the Audit Committee of HWL.

(22) Member of the Remuneration Committee of HWL.

(23) Resigned on 8 June 2015.

(24) Resigned on 24 July 2015.

(25) Ceased as Member of the Audit Committee of HWL on 8 June 2015.

(26) Ceased as Member of the Remuneration Committee of HWL on 8 June 2015.

8 Interest expenses and other finance costs

	2016 HK$ millions	2015 HK$ millions
Bank loans and overdrafts	**1,588**	974
Other loans	**200**	118
Notes and bonds	**7,759**	4,914
	9,547	6,006
Interest bearing loans from non-controlling shareholders	**274**	198
	9,821	6,204
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**99**	15
Notional non-cash interest adjustments [(a)]	**(2,480)**	(1,708)
Other finance costs	**4**	55
	7,444	4,566
Less: interest capitalised [(b)]	**(326)**	(96)
	7,118	4,470

(a) Notional non-cash interest adjustments represent notional adjustments to the carrying amount of certain obligations recognised in the consolidated 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 0.4% to 6.2% per annum (2015 – 0.5% to 5.6% per annum).

9 Tax

	2016 HK$ millions	2015 HK$ millions
Current tax charge		
Hong Kong	382	150
Outside Hong Kong	2,952	2,479
	3,334	2,629
Deferred tax charge		
Hong Kong	72	79
Outside Hong Kong	1,145	187
	1,217	266
	4,551	2,895

Hong Kong profits tax has been provided for at the rate of 16.5% (2015 – 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:

	2016 HK$ millions	2015 HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	6,950	7,403
Tax effect of:		
Tax losses not recognised	585	1,278
Tax incentives	–	(108)
Income not subject to tax	(1,077)	(2,730)
Expenses not deductible for tax purposes	1,413	1,874
Recognition of previously unrecognised tax losses	(1,812)	(1,863)
Utilisation of previously unrecognised tax losses	(988)	(693)
Under (over) provision in prior years	72	(512)
Deferred tax assets written off	–	(14)
Other temporary differences	(454)	(951)
Effect of change in tax rate	(138)	(789)
Total tax for the year	4,551	2,895

10 Discontinued operations

As disclosed in the Company's 2015 Annual Report, all of the Group's former interests in the Cheung Kong Property Holdings Limited ("Cheung Kong Property") had been distributed to shareholders pursuant to the Distribution In Specie under the Spin-off Proposal completed in the year ended 31 December 2015. Accordingly the results of the Property and hotels operations are presented as discontinued operations separately from continuing operations in the Company's consolidated income statement and consolidated statement of comprehensive income for year ended 31 December 2015. Set out below is the financial information relating to the results of these discontinued operations for the year ended 31 December 2015, including the results recognised on the remeasurement of assets of these disposal groups.

	2015 HK$ millions
Revenue	9,334
Increase in fair value of investment properties	526
Expenses	(4,468)
Share of profits less losses of associated company	3,166
Share of profits less losses of joint ventures	(158)
Pre-tax profit before remeasurement of assets	8,400
Tax	(745)
After tax profit before remeasurement of assets	7,655
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
Profit from discontinued operations attributable to:	
Non-controlling interests and holders of perpetual capital securities	(133)
Ordinary shareholders	80,381

(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 36(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 HWL 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.

(c) See note 12(c).

11 Earnings per share for profit attributable to ordinary shareholders

	2016	2015
Earnings per share for profit attributable to ordinary shareholders arises from:		
Continuing operations	**HK$ 8.55**	HK$ 11.89
Discontinued operations	**–**	HK$ 25.02
	HK$ 8.55	HK$ 36.91

The calculation of earnings per share is based on profit attributable to ordinary shareholders and on weighted average number of shares outstanding during 2016 and 2015 as follows:

	2016 HK$ millions	2015 HK$ millions
Profit attributable to ordinary shareholders arises from:		
Continuing operations	**33,008**	38,189
Discontinued operations	**–**	80,381
	33,008	118,570
Weighted average number of shares outstanding during 2016 and 2015	**3,859,441,388**	3,212,671,194

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2016 and 2015. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2016 and 2015 did not have a dilutive effect on earnings per share.

12 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2016 HK$ millions	2015 HK$ millions
Distribution paid on perpetual capital securities	**1,486**	1,072

(b) Dividends

	2016 HK$ millions	2015 HK$ millions
Interim dividend, paid of HK$0.735 per share (2015 – HK$0.70 per share)	**2,837**	2,702
Final dividend, proposed of HK$1.945 per share (2015 – HK$1.85 per share)	**7,503**	7,140
	10,340	9,842

In 2016, the calculation of the interim dividend and final dividend is based on 3,859,678,500 shares (2015 – 3,859,678,500 shares) and 3,857,678,500 shares (2015 – 3,859,678,500 shares) in issue respectively.

(c) Other distributions

	2016 HK$ millions	2015 HK$ millions
Distribution In Specie	**–**	363,511

During the year ended 31 December 2015, 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 10(a)).

13 Other comprehensive income (losses)

	2016		
	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	**(537)**	**–**	**(537)**
Valuation losses previously in reserves recognised in income statement	**541**	**–**	**541**
Remeasurement of defined benefit obligations recognised directly in reserves	**(2,239)**	**328**	**(1,911)**
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts			
Losses recognised directly in reserves	**(1,411)**	**188**	**(1,223)**
Gains previously in reserves recognised in initial cost of non-financial items	**(13)**	**2**	**(11)**
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	**6,112**	**–**	**6,112**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(18,423)**	**–**	**(18,423)**
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	**(209)**	**–**	**(209)**
Share of other comprehensive income (losses) of associated companies	**(541)**	**–**	**(541)**
Share of other comprehensive income (losses) of joint ventures	**(11,663)**	**–**	**(11,663)**
	(28,383)	**518**	**(27,865)**

	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)

14 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 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 36(c))	–	27,225	25,265	–	114,550	167,040
Disposals	–	(316)	(4)	–	(663)	(983)
Relating to subsidiaries disposed (see note 36(d))	–	(764)	–	–	(821)	(1,585)
Distribution In Specie (see note 36(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 and 1 January 2016	**–**	**26,294**	**30,091**	**14,274**	**117,203**	**187,862**
Additions	**–**	**1,125**	**1,113**	**1**	**17,807**	**20,046**
Relating to subsidiaries acquired (see note 36(c))	**–**	**26**	**1,690**	**–**	**400**	**2,116**
Disposals	**–**	**(4)**	**(92)**	**(188)**	**(442)**	**(726)**
Relating to subsidiaries disposed (see note 36(d))	**–**	**(1,391)**	**(4,854)**	**(14,087)**	**(4,496)**	**(24,828)**
Transfer from (to) other assets	**–**	**32**	**–**	**–**	**(2,394)**	**(2,362)**
Transfer between categories	**–**	**219**	**6,088**	**–**	**(6,097)**	**210**
Exchange translation differences	**–**	**(1,934)**	**(1,975)**	**–**	**(15,074)**	**(18,983)**
At 31 December 2016	**–**	**24,367**	**32,061**	**–**	**106,907**	**163,335**
Accumulated depreciation and impairment						
At 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 36(d))	–	(3)	–	–	(50)	(53)
Distribution In Specie (see note 36(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 and 1 January 2016	**–**	**442**	**1,997**	**623**	**4,945**	**8,007**
Charge for the year	**–**	**1,114**	**4,041**	**642**	**7,465**	**13,262**
Disposals	**–**	**(2)**	**(42)**	**(7)**	**(172)**	**(223)**
Relating to subsidiaries disposed (see note 36(d))	**–**	**(22)**	**(760)**	**(1,258)**	**(56)**	**(2,096)**
Transfer from (to) other assets	**–**	**3**	**–**	**–**	**(410)**	**(407)**
Transfer between categories	**–**	**18**	**334**	**–**	**(142)**	**210**
Exchange translation differences	**–**	**(106)**	**(258)**	**–**	**(652)**	**(1,016)**
At 31 December 2016	**–**	**1,447**	**5,312**	**–**	**10,978**	**17,737**
Net book value						
At 31 December 2016	**–**	**22,920**	**26,749**	**–**	**95,929**	**145,598**
At 31 December 2015	–	25,852	28,094	13,651	112,258	179,855
At 1 January 2015	9,785	–	–	7,506	163	17,454

(i) Cost and net book value of other assets include HK$19,303 million (2015 – HK$18,993 million) and HK$17,306 million (2015 – HK$18,131 million) respectively relate to the business of Ports and Related Services, and HK$68,749 million (2015 – HK$75,624 million) and HK$64,421 million (2015 – HK$74,002 million) respectively relate to the business of Infrastructure.

14 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:

	2016 **HK$ millions**	2015 HK$ millions
Within 1 year	**3,744**	5,620
After 1 year, but within 5 years	**7,194**	14,360
After 5 years	**1,909**	5,546

15 Investment properties

	2016 **HK$ millions**	2015 HK$ millions
Valuation		
At 1 January	**334**	33,285
Relating to subsidiaries acquired (see note 36(c))	**–**	305
Increase in fair value of investment properties	**10**	555
Distribution In Specie (see note 36(e))	**–**	(33,811)
At 31 December	**344**	334

Investment properties have been fair valued as at 31 December 2016 and 31 December 2015 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2016 and 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.

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.

As at 31 December 2016 and 2015, the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is not material.

16 Leasehold land

	2016 HK$ millions	2015 HK$ millions
Net book value		
At 1 January	**7,215**	–
Relating to subsidiaries acquired (see note 36(c))	**1,877**	7,861
Amortisation for the year	**(416)**	(189)
Relating to subsidiaries disposed (see note 36(d))	**(257)**	(327)
Exchange translation differences	**(264)**	(130)
At 31 December	**8,155**	7,215

17 Telecommunications licences

	2016 HK$ millions	2015 HK$ millions
Net book value		
At 1 January	**32,608**	–
Additions	**4,013**	2,448
Relating to subsidiaries acquired (see note 36(c))	**–**	31,571
Amortisation for the year	**(823)**	(352)
Relating to subsidiaries disposed (see note 36(d))	**(8,899)**	–
Exchange translation differences	**(2,963)**	(1,059)
At 31 December	**23,936**	32,608
Cost	**25,027**	32,960
Accumulated amortisation and impairment	**(1,091)**	(352)
	23,936	32,608

The carrying amount of telecommunications licences primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015.

The Group's telecommunications licences in the UK are considered to have an indefinite useful life and their carrying amount at 31 December 2016 is £1,359 million (2015 – £1,357 million).

18 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2015	–	–	–
Additions	–	540	540
Relating to subsidiaries acquired (see note 36(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 2015 and 1 January 2016	**66,172**	**16,061**	**82,233**
Additions	**–**	**487**	**487**
Transfer from other assets	**–**	**2,304**	**2,304**
Amortisation for the year	**(12)**	**(1,501)**	**(1,513)**
Relating to subsidiaries disposed (see note 36(d))	**(2,099)**	**(2,234)**	**(4,333)**
Exchange translation differences	**(3,941)**	**(1,612)**	**(5,553)**
At 31 December 2016	**60,120**	**13,505**	**73,625**
Cost	**60,139**	**15,049**	**75,188**
Accumulated amortisation	**(19)**	**(1,544)**	**(1,563)**
	60,120	**13,505**	**73,625**

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. At 31 December 2016,

- brand names relate to Retail of approximately HK$49 billion (2015 – HK$52 billion) and Telecommunications of approximately HK$11 billion (2015 – HK$14 billion) are considered to have an indefinite useful life; and

- other rights, which include rights of use of telecommunications network infrastructure sites of HK$750 million (2015 – HK$927 million), operating and service content rights of HK$10,000 million (2015 – HK$11,786 million), resource consents and customer lists of HK$2,755 million (2015 – HK$3,180 million) are amortised over their finite useful lives.

19 Goodwill

	2016 HK$ millions	2015 HK$ millions
Cost		
At 1 January	**261,449**	–
Relating to subsidiaries acquired (see note 36(c))	**27**	264,051
Exchange translation differences	**(6,728)**	(2,602)
At 31 December	**254,748**	261,449

Goodwill primarily arises from the acquisition of the HWL's businesses pursuant to the Merger Proposal in 2015. As at 31 December 2016, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK$114 billion (2015 – HK$114 billion) and CKI of approximately HK$39 billion (2015 – HK$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 17, 18 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 2016 and 2015 indicated no impairment charge was necessary.

As additional information,

(i) the recoverable amount for the purpose of impairment testing for the businesses Retail is based on fair value less costs of disposal 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 5% to 9% (2015 – 6% to 9%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1% to 4% (2015 – 1% to 3%) per annum;

(ii) the recoverable amount for the purpose of impairment testing for CKI is based or fair value less costs of disposal, and is determined by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of CKI shares (Level 3 of the HKFRS 13 fair value hierarchy); 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 the estimated terminal value at the end of the budget period. 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, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices and control premium 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.

20 Associated companies

	2016 HK$ millions	2015 HK$ millions
Unlisted shares	8,553	8,667
Listed shares, Hong Kong	65,803	65,803
Listed shares, outside Hong Kong	78,095	77,405
Share of undistributed post acquisition reserves	(6,636)	(8,712)
	145,815	143,163
Amounts due from associated companies	4,591	5,209
	150,406	148,372

The market value of the above listed investments at 31 December 2016 was HK$114,919 million (2015 – HK$113,173 million), inclusive of HK$38,080 million (2015 – HK$31,467 million) and HK$56,703 million (2015 – HK$59,026 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 40.

Set out below are additional information in respect of the Group's material associated companies in 2016:

	2016 Material associated companies	
	Husky Energy HK$ millions	Power Assets HK$ millions
Dividends received from associated companies	690 [(a)]	2,257
Gross amount of the following items of the associated companies [(b)]:		
Total revenue	75,827	1,288
EBITDA	23,106	15,290
EBIT	8,534	11,168
Other comprehensive income (losses)	4,395	(5,798)
Total comprehensive income	10,565	619
Current assets	25,001	61,871
Non-current assets	219,245	105,083
Current liabilities	18,487	2,641
Non-current liabilities	75,210	8,725
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	146,125	155,588
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, and its carrying amount	58,709	60,479

20 Associated companies (continued)

	Husky Energy HK$ millions	Power Assets HK$ millions	Other associated companies HK$ millions	2016 Total HK$ millions
Group's share of the following items of the associated companies [b]:				
Profits less losses after tax	**2,479**	**2,494**	**1,389**	**6,362**
Other comprehensive income (losses)	**1,766**	**(2,253)**	**(54)**	**(541)**
Total comprehensive income	**4,245**	**241**	**1,335**	**5,821**

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

	2015 Material associated companies		
	HWL [c] HK$ millions	Husky Energy 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] [d]:			
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

20 Associated companies (continued)

	HWL [c]	Husky Energy	Power Assets	Other associated companies	2015 Total
	HK$ millions	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)	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)

(a) Represented stock dividends received from Husky Energy in January 2016.

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

(c) As HWL became a wholly owned subsidiary of the Group during the year ended 31 December 2015, HWL'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 HWL'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.

(d) As additional information, the gross amount of profits less losses after tax arising from discontinued operations of HWL for the year ended 31 December 2015 amounted to HK$6,334 million.

Particulars regarding the principal associated companies are set forth on pages 275 to 278.

21 Interests in joint ventures

	2016 HK$ millions	2015 HK$ millions
Unlisted shares	100,255	75,984
Share of undistributed post acquisition reserves	(7,302)	(474)
	92,953	75,510
Amounts due from joint ventures	13,300	16,915
	106,253	92,425

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 40.

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

	2016 HK$ millions	2015 HK$ millions
Profits less losses after tax [(a)]	10,251	6,187
Other comprehensive income (losses)	(11,663)	(2,349)
Total comprehensive income (losses)	(1,412)	3,838
Capital commitments	1,862	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 6(c) and 6(d)) to separately identify it from the recurring earnings profile.

Particulars regarding the principal joint ventures are set forth on pages 275 to 278.

22 Deferred tax

	2016 HK$ millions	2015 HK$ millions
Deferred tax assets	15,856	20,986
Deferred tax liabilities	23,692	26,062
Net deferred tax liabilities	(7,836)	(5,076)

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

	2016 HK$ millions	2015 HK$ millions
At 1 January	(5,076)	(1,022)
Relating to subsidiaries acquired (see note 36(c))	2	(4,344)
Distribution In Specie (see note 36(e))	–	1,013
Relating to subsidiaries disposed (see note 36(d))	(2,004)	(81)
Transfer to current tax	175	(7)
Net credit (charge) to other comprehensive income	518	(52)
Net credit (charge) to the income statement		
Unused tax losses	(653)	(302)
Accelerated depreciation allowances	161	1,550
Fair value adjustments arising from acquisitions	(194)	(197)
Withholding tax on undistributed profits	(116)	(71)
Other temporary differences	(415)	(1,257)
Exchange translation differences	(234)	(306)
At 31 December	(7,836)	(5,076)

Analysis of net deferred tax assets (liabilities):

	2016 HK$ millions	2015 HK$ millions
Unused tax losses	13,846	18,110
Accelerated depreciation allowances	(9,181)	(10,749)
Fair value adjustments arising from acquisitions	(9,582)	(9,665)
Revaluation of investment properties and other investments	126	86
Withholding tax on undistributed profits	(587)	(499)
Other temporary differences	(2,458)	(2,359)
	(7,836)	(5,076)

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.

22 Deferred tax (continued)

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 2016, the Group has recognised accumulated deferred tax assets amounting to HK$15,856 million (2015 – HK$20,986 million) of which HK$14,270 million (2015 – HK$19,001 million) relates to **3** Group Europe.

Note 3(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$13,837 million at 31 December 2016 (2015 – HK$22,037 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$53,193 million (2015 – HK$99,244 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$32,464 million (2015 – HK$72,464 million) can be carried forward indefinitely and the balances expire in the years:

	2016 **HK$ millions**	2015 HK$ millions
In the first year	**2,404**	5,000
In the second year	**6,525**	2,441
In the third year	**3,947**	6,455
In the fourth year	**4,610**	3,720
After the fourth year	**3,243**	9,164
	20,729	26,780

23 Other non-current assets

	2016 **HK$ millions**	2015 HK$ millions
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**165**	436
Available-for-sale investments		
Unlisted equity securities	**1,059**	1,518
Fair value hedges		
Interest rate swaps	**119**	256
Cash flow hedges		
Interest rate swaps	**–**	76
Forward foreign exchange contracts	**196**	–
Other contracts	**2**	–
Net investment hedges	**3,199**	1,902
Other derivative financial instruments	**356**	50
	5,096	4,238

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.

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.

24 Liquid funds and other listed investments

	2016 HK$ millions	2015 HK$ millions
Available-for-sale investments		
Managed funds, outside Hong Kong	**2,932**	4,773
Listed / traded debt securities, outside Hong Kong	**1,184**	1,177
Listed equity securities, Hong Kong	**1,621**	2,029
Listed equity securities, outside Hong Kong	**58**	2,181
	5,795	10,160
Financial assets at fair value through profit or loss	**159**	95
	5,954	10,255

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

	2016 HK$ millions	2015 HK$ millions
Listed debt securities	**2,765**	4,606
Listed equity securities	**151**	153
Cash and cash equivalents	**16**	14
	2,932	4,773

Included in listed / traded debt securities outside Hong Kong as at 31 December 2016 and 2015 are notes issued by listed associated company, Husky Energy at a principal amount of US$25 million mature in 2019.

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

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

	2016		2015	
	Available-for-sale investments Percentage	**Financial assets at fair value through profit or loss Percentage**	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	**28%**	**–**	30%	–
US dollars	**54%**	**69%**	54%	36%
Other currencies	**18%**	**31%**	16%	64%
	100%	**100%**	100%	100%

24 Liquid funds and other listed investments (continued)

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

	2016 Percentage	2015 Percentage
Credit ratings		
Aaa / AAA	**12%**	14%
Aa1 / AA+	**58%**	66%
Aa3 / AA–	**2%**	2%
Other investment grades	**6%**	4%
Unrated	**22%**	14%
	100%	100%
Sectorial		
US Treasury notes	**58%**	61%
Government and government guaranteed notes	**4%**	18%
Husky Energy notes	**6%**	4%
Financial institutions notes	**3%**	2%
Others	**29%**	15%
	100%	100%
Weighted average maturity	**2 years**	2 years
Weighted average effective yield	**2.35%**	1.88%

25 Cash and cash equivalents

	2016 HK$ millions	2015 HK$ millions
Cash at bank and in hand	**25,461**	28,107
Short term bank deposits	**130,809**	93,064
	156,270	121,171

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

26 Trade and other receivables

	2016 HK$ millions	2015 HK$ millions
Trade receivables	13,202	19,165
Less: provision for estimated impairment losses for bad debts	(2,615)	(3,767)
Trade receivables – net	10,587	15,398
Other receivables and prepayments	34,470	35,672
Fair value hedges		
Interest rate swaps	2	547
Cash flow hedges		
Forward foreign exchange contracts	8	2
Net investment hedges	3,282	423
Other derivative financial instruments	23	–
	48,372	52,042

Trade and other receivables are stated at the expected recoverable amount, net of any provision for 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 2016 (2015 – less than 4%).

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

	2016 HK$ millions	2015 HK$ millions
Less than 31 days	7,260	10,262
Within 31 to 60 days	1,889	1,843
Within 61 to 90 days	771	673
Over 90 days	3,282	6,387
	13,202	19,165

26 Trade and other receivables (continued)

(b) As at 31 December 2016, out of the trade receivables of HK$13,202 million (2015 – HK$19,165 million), HK$8,665 million (2015 – HK$11,808 million) 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$2,615 million (2015 – HK$3,767 million). The ageing analysis of these trade receivables is as follows:

	2016 HK$ millions	2015 HK$ millions
Not past due	**3,878**	3,920
Past due less than 31 days	**985**	651
Past due within 31 to 60 days	**636**	517
Past due within 61 to 90 days	**504**	407
Past due over 90 days	**2,662**	6,313
	8,665	11,808

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

	2016 HK$ millions	2015 HK$ millions
At 1 January	**3,767**	–
Additions	**1,845**	4,137
Utilisations	**(782)**	(224)
Write back	**(255)**	(220)
Relating to subsidiaries disposed	**(1,410)**	(8)
Exchange translation differences	**(550)**	82
At 31 December	**2,615**	3,767

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

	2016 HK$ millions	2015 HK$ millions
Not past due	**2,887**	5,024
Past due less than 31 days	**989**	1,451
Past due within 31 to 60 days	**273**	422
Past due within 61 to 90 days	**129**	168
Past due over 90 days	**259**	292
	4,537	7,357

27 Inventories

	2016 HK$ millions	2015 HK$ millions
Retail stock and others	18,852	19,761

28 Trade and other payables

	2016 HK$ millions	2015 HK$ millions
Trade payables	17,380	20,393
Other payables and accruals	64,002	72,366
Provisions (see note 29)	744	1,017
Interest free loans from non-controlling shareholders	927	951
Cash flow hedges		
Forward foreign exchange contracts	1	1
Net investment hedges	3	121
Other derivative financial instruments	41	–
	83,098	94,849

The Group's five largest suppliers accounted for less than 22% of the Group's cost of purchases for the year ended 31 December 2016 (2015 – less than 29%).

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

	2016 HK$ millions	2015 HK$ millions
Less than 31 days	11,648	12,948
Within 31 to 60 days	3,015	3,234
Within 61 to 90 days	1,327	2,067
Over 90 days	1,390	2,144
	17,380	20,393

29 Provisions

	Provision for commitments, onerous contracts and other guarantees HK$ millions	Closure obligations HK$ millions	Assets retirement obligation HK$ millions	Others HK$ millions	Total HK$ millions
At 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 and 1 January 2016	**34,233**	**493**	**817**	**524**	**36,067**
Additions	**–**	**15**	**6**	**104**	**125**
Interest accretion	**–**	**6**	**24**	**–**	**30**
Utilisations	**(1,767)**	**(80)**	**(107)**	**(24)**	**(1,978)**
Write back	**–**	**(46)**	**–**	**(69)**	**(115)**
Relating to subsidiaries disposed	**–**	**–**	**(62)**	**(95)**	**(157)**
Exchange translation differences	**26**	**(77)**	**(67)**	**(7)**	**(125)**
At 31 December 2016	**32,492**	**311**	**611**	**433**	**33,847**

Provisions are analysed as:

	2016 **HK$ millions**	2015 HK$ millions
Current portion (see note 28)	**744**	1,017
Non-current portion (see note 33)	**33,103**	35,050
	33,847	36,067

The provision for closure obligations represents costs to execute integration 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.

30 Bank and other debts

The carrying amount of bank and other debts comprises 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:

	2016			2015		
	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	**20,612**	**64,371**	**84,983**	9,663	75,410	85,073
Other loans	**669**	**1,569**	**2,238**	214	2,573	2,787
Notes and bonds	**50,312**	**154,514**	**204,826**	22,357	177,386	199,743
Total principal amount of bank and other debts	**71,593**	**220,454**	**292,047**	32,234	255,369	287,603
Unamortised fair value adjustments arising from acquisitions	**336**	**11,647**	**11,983**	1,020	15,383	16,403
Total bank and other debts before the following items [(i)]	**71,929**	**232,101**	**304,030**	33,254	270,752	304,006
Unamortised loan facilities fees and premiums or discounts related to debts	**–**	**(603)**	**(603)**	–	(197)	(197)
Unrealised loss on bank and other debts pursuant to interest rate swap contracts	**(49)**	**(238)**	**(287)**	(238)	(19)	(257)
	71,880	**231,260**	**303,140**	33,016	270,536	303,552

(i) See note 34(c)(i).

30 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2016			2015		
	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	**20,612**	**64,371**	**84,983**	9,663	75,410	85,073
Other loans	**669**	**1,569**	**2,238**	214	2,573	2,787
Notes and bonds						
HK$150 million notes, 5.1% due 2016	**–**	**–**	**–**	150	–	150
HK$330 million notes, 2.45% due 2016	**–**	**–**	**–**	330	–	330
HK$377 million notes, 2.56% due 2016	**–**	**–**	**–**	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**	–	260	260
US$300 million notes, LIBOR* + 0.7% due 2017	**2,340**	**–**	**2,340**	–	2,340	2,340
US$492 million notes – Series B, 7.45% due 2017	**3,837**	**–**	**3,837**	–	3,837	3,837
US$1,000 million notes, 2% due 2017	**7,800**	**–**	**7,800**	–	7,800	7,800
US$1,000 million notes, 3.5% due 2017	**7,800**	**–**	**7,800**	–	7,800	7,800
US$2,000 million notes, 1.625% due 2017	**15,600**	**–**	**15,600**	–	15,600	15,600
US$1,000 million notes, 5.75% due 2019	**–**	**7,800**	**7,800**	–	7,800	7,800
US$1,500 million notes, 7.625% due 2019	**–**	**11,700**	**11,700**	–	11,700	11,700
US$750 million notes, 1.875% due 2021	**–**	**5,850**	**5,850**	–	–	–
US$1,500 million notes, 4.625% due 2022	**–**	**11,700**	**11,700**	–	11,700	11,700
US$500 million notes, 3.25% due 2022	**–**	**3,900**	**3,900**	–	3,900	3,900
US$1,500 million notes, 3.625% due 2024	**–**	**11,700**	**11,700**	–	11,700	11,700
US$500 million notes, 2.75% due 2026	**–**	**3,900**	**3,900**	–	–	–
US$309 million (2015 – US$329 million) notes – Series C, 7.5% due 2027	**–**	**2,410**	**2,410**	–	2,565	2,565
US$1,039 million notes, 7.45% due 2033	**–**	**8,107**	**8,107**	–	8,107	8,107
US$25 million notes-Series D, 6.988% due 2037	**–**	**196**	**196**	–	196	196
SGD180 million notes, 2.585% due 2016	**–**	**–**	**–**	994	–	994
SGD320 million notes, 3.408% due 2018	**–**	**1,718**	**1,718**	–	1,767	1,767
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	**10,100**	**–**	**10,100**	–	10,588	10,588
EUR1,500 million notes, 1.375% due 2021	**–**	**12,120**	**12,120**	–	12,705	12,705
EUR750 million notes, 3.625% due 2022	**–**	**6,060**	**6,060**	–	6,353	6,353

30 Bank and other debts (continued)

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

	2016			2015		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
EUR1,350 million notes, 1.25% due 2023	–	10,908	10,908	–	–	–
EUR1,000 million notes, 0.875% due 2024	–	8,080	8,080	–	–	–
EUR650 million notes, 2% due 2028	–	5,252	5,252	–	–	–
GBP113 million bonds, 5.625% due 2017	1,088	–	1,088	–	1,305	1,305
GBP180 million (2015 - GBP300 million) bonds, 6% due 2017	1,732	–	1,732	–	3,462	3,462
GBP300 million bonds, 5.831% due 2020	–	2,886	2,886	–	3,462	3,462
GBP100 million notes, 5.82% due 2021	–	962	962	–	1,154	1,154
GBP350 million bonds, 6.875% due 2023	–	3,367	3,367	–	4,039	4,039
GBP400 million bonds, 6.359% due 2025	–	3,848	3,848	–	4,616	4,616
GBP33 million notes, 2.56% due 2026	–	317	317	–	–	–
GBP300 million bonds, 1.625% due 2026	–	2,886	2,886	–	–	–
GBP303 million bonds, 5.625% due 2026	–	2,914	2,914	–	3,496	3,496
GBP45 million notes, 2.56% due 2028	–	433	433	–	–	–
GBP90 million notes, 3.54% due 2030	–	866	866	–	1,039	1,039
GBP22 million notes, 2.83% due 2031	–	212	212	–	–	–
GBP350 million bonds, 5.625% due 2033	–	3,367	3,367	–	4,039	4,039
GBP247 million (2015 - GBP248 million) bonds, 5.87526% due 2034	11	2,364	2,375	8	2,849	2,857
GBP400 million bonds, 6.697% due 2035	–	3,848	3,848	–	4,616	4,616
GBP50 million notes, 5.01% due 2036	–	481	481	–	577	577
GBP100 million notes, LIBOR* + 2.33% due 2036	–	962	962	–	1,154	1,154
GBP207 million (2015 - GBP204 million) bonds, RPI# + 2.033% due 2036	–	1,997	1,997	–	2,364	2,364
GBP59 million (2015 - GBP60 million) bonds, 6.627% due 2037	4	562	566	9	680	689
GBP82 million (2015 - GBP80 million) bonds, RPI# + 1.6274% due 2041	–	786	786	–	930	930
GBP360 million bonds, 5.125% due 2042	–	3,463	3,463	–	4,154	4,154
GBP135 million (2015 - GBP133 million) bonds, RPI# + 1.7118% due 2049	–	1,301	1,301	–	1,540	1,540
GBP135 million (2015 - GBP133 million) bonds, RPI# + 1.7484% due 2053	–	1,301	1,301	–	1,540	1,540
JPY3,000 million notes, 1.75% due 2019	–	205	205	–	192	192
JPY15,000 million notes, 2.6% due 2027	–	1,025	1,025	–	960	960
	50,312	154,514	204,826	22,357	177,386	199,743
	71,593	220,454	292,047	32,234	255,369	287,603

* LIBOR represents the London Interbank Offered Rates

\# RPI represents UK Retail Price Index

30 Bank and other debts (continued)

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

	2016			2015		
	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	**20,612**	**–**	**20,612**	9,663	–	9,663
After 1 year, but within 2 years	**–**	**8,097**	**8,097**	–	22,594	22,594
After 2 years, but within 5 years	**–**	**52,669**	**52,669**	–	46,556	46,556
After 5 years	**–**	**3,605**	**3,605**	–	6,260	6,260
	20,612	**64,371**	**84,983**	9,663	75,410	85,073
Other loans						
Current portion	**669**	**–**	**669**	214	–	214
After 1 year, but within 2 years	**–**	**218**	**218**	–	790	790
After 2 years, but within 5 years	**–**	**528**	**528**	–	735	735
After 5 years	**–**	**823**	**823**	–	1,048	1,048
	669	**1,569**	**2,238**	214	2,573	2,787
Notes and bonds						
Current portion	**50,312**	**–**	**50,312**	22,357	–	22,357
After 1 year, but within 2 years	**–**	**2,235**	**2,235**	–	52,750	52,750
After 2 years, but within 5 years	**–**	**43,761**	**43,761**	–	26,807	26,807
After 5 years	**–**	**108,518**	**108,518**	–	97,829	97,829
	50,312	**154,514**	**204,826**	22,357	177,386	199,743
	71,593	**220,454**	**292,047**	32,234	255,369	287,603

The bank and other debts of the Group as at 31 December 2016 are secured to the extent of HK$19,920 million (2015 – HK$22,948 million).

Borrowings with principal amount of HK$91,799 million (2015 – HK$92,384 million) bear interest at floating interest rates and borrowings with principal amount of HK$200,248 million (2015 – HK$195,219 million) bear interest at fixed interest rates.

Borrowings at principal amount are denominated in the following currencies:

	2016 Percentage	2015 Percentage
US dollars	**41%**	36%
Euro	**27%**	25%
HK dollars	**5%**	7%
British Pounds	**21%**	25%
Other currencies	**6%**	7%
	100%	100%

30 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 2016, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$25,200 million (2015 – HK$47,973 million).

In addition, interest rate swap agreements with notional amount of HK$8,678 million (2015 – HK$6,061 million) were 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:

	2016			2015		
	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 23 and 26)	**2**	**119**	**121**	547	256	803
	2	**119**	**121**	547	256	803
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 23)	**–**	**–**	**–**	–	76	76
Forward foreign exchange contracts (see notes 23 and 26)	**8**	**196**	**204**	2	–	2
Other contracts (see note 23)	**–**	**2**	**2**	–	–	–
	8	**198**	**206**	2	76	78
Derivative financial liabilities						
Interest rate swaps (see note 33)	**–**	**(550)**	**(550)**	–	(160)	(160)
Forward foreign exchange contracts (see note 28)	**(1)**	**–**	**(1)**	(1)	–	(1)
Other contracts (see note 33)	**–**	**(402)**	**(402)**	–	(433)	(433)
	(1)	**(952)**	**(953)**	(1)	(593)	(594)
	7	**(754)**	**(747)**	1	(517)	(516)
Net investment hedges						
Derivative financial assets (see notes 23 and 26)	**3,282**	**3,199**	**6,481**	423	1,902	2,325
Derivative financial liabilities (see notes 28 and 33)	**(3)**	**–**	**(3)**	(121)	(19)	(140)
	3,279	**3,199**	**6,478**	302	1,883	2,185

31 Interest bearing loans from non-controlling shareholders

	2016 HK$ millions	2015 HK$ millions
Interest bearing loans from non-controlling shareholders	**4,283**	4,827

At 31 December 2016, these loans bear interest at rates ranging from Stockholm Interbank Offered Rate ("STIBOR") + 1.73% to 11% per annum (2015 – STIBOR + 1.73% to 11%). The carrying amount of the borrowings approximates their fair value.

32 Pension plans

	2016 HK$ millions	2015 HK$ millions
Defined benefit assets	**–**	–
Defined benefit liabilities	**5,369**	4,066
Net defined benefit liabilities	**5,369**	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 contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

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

	2016	2015
Discount rates	**0.29%-2.80%**	0.57%-3.95%
Future salary increases	**0.5%-4.0%**	0.5%-3.0%
Interest credited on two principal plans in Hong Kong	**5.0%-6.0%**	5.0%-6.0%

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

	2016 HK$ millions	2015 HK$ millions
Present value of defined benefit obligations	**29,392**	28,823
Fair value of plan assets	**24,026**	24,760
	5,366	4,063
Restrictions on assets recognised	**3**	3
Net defined benefit liabilities	**5,369**	4,066

32 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 2016	28,823	(24,760)	3	4,066
Net charge (credit) to the income statement				
Current service cost	624	44	–	668
Past service cost and gains and losses on settlements	(331)	–	–	(331)
Interest cost (income)	830	(741)	–	89
	1,123	(697)	–	426
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(49)	–	–	(49)
Actuarial loss arising from change in financial assumptions	4,721	–	–	4,721
Actuarial gain arising from experience adjustment	(425)	–	–	(425)
Return on plan assets excluding interest income	–	(1,962)	–	(1,962)
Exchange translation differences	(3,473)	3,077	–	(396)
	774	1,115	–	1,889
Contributions paid by the employer	–	(862)	–	(862)
Contributions paid by the employee	100	(100)	–	–
Benefits paid	(1,266)	1,266	–	–
Relating to subsidiaries disposed (see note 36(d))	(146)	–	–	(146)
Transfer from (to) other liabilities	(16)	12	–	(4)
At 31 December 2016	29,392	(24,026)	3	5,369

32 Pension plans (continued)

(a) Defined benefit plans (continued)

	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 36(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 36(d))	(336)	–	–	(336)
Transfer from (to) other liabilities	(22)	23	–	1
At 31 December 2015	28,823	(24,760)	3	4,066

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above 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. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. 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. Funding requirements of the Group's major defined benefit pension plans are detailed below.

32 Pension plans (continued)

(a) Defined benefit plans (continued)

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 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 5.5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2016, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$15 million (2015 – HK$11 million) were used to reduce the current year's level of contributions and HK$1 million forfeited contribution was available at 31 December 2016 (2015 – nil) to reduce future years' contributions.

The Group operates three contributory defined benefit pension plans for its ports operation in the United Kingdom. The plans are all final salary in nature and they are not open to new entrants. Of the three plans, the Port of Felixstowe Pension Plan ("Felixstowe Scheme") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2015 reported a funding level of 86% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP7.5 million and 2.7% of active members' pensionable salaries in 2016 and agreed to make additional contributions of GBP7.5 million per annum until 30 June 2023 and 2.7% of active members' pensionable salaries per annum until 30 September 2018 to eliminate the shortfall by 30 June 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 5% per annum; post-retirement discount rate of 4.45% per annum for non-pensioners and 2.9% per annum for pensioners; pensionable earnings increases of 2.8% per annum; pre-retirement Retail Price Index ("RPI") inflation of 2.8% per annum; post-retirement RPI inflation of 4.05% per annum for non-pensioners and 2.6% per annum for pensioners; pre-retirement Consumer Price Index ("CPI") inflation of 1.8% per annum; post-retirement CPI inflation of 3.05% per annum for non-pensioners and 1.6% per annum for pensioners; and pension increases of 2% to 3.5% per annum for non-pensioners and 1.4% to 2.55% per annum for pensioners. The valuation was prepared by Lloyd Cleaver, a Fellow of the Institute and Faculty 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 payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As 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 annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2015 reported a funding level of 75% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP3.7 million in 2015 and GBP5.4 million in 2016, and agreed to make additional contributions of GBP5.5 million per annum until 31 December 2023, to eliminate the shortfall by 31 December 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 2.85% to 4.7% per annum and pension increases of 2.05% to 3.25% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

In addition, the Group operates three defined benefit pension plans for certain of its infrastructure operation in the United Kingdom. Of the three plans, the Northumbrian Water Pension Scheme ("NWPS") is the principal plan. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2013 reported a funding level of 83.1% of the accrued actuarial liabilities on an ongoing basis. The valuation used the projected unit credit method and the main assumptions in the valuation are a pre-retirement discount rates of 1.6% per annum above relevant fixed interest government bonds; post-retirement discount rate of 0.7% per annum above relevant fixed interest government bonds; and salary growth of 0.25% per annum above RPI inflation plus an allowance for promotional pay increases. Subsequent to the valuation date, certain changes to the scheme have been agreed with members to take effect from 1 January 2016. The main changes to the scheme were to base benefits from a final salary basis to a career average revalued earnings basis. The sponsoring employers have agreed, with effect from 1 April 2015 to 31 March 2031, to make additional contributions of GBP11 million per annum to eliminate the shortfall by 31 March 2031. These contributions will increase annually each 1 April with the increase in RPI over the 12 months to the preceding November. The valuation was prepared by Martin Potter, a Fellow of the Institute and Faculty of Actuaries, of Hymans Robertson LLP.

32 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2016 Percentage	2015 Percentage
Equity instruments		
Consumer markets and manufacturing	**8%**	10%
Energy and utilities	**3%**	3%
Financial institutions and insurance	**7%**	9%
Telecommunications and information technology	**3%**	3%
Units trust and equity instrument funds	**4%**	3%
Others	**10%**	12%
	35%	40%
Debt instruments		
US Treasury notes	**1%**	1%
Government and government guaranteed notes	**15%**	11%
Financial institutions notes	**2%**	3%
Others	**8%**	7%
	26%	22%
Qualifying insurance policies	**20%**	18%
Properties	**9%**	2%
Other assets	**10%**	18%
	100%	100%

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

	2016 Percentage	2015 Percentage
Aaa / AAA	**8%**	29%
Aa1 / AA+	**8%**	12%
Aa2 / AA	**49%**	16%
Aa3 / AA–	**1%**	2%
A1 / A+	**1%**	2%
A2 / A	**10%**	12%
Other investment grades	**19%**	25%
No investment grades	**4%**	2%
	100%	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$24,026 million (2015 – HK$24,760 million) includes investments in the Company's shares with a fair value of HK$27 million (2015 – HK$93 million).

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.

32 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2016 is 18 years (2015 – 17 years).

The Group expects to make contributions of HK$924 million (2015 – HK$863 million) 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 HKAS 19 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 3.9% or increase by 3.8% respectively (2015 – decrease by 4.1% or increase by 4.2% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.5% or decrease by 0.4% respectively (2015 – increase by 0.6% or decrease by 0.6% respectively).

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$1,039 million (2015 – HK$732 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$9 million (2015 – HK$1 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2016 (2015 – nil) to reduce future years' contributions.

33 Other non-current liabilities

	2016 HK$ millions	2015 HK$ millions
Cash flow hedges		
Interest rate swaps	**550**	160
Other contracts	**402**	433
Net investment hedges	**–**	19
Other derivative financial instruments	**1,810**	1,172
Obligations for telecommunications licences and other rights	**5,850**	6,588
Other non-current liabilities	**5,644**	4,617
Provisions (see note 29)	**33,103**	35,050
	47,359	48,039

34 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 2015 – Cheung Kong	2,316,164,338	10,489	–	10,489
Cancellation of the shares of Cheung Kong pursuant to the Reorganisaton Proposal	(2,316,164,338)	(10,489)	–	(10,489)
Issue of new CK Hutchison shares [(i)]:				
On incorporation	1	–	–	–
Pursuant to the Reorganisaton 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 and 1 January 2016 – CK Hutchison	**3,859,678,500**	**3,860**	**244,691**	**248,551**
Buy-back and cancellation of issued shares [(ii)]	**(2,000,000)**	**(2)**	**(186)**	**(188)**
At 31 December 2016	**3,857,678,500**	**3,858**	**244,505**	**248,363**

(i) 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 comparative year ended 31 December 2015, 2,316,164,337 and 1,543,514,162 shares were issued and allotted pursuant to the Reorganisation Proposal and the Merger Proposal respectively.

(ii) The Company acquired a total of 2,000,000 of its own shares through purchases on the Stock Exchange on 17 and 18 November 2016. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK$189 million and has been deducted from share capital and share premium of HK$188 million and retained profit of HK$1 million.

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

(b) Perpetual capital securities

	2016 HK$ millions	2015 HK$ millions
SGD730 million issued in 2011	–	4,643
US$1,000 million issued in 2012	7,870	7,870
HK$1,000 million issued in 2012	1,025	1,025
US$425.3 million issued in 2013*	3,373	3,373
EUR1,750 million issued in 2013	18,242	18,242
	30,510	35,153

In September 2011, May 2012, July 2012, January 2013 and May 2013, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of SGD730 million (approximately HK$4,578 million), US$1,000 million (approximately HK$7,800 million), HK$1,000 million, US$500 million (approximately HK$3,875 million) and EUR1,750 million (approximately HK$17,879 million) respectively for cash.

During the year, the Group had redeemed SGD730 million nominal amount of perpetual capital securities that were originally issued in September 2011. During the year ended 31 December 2015, the Group had redeemed the full amount of the remaining outstanding nominal amount of perpetual capital securities amounting to US$1,705 million that were originally issued in October 2010.

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.

* US$74.7 million nominal values of perpetual capital securities were repurchased during the year ended 31 December 2013.

34 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 2016, total equity amounted to HK$544,190 million (2015 – HK$549,111 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$141,806 million (2015 – HK$172,580 million). The Group's net debt to net total capital ratio decreased to 20.5% from 23.7% at the end of last year.

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:

	2016	2015
A1 – excluding interest-bearing loans from non-controlling shareholders from debt	**20.5%**	23.7%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**21.7%**	24.2%
B1 – including interest-bearing loans from non-controlling shareholders as debt	**21.1%**	24.4%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**22.3%**	24.9%

(i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net 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.

35 Reserves

	Attributable to ordinary shareholders			
	Retained profit HK$ millions	Exchange reserve HK$ millions	Others [a] HK$ millions	Total HK$ millions
At 1 January 2016	500,909	(13,986)	(342,039)	144,884
Profit for the year	33,008	–	–	33,008
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation losses recognised directly in reserves	–	–	(506)	(506)
Valuation losses previously in reserves recognised in income statement	–	–	462	462
Remeasurement of defined benefit obligations recognised directly in reserves	(1,590)	–	–	(1,590)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts				
Losses recognised directly in reserves	–	–	(1,180)	(1,180)
Gains previously in reserves recognised in initial cost of non-financial items	–	–	(12)	(12)
Gains on net investment hedges arising from forward foreign currency contracts recognised directly in reserves	–	5,128	–	5,128
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	–	(15,590)	–	(15,590)
Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	(323)	(24)	194	(153)
Share of other comprehensive income (losses) of associated companies	(453)	659	(175)	31
Share of other comprehensive income (losses) of joint ventures	(1,101)	(7,021)	(1,281)	(9,403)
Tax relating to components of other comprehensive income (losses)	232	–	153	385
Other comprehensive income (losses)	(3,235)	(16,848)	(2,345)	(22,428)
Dividends paid relating to 2015	(7,140)	–	–	(7,140)
Dividends paid relating to 2016	(2,837)	–	–	(2,837)
Transaction costs in relation to equity contribution from non-controlling interests	(87)	–	–	(87)
Buy-back and cancellation of issued shares (see note 34(a)(ii))	(1)	–	–	(1)
Share option schemes and long term incentive plans of subsidiary companies	–	–	5	5
Unclaimed dividends write back	5	–	–	5
Relating to purchase of non-controlling interests	–	–	(1,065)	(1,065)
Relating to partial disposal of subsidiary companies	(6)	2	1,466	1,462
At 31 December 2016	520,616	(30,832)	(343,978)	145,806

35 Reserves (continued)

	Attributable to ordinary shareholders			
	Retained profit HK$ millions	Exchange reserve HK$ millions	Others [(a)] HK$ millions	Total HK$ millions
At 1 January 2015	371,865	(10,334)	22,125	383,656
Profit for the year	118,570	–	–	118,570
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)
Remeasurement of defined benefit obligations recognised directly in reserves	(66)	–	–	(66)
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	(34)	(13,604)	402	(13,236)
Share of other comprehensive income (losses) of joint ventures	473	(2,880)	514	(1,893)
Tax relating to components of other comprehensive income (losses)	(40)	–	(6)	(46)
Other comprehensive income (losses)	333	(3,648)	(2,502)	(5,817)
Cancellation of Cheung Kong shares [(b)]	–	–	(341,336)	(341,336)
Dividends paid relating to 2014	(6,985)	–	–	(6,985)
Dividends paid relating to 2015	(2,702)	–	–	(2,702)
Share option schemes and long term incentive plans of subsidiary companies	–	–	(11)	(11)
Unclaimed dividends write back	5	–	–	5
Relating to deemed disposal of associated companies [(c)]	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	500,909	(13,986)	(342,039)	144,884

(a) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2016, revaluation reserve deficit amounted to HK$792 million (1 January 2016 – HK$763 million and 1 January 2015 – surplus of HK$2,918 million), hedging reserve deficit amounted to HK$1,982 million (1 January 2016 – surplus of HK$673 million and 1 January 2015 – deficit of HK$35 million) and other capital reserves deficit amounted to HK$341,204 million (1 January 2016 – HK$341,949 million and 1 January 2015 – surplus of HK$19,242 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 (c) on the consolidated statement of changes in equity.

(c) Mainly related to deemed disposal of the Group's previously held equity interest in HWL and certain interests in co-owned assets.

36 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

	2016 HK$ millions	2015 HK$ millions
Profit after tax	**41,912**	124,880
Less: share of profits less losses of		
Associated companies before profits on disposal of investments and others	**(6,362)**	(10,611)
Joint ventures	**(10,251)**	(6,029)
Associated companies' profits on disposal of investments and others	**–**	196
	25,299	108,436
Adjustments for:		
Current tax charge	**3,334**	3,363
Deferred tax charge	**1,217**	277
Interest expenses and other finance costs	**7,118**	4,346
Depreciation and amortisation	**16,014**	9,740
Profits on disposal of investments and others (see notes 6 and 10)	**344**	(86,472)
EBITDA of Company and subsidiaries [i]	**53,326**	39,690
Loss on disposal of other unlisted investments	**25**	24
Loss on disposal of fixed assets	**116**	192
Dividends received from associated companies and joint ventures	**8,747**	12,192
Profit on disposal of subsidiaries and joint ventures	**(401)**	(1,377)
Other non-cash items	**238**	(797)
	62,051	49,924

36 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:

	2016 HK$ millions	2015 HK$ millions
EBITDA of Company and subsidiaries from continuing and discontinued operations	**53,326**	39,690
Less: EBITDA of Company and subsidiaries from discontinued operations	**–**	(5,390)
EBITDA of Company and subsidiaries from continuing operations	**53,326**	34,300
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	**6,362**	7,445
Joint ventures	**10,251**	6,187
Associated companies' profits on disposal of investments and others	**–**	(196)
Adjustments for:		
Depreciation and amortisation	**13,806**	15,195
Interest expenses and other finance costs	**5,111**	6,308
Current tax charge	**2,913**	2,960
Deferred tax charge (credit)	**552**	(65)
Non-controlling interests	**370**	2,151
Profits on disposal of investments and others (see note 6)	**–**	223
	39,365	40,208
EBITDA (see notes 5(b) and 5(m))	**92,691**	74,508

(b) Changes in working capital

	2016 HK$ millions	2015 HK$ millions
Decrease (increase) in inventories	**(581)**	2,158
Decrease (increase) in debtors and prepayments	**(3,046)**	5,455
Decrease in creditors	**(605)**	(3,065)
Other non-cash items	**(4,618)**	(1,716)
	(8,850)	2,832

36 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

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

	2016 HK$ millions	2015 HK$ millions
Purchase consideration transferred:		
Cash and cash equivalents paid	**874**	–
Shares issued, at fair value	**–**	260,236
Fair value of investments held by the Company prior to acquisition	**1,350**	264,639
Cost of investments held by HWL prior to acquisition	**–**	18,990
	2,224	543,865
Fair value		
Fixed assets	**2,116**	167,040
Investment properties	**–**	305
Leasehold land	**1,877**	7,861
Telecommunications licences	**–**	31,571
Brand names and other rights	**–**	83,535
Associated companies	**–**	152,041
Interests in joint ventures	**–**	97,618
Deferred tax assets	**2**	20,589
Other non-current assets	**–**	3,382
Cash and cash equivalents	**541**	109,803
Liquid funds and other listed investments	**–**	11,970
Assets held for distribution	**–**	191,122
Trade and other receivables	**2,473**	55,294
Inventories	**72**	21,036
Creditors and current tax liabilities	**(4,314)**	(102,957)
Bank and other debts	**(39)**	(314,197)
Interest bearing loans from non-controlling shareholders	**–**	(5,689)
Deferred tax liabilities	**–**	(24,933)
Pension obligations	**–**	(4,372)
Other non-current liabilities	**–**	(47,616)
Liabilities held for distribution	**–**	(14,286)
Net identifiable assets acquired	**2,728**	439,117
Non-controlling interests	**(531)**	(120,187)
Perpetual capital securities	**–**	(39,116)
	2,197	279,814
Goodwill	**27**	264,051
Total consideration	**2,224**	543,865
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	**874**	–
Cash and cash equivalents acquired	**(541)**	(109,803)
Total net cash outflow (inflow)	**333**	(109,803)

36 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies (continued)

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level.

Amounts disclosed for the year ended 31 December 2015 mainly related to the acquisition of the remaining 50.03% (which the Group did not previously own) of the issued and outstanding ordinary share capital of HWL.

Acquisition related costs of approximately HK$4 million (2015 – HK$640 million) had been charged to income statement during the year and included in the line item titled other operating expenses (2015 – profits on disposal of investments and others of HK$500 million and profit after tax from discontinued operations of HK$140 million).

The contribution to the Group's revenue and profit before tax from these subsidiaries acquired during the year ended 31 December 2016 since the respective date of acquisition is not material.

For the year ended 31 December 2015, the subsidiaries contributed HK$164,309 million to the Group's revenue and HK$25,935 million to the Group's profit before tax since the respective date of acquisition. If the combinations had been effective on 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 for the year ended 31 December 2015.

36 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2016 HK$ millions	2015 HK$ millions
Consideration received or receivable		
Cash and cash equivalents	**6,995**	18
Non-cash consideration	**24,224**	1,161
Total disposal consideration	**31,219**	1,179
Carrying amount of net assets disposed	**(30,971)**	(1,188)
Cumulative exchange gain in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	**153**	–
Gain (loss) on disposal*	**401**	(9)
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	**6,995**	18
Less: Cash and cash equivalents disposed	**(4,148)**	(658)
Total net cash consideration	**2,847**	(640)
Analysis of assets and liabilities over which control was lost		
Fixed assets	**22,732**	1,532
Leasehold land	**257**	327
Telecommunications licences	**8,899**	–
Brand names and other rights	**4,333**	–
Interests in joint ventures	**1,450**	–
Deferred tax assets	**2,033**	81
Trade and other receivables	**7,229**	148
Inventories	**268**	63
Creditors and current tax liabilities	**(9,919)**	(364)
Bank and other debts	**(10,228)**	(117)
Deferred tax liabilities	**(29)**	–
Pension obligations	**(146)**	(336)
Non-controlling interests	**(56)**	(804)
Net assets (excluding cash and cash equivalents) disposed	**26,823**	530
Cash and cash equivalents disposed	**4,148**	658
Net assets disposed	**30,971**	1,188

* The gain or loss on disposal for the years ended 31 December 2016 and 2015 are 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 are not material for the years ended 31 December 2016 and 2015.

36 Notes to consolidated statement of cash flows (continued)

(e) Distribution In Specie to shareholders

During the year ended 31 December 2015, the Group distributed the Group's entire interests in Cheung Kong Property to the shareholders pursuant to the Spin-off Proposal. Details of the Distribution In Specie in 2015 are set out below.

	2015 HK$ millions
Breakdown of net assets disposed of:	
Assets acquired net of liabilities assumed arising from acquisition of HWL (see note 36(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 10(a))	18,351
One-off non-cash gain recognised on Distribution In Specie (see note 10(a) and 12(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

37 Share-based payments

The Company does not have a 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.

38 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. In limited circumstances, the Group also enters into swaps and forward contracts relating to oil and gas prices to hedge earnings and cash flow in Husky Energy. 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$162,224 million at 31 December 2016 (2015 - HK$131,426 million), mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including the issuance of US$750 million (approximately HK$5,850 million), US$500 million (approximately HK$3,900 million) and EUR1,000 million (approximately HK$8,470 million) fixed rate notes in September 2016, EUR1,350 million (approximately HK$11,894 million) and EUR650 million (approximately HK$5,726 million) fixed rate notes in April 2016, the issuance of US$1,200 million (approximately HK$9,360 million) of perpetual capital securities in March 2016 by listed subsidiary CKI, partly offset by the redemption of US$1,000 million (approximately HK$7,800 million) of perpetual capital securities by CKI, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 18% in HK dollars, 54% in US dollars, 6% in Renminbi, 8% in Euro, 6% in British Pounds and 8% in other currencies (2015 - 28% were denominated in HK dollars, 40% in US dollars, 8% in Renminbi, 5% in Euro, 11% in British Pounds and 8% in other currencies).

Cash and cash equivalents represented 96% (2015 – 92%) of the liquid assets, US Treasury notes and listed / traded debt securities 3% (2015 – 4%) and listed equity securities 1% (2015 – 4%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 58% (2015 – 61%), government and government guaranteed notes of 4% (2015 – 18%), notes issued by the Group's associated company, Husky Energy of 6% (2015 – 4%), notes issued by financial institutions of 3% (2015 – 2%), and others of 29% (2015 – 15%). Of these US Treasury notes and listed / traded debt securities, 70% (2015 – 80%) are rated at Aaa / AAA or Aa1 / AA+ with an average maturity of 2.0 years (2015 – 2.0 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

38 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 2016, approximately 31% (2015 – approximately 32%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 69% (2015 – approximately 68%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$25,200 million (2015 – approximately HK$47,973 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$8,678 million (2015 – HK$6,061 million) principal amount of floating interest rate borrowings that were used to finance long term infrastructure investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 37% (2015 – approximately 47%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 63% (2015 – approximately 53%) were at fixed rates at 31 December 2016. 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 associated companies, except in relation to certain infrastructure investments.

The Group has operations in over 50 countries and conducts businesses in over 45 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: 41% in US dollars, 27 % in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies (2015 – 36% in US dollars, 25% in Euro, 7% in HK dollars, 25% in British Pounds and 7% 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 businesses. Such risks are continuously monitored by the local operational management.

38 Financial risk management (continued)

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as 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 4% (2015 – approximately 8%) 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.

38 Financial risk management (continued)

(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 25)
- some of the listed debt securities and managed funds (see note 24) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 24) that bear interest at floating rate
- some of the bank and other debts (see note 30) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 31)

Under these assumptions, the impact of a hypothetical 100 basis points (2015 – 100 basis points) increase in market interest rate at 31 December 2016, with all other variables held constant:

– profit for the year would increase by HK$366 million due to increase in interest income (2015 – decrease by HK$384 million due to increase in interest expense);
– total equity would increase by HK$366 million due to increase in interest income (2015 – decrease by HK$384 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 (2015 – 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 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 foreign exchange 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 values. 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 foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

38 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 25)
- some of the liquid funds and other listed investments (see note 24)
- some of the bank and other debts (see note 30)

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.

	2016		2015	
	Hypothetical increase (decrease) in profit after tax HK$ millions	**Hypothetical increase (decrease) in total equity HK$ millions**	Hypothetical increase (decrease) in profit after tax HK$ millions	Hypothetical increase (decrease) in total equity HK$ millions
Euro	**(191)**	**(213)**	(61)	(197)
British Pounds	**(41)**	**(1,647)**	(11)	(1,297)
Australian dollars	**151**	**(39)**	106	(294)
Renminbi	**(44)**	**(44)**	190	202
US dollars	**1,367**	**1,367**	940	940
Japanese Yen	**(103)**	**(103)**	(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 values. 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 24)
- financial assets at fair value through profit or loss (see note 24)

38 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$8 million (2015 – HK$5 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$8 million (2015 – HK$5 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$290 million (2015 – HK$508 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 2016						
Trade payables	17,380	–	–	17,380	–	17,380
Other payables and accruals	64,002	–	–	64,002	–	64,002
Interest free loans from non-controlling shareholders	927	–	–	927	–	927
Bank loans	20,612	60,766	3,605	84,983	(362)	84,621
Other loans	669	746	823	2,238	–	2,238
Notes and bonds	50,312	45,996	108,518	204,826	11,455	216,281
Interest bearing loans from non-controlling shareholders	–	1,593	2,690	4,283	–	4,283
Obligations for telecommunications licences and other rights	610	3,179	2,871	6,660	(810)	5,850
	154,512	112,280	118,507	385,299	10,283	395,582

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$8,665 million in "within 1 year" maturity band, HK$25,348 million in "after 1 year, but within 5 years" maturity band, and HK$31,882 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.

38 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 2016				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(118)	(277)	(264)	(659)
Forward foreign exchange contracts				
Inflow	127	–	–	127
Outflow	(131)	–	–	(131)
Other contracts				
Net outflow	(9)	(119)	(376)	(504)
Net investment hedges				
Inflow	786	–	–	786
Outflow	(792)	–	–	(792)
Other derivative financial instruments				
Net outflow	(254)	(968)	(1,132)	(2,354)

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.

38 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	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)

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

	2016	2015
	HK$ millions	HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**64**	(108)
Losses arising on derivatives in a designated fair value hedge	**(690)**	(391)
Gains arising on adjustment for hedged items in a designated fair value hedge	**690**	391
Interest income on available-for-sale financial assets	**85**	99

38 Financial risk management (continued)

(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:

	2016		2015	
	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 26)	**10,587**	**10,587**	15,398	15,398
Other receivables and prepayments (see note 26)	**34,470**	**34,470**	35,672	35,672
Unlisted debt securities (see note 23)	**165**	**165**	436	436
	45,222	**45,222**	51,506	51,506
Available-for-sale investments #				
Unlisted equity securities (see note 23)	**1,059**	**1,059**	1,518	1,518
Managed funds, outside Hong Kong (see note 24)	**2,932**	**2,932**	4,773	4,773
Listed / traded debt securities, outside Hong Kong (see note 24)	**1,184**	**1,184**	1,177	1,177
Listed equity securities, Hong Kong (see note 24)	**1,621**	**1,621**	2,029	2,029
Listed equity securities, outside Hong Kong (see note 24)	**58**	**58**	2,181	2,181
Financial assets at fair value through profit or loss # (see note 24)	**159**	**159**	95	95
	7,013	**7,013**	11,773	11,773
Fair value hedges #				
Interest rate swaps (see notes 23 and 26)	**121**	**121**	803	803
Cash flow hedges #				
Interest rate swaps (see note 23)	**–**	**–**	76	76
Forward foreign exchange contracts (see notes 23 and 26)	**204**	**204**	2	2
Other contracts (see note 23)	**2**	**2**	–	–
Net investment hedges # (see notes 23 and 26)	**6,481**	**6,481**	2,325	2,325
Other derivative financial instruments # (see notes 23 and 26)	**379**	**379**	50	50
	7,187	**7,187**	3,256	3,256
	59,422	**59,422**	66,535	66,535

38 Financial risk management (continued)

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

	2016		2015	
	Carrying amounts	**Fair values**	Carrying amounts	Fair values
	HK$ millions	**HK$ millions**	HK$ millions	HK$ millions
Financial liabilities				
Financial liabilities *				
Trade payables (see note 28)	**17,380**	**17,380**	20,393	20,393
Other payables and accruals (see note 28)	**64,002**	**64,002**	72,366	72,366
Bank and other debts (see note 30)	**303,140**	**311,083**	303,552	307,074
Interest free loans from non-controlling shareholders (see note 28)	**927**	**927**	951	951
Interest bearing loans from non-controlling shareholders (see note 31)	**4,283**	**4,283**	4,827	4,827
Obligations for telecommunications licences and other rights (see note 33)	**5,850**	**5,850**	6,588	6,588
	395,582	**403,525**	408,677	412,199
Cash flow hedges #				
Interest rate swaps (see note 33)	**550**	**550**	160	160
Forward foreign exchange contracts (see note 28)	**1**	**1**	1	1
Other contracts (see note 33)	**402**	**402**	433	433
Net investment hedges # (see notes 28 and 33)	**3**	**3**	140	140
Other derivative financial instruments # (see notes 28 and 33)	**1,851**	**1,851**	1,172	1,172
	2,807	**2,807**	1,906	1,906
	398,389	**406,332**	410,583	414,105

* carried at amortised costs (see note 38(j)(ii) below)

\# carried at fair value (see note 38(j)(i) below)

38 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 2016				
Available-for-sale investments				
Unlisted equity securities (see note 23)	–	–	1,059	1,059
Managed funds, outside Hong Kong (see note 24)	2,932	–	–	2,932
Listed / traded debt securities, outside Hong Kong (see note 24)	326	858	–	1,184
Listed equity securities, Hong Kong (see note 24)	1,621	–	–	1,621
Listed equity securities, outside Hong Kong (see note 24)	58	–	–	58
Financial assets at fair value through profit or loss (see note 24)	110	49	–	159
	5,047	907	1,059	7,013
Fair value hedges				
Interest rate swaps (see notes 23 and 26)	–	121	–	121
Cash flow hedges				
Forward foreign exchange contracts (see notes 23 and 26)	–	204	–	204
Other contracts (see note 23)	–	2	–	2
Net investment hedges (see notes 23 and 26)	–	6,481	–	6,481
Other derivative financial instruments (see notes 23 and 26)	–	379	–	379
	–	7,187	–	7,187
Cash flow hedges				
Interest rate swaps (see note 33)	–	(550)	–	(550)
Forward foreign exchange contracts (see note 28)	–	(1)	–	(1)
Other contracts (see note 33)	–	(402)	–	(402)
Net investment hedges (see note 28)	–	(3)	–	(3)
Other derivative financial instruments (see notes 28 and 33)	–	(1,851)	–	(1,851)
	–	(2,807)	–	(2,807)

38 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 2015				
Available-for-sale investments				
Unlisted equity securities (see note 23)	–	–	1,518	1,518
Managed funds, outside Hong Kong (see note 24)	4,773	–	–	4,773
Listed / traded debt securities, outside Hong Kong (see note 24)	323	854	–	1,177
Listed equity securities, Hong Kong (see note 24)	2,029	–	–	2,029
Listed equity securities, outside Hong Kong (see note 24)	2,181	–	–	2,181
Financial assets at fair value through profit or loss (see note 24)	–	95	–	95
	9,306	949	1,518	11,773
Fair value hedges				
Interest rate swaps (see notes 23 and 26)	–	803	–	803
Cash flow hedges				
Interest rate swaps (see note 23)	–	76	–	76
Forward foreign exchange contracts (see note 26)	–	2	–	2
Net investment hedges (see notes 23 and 26)	–	2,325	–	2,325
Other derivative financial instruments (see note 23)	–	50	–	50
	–	3,256	–	3,256
Cash flow hedges				
Interest rate swaps (see note 33)	–	(160)	–	(160)
Forward foreign exchange contracts (see note 28)	–	(1)	–	(1)
Other contracts (see note 33)	–	(433)	–	(433)
Net investment hedges (see notes 28 and 33)	–	(140)	–	(140)
Other derivative financial instruments (see note 33)	–	(1,172)	–	(1,172)
	–	(1,906)	–	(1,906)

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 2016 and 2015, 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.

38 Financial risk management (continued)

(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:

	2016	2015
	HK$ millions	HK$ millions
At 1 January	**1,518**	164
Total losses recognised in		
Income statement	**(26)**	(1)
Other comprehensive income	**(388)**	(442)
Additions	**75**	68
Relating to subsidiaries acquired	**–**	1,771
Disposals	**(43)**	(13)
Exchange translation differences	**(77)**	(29)
At 31 December	**1,059**	1,518
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**(26)**	(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 statements of financial position 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	**Level 2**	**Level 3**	**Total**
	HK$ millions	**HK$ millions**	**HK$ millions**	**HK$ millions**
At 31 December 2016				
Bank and other debts	**214,108**	**96,975**	**–**	**311,083**

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

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.

38 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 2016						
Financial assets						
Trade receivables	**42**	**(3)**	**39**	**(27)**	**–**	**12**
Other receivables and prepayments	**696**	**(386)**	**310**	**–**	**–**	**310**
Cash flow hedges						
Forward foreign exchange contracts	**196**	**–**	**196**	**(1)**	**–**	**195**
Net investment hedges	**1,144**	**–**	**1,144**	**(3)**	**–**	**1,141**
Other derivative financial instruments	**301**	**–**	**301**	**(299)**	**–**	**2**
	2,379	**(389)**	**1,990**	**(330)**	**–**	**1,660**
Financial liabilities						
Trade payables	**(3,648)**	**389**	**(3,259)**	**–**	**–**	**(3,259)**
Other payables and accruals	**(41)**	**–**	**(41)**	**27**	**–**	**(14)**
Cash flow hedges						
Forward foreign exchange contracts	**(1)**	**–**	**(1)**	**1**	**–**	**–**
Net investment hedges	**(3)**	**–**	**(3)**	**3**	**–**	**–**
Other derivative financial instruments	**(299)**	**–**	**(299)**	**299**	**–**	**–**
	(3,992)	**389**	**(3,603)**	**330**	**–**	**(3,273)**
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)

39 Pledge of assets

At 31 December 2016, assets of the Group totalling HK$24,994 million (2015 – HK$28,828 million) were pledged as security for bank and other debts.

40 Contingent liabilities

At 31 December 2016, 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 (2015 – HK$3,797 million).

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

	2016 HK$ millions	2015 HK$ millions
To associated companies		
Other businesses	**2,470**	2,355
To joint ventures		
Other businesses	**593**	533

At 31 December 2016, the Group had provided performance and other guarantees of HK$3,950 million (2015 – HK$3,557 million).

41 Commitments

The Group's outstanding commitments contracted for at 31 December 2016, where material, not provided for in the financial statements at 31 December 2016 are as follows:

Capital commitments

(i) Ports and Related Services – HK$674 million (2015 – HK$164 million)
(ii) **3** Group Europe – HK$3,038 million (2015 – HK$1,770 million)
(iii) Telecommunications, Hong Kong and Asia – HK$699 million (2015 – HK$634 million)
(iv) Other fixed assets – HK$184 million (2015 – HK$148 million)

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

(a) In the first year – HK$9,888 million (2015 – HK$11,508 million)
(b) In the second to fifth years inclusive – HK$17,614 million (2015 – HK$19,550 million)
(c) After the fifth year – HK$29,938 million (2015 – HK$32,937 million)

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

(a) In the first year – HK$1,290 million (2015 – HK$1,173 million)
(b) In the second to fifth years inclusive – HK$3,351 million (2015 – HK$3,772 million)
(c) After the fifth year – HK$377 million (2015 – HK$676 million)

42 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 20 and 21 are unsecured. Balances totalling HK$15,945 million (2015 – HK$18,216 million) are interest bearing. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy 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).

43 Legal proceedings

As at 31 December 2016, 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.

44 Subsequent events

On 14 March 2017, independent shareholders' approval was obtained for the consortium comprising CKI, Power Assets and Cheung Kong Property to acquire 100% interest in the DUET Group, owner and operator of energy utility assets in Australia, the United States, the United Kingdom and Europe, which is listed on the Australian Securities Exchange, for an estimated total consideration of approximately AUD7.4 billion. Subject to completion, the DUET Group will be indirectly held by CKI, Power Assets and Cheung Kong Property as to 40%, 20% and 40% respectively. Completion of the acquisition is subject to, among other conditions, approval from the Foreign Investment Review Board of Australia and shareholders of the DUET Group.

45 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation into US dollars (US$) of these financial statements as of, and for the year ended, 31 December 2016, 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.

46 Profit before tax

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

	2016 HK$ millions	2015 HK$ millions
Credits:		
Share of profits less losses of associated companies (2015 – including share of profits on disposal of investments and others of HK$196 million of associated companies)		
Listed	**5,735**	6,984
Unlisted	**627**	265
	6,362	7,249
Dividend and interest income from managed funds and other investments		
Listed	**126**	394
Unlisted	**144**	65
Charges:		
Depreciation and amortisation		
Fixed assets	**13,262**	8,438
Leasehold land	**416**	189
Telecommunications licences	**823**	352
Brand names and other rights	**1,513**	639
	16,014	9,618
Inventories write-off	**1,114**	247
Operating leases		
Properties	**18,129**	10,923
Hire of plant and machinery	**1,939**	1,307
Auditors' remuneration		
Audit and audit related – PricewaterhouseCoopers	**210**	159
– other auditors	**19**	28
Non-audit work – PricewaterhouseCoopers	**26**	56
– other auditors	**46**	16

47 Statement of financial position of the Company, as at 31 December 2016

	2016 HK$ millions	2015 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [(a)]	**355,164**	355,164
Current assets		
Amounts due from subsidiary companies [(b)]	**9,397**	9,362
Other receivables	**28**	–
Cash	**7**	–
Current liabilities		
Other payables and accruals	**43**	2
Net current assets	**9,389**	9,360
Net assets	**364,553**	364,524
Capital and reserves		
Share capital (see note 34(a))	**3,858**	3,860
Share premium (see note 34(a))	**244,505**	244,691
Reserves – Retained profit [(c)]	**116,190**	115,973
Shareholders' funds	**364,553**	364,524

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

47 Statement of financial position of the Company, as at 31 December 2016 (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 275 to 278 .

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

(c) Reserves – Retained profit

	HK$ millions
At 1 January 2015	–
Profit for the year	118,675
Dividends paid relating to 2015	(2,702)
At 31 December 2015	**115,973**
Profit for the year	**10,195**
Buy-back and cancellation of issued shares (see note 34(a)(ii))	**(1)**
Dividends paid relating to 2015	**(7,140)**
Dividends paid relating to 2016	**(2,837)**
At 31 December 2016	**116,190**

(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$10,195 million (2015 – HK118,675 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2016, the Company's share premium and retained profit amounted to HK$244,505 million (2015 – HK$244,691 million) and HK$116,190 million (2015 – HK$115,973 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

48 Approval of financial statements

The financial statements set out on pages 172 to 278 were approved and authorised for issue by the Board of Directors on 22 March 2017.