Hutchison Telecom
Hong Kong Holdings

2016 Annual Report

Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 215)

A member of CK Hutchison Holdings

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

FOK Kin Ning, Canning[(1)], BA, DFM, FCA (ANZ)

Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

Executive Directors

WONG King Fai, Peter[(2)], MSc, FHKIE
Chief Executive Officer & Group Managing Director

WOO Chiu Man, Cliff[(3)], BSc
Chief Executive Officer

Non-executive Directors

CHOW WOO Mo Fong, Susan[(4)], BSc

Frank John SIXT[(5)], MA, LLL

LAI Kai Ming, Dominic[(6)], BSc, MBA
(also Alternate to FOK Kin Ning, Canning and Edith SHIH)

Edith SHIH[(3)], BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

MA Lai Chee, Gerald, BCom, MA
(Alternate to LAI Kai Ming, Dominic)

Independent Non-executive Directors

CHEONG Ying Chew, Henry, BSc, MSc
(also Alternate to WONG Yick Ming, Rosanna)

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Notes:

(1) Ceased to act as Alternate Director to CHOW WOO Mo Fong, Susan on 1 August 2016

(2) Retired on 1 January 2017

(3) Appointed on 1 January 2017

(4) Retired on 1 August 2016

(5) Resigned on 1 January 2017

(6) Ceased to act as Alternate Director to Frank John SIXT and appointed as Alternate Director to FOK Kin Ning, Canning and Edith SHIH on 1 January 2017

Financial Highlights

	For the year ended 31 December 2016 HK$ millions	For the year ended 31 December 2015 HK$ millions	FY2016 vs FY2015 Change
Consolidated service revenue	***7,640***	*7,674*	-
Consolidated hardware revenue	***4,384***	*14,368*	*-69%*
Consolidated revenue	**12,024**	22,042	-45%
Consolidated service EBITDA	***2,392***	*2,483*	*-4%*
Consolidated hardware EBITDA	***73***	*305*	*-76%*
Consolidated EBITDA	**2,465**	2,788	-12%
Consolidated service EBIT	***971***	*1,125*	*-14%*
Consolidated hardware EBIT	***73***	*305*	*-76%*
Consolidated EBIT	**1,044**	1,430	-27%
Service profit	***655***	*722*	*-9%*
Hardware profit	***46***	*193*	*-76%*
Profit attributable to shareholders	**701**	915	-23%
Earnings per share (in HK cents)	**14.55**	18.99	-23%
Final dividend per share (in HK cents)	**6.90**	9.00	-23%
Full year dividend per share (in HK cents)	**10.90**	14.20	-23%

- Consolidated revenue decreased by 45% to HK$12,024 million as a result of lower hardware revenue from lesser demand for new smartphones during the year.
- Consolidated service revenue was stable at HK$7,640 million.
- Consolidated service EBITDA decreased by 4% to HK$2,392 million as a result of increase in selling expenses from higher volume of service transactions completed in 2016.
- Profit attributable to shareholders decreased by 23% to HK$701 million.
- Final dividend per share is 6.90 HK cents.

Corporate Profile

By combining the strengths of mobile, fixed-line and Wi-Fi networks, HTHKH sets market trends and steers industry development.

Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215) is an established telecommunications operator that combines the strengths of mobile, fixed-line and Wi-Fi networks. Advanced mobile telecommunications services are provided in Hong Kong and Macau under the **3** brand, while fixed-line residential broadband, telephone and IDD services are offered in Hong Kong as part of the 3Home Broadband portfolio. The Group also provides local and international customers with sophisticated fixed-line services, corporate solutions, data centre capabilities, cloud computing and high-speed Wi-Fi services under the **HGC** brand. HTHKH is a member of the CKHH Group and channels the latest technologies into innovations that set market trends and steer industry development.

The Company is listed on the Main Board of the Stock Exchange. It is included in various Hang Seng indexes such as the Composite Index, Composite Industry Index – Telecommunications, Composite LargeCap & MidCap Index, Composite MidCap Index, Composite MidCap & SmallCap Index, Corporate Sustainability Benchmark Index, High Dividend Yield Index and Global Composite Index.

Mobile Business in Hong Kong and Macau

3 Hong Kong is an established mobile telecommunications service provider and the only local operator to own blocks of spectrum across the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands. **3** Hong Kong

• **3** Hong Kong's smooth and stable 4G LTE network makes a variety of innovative services widely available.

• Most HGC Wi-Fi hotspots are served by a 1Gbps optical-fibre backhaul system.

offers cutting-edge data, voice and roaming services under the **3** brand via far-reaching 4G LTE, 3G and 2G networks, while providing high-speed Wi-Fi in the territory's major areas. **3** Hong Kong also works with well-established partner organisations to offer innovative mobile devices and VAS.

3 Macau provides territory-wide 4G LTE service and is one of the largest mobile telecommunications service providers in Macau.

Fixed-line Business

HGC is a high-profile fixed-line operator, IT service provider, carriers' carrier and one of Hong Kong's largest-scale Wi-Fi service providers. The company serves local and overseas customers with one-stop international and corporate offerings. HGC owns and runs an extensive optical-fibre network, coupled with four cross-border routes integrated with three of mainland China's tier-one telecommunications operators. In addition, HGC runs an international network that offers world-class voice, data and IP network services, as well as premium routings, via global and local submarine and terrestrial cables.

HGC tailors telecoms solutions to unique sets of requirements and offers premium data centre solutions to meet the demands of corporate and other business customers. The company's carrier-grade network has been extended to serve over 1.8 million households in Hong Kong, the majority of which have access to residential broadband speeds ranging from 100Mbps to 1Gbps.

Awards

HTHKH is proud of the passion and innovation demonstrated by the staff members, as well as the awards they win.

Corporate

10 Years Plus Caring Company Logo
The Hong Kong Council of Social Service

2015 International Customer Relationship Excellence Awards
- Contact Center of the Year
- People Development Program of the Year

Asia Pacific Customer Service Consortium

7th Asia Best Employer Brand Awards - Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress and Stars of the Industry Group

Asia's Best Companies (Hong Kong) - Best at Investor Relations - Ranked 5th
FinanceAsia

Hong Kong Green Organisation Certification
- Energywi$e Certificate - Excellent Level
- Wastewi$e Certificate - Excellent Level

Enviromental Campaign Committee

Indoor Air Quality Certificate -Good Class
Environmental Protection Department

United Nations Sustainable Development Goals - Green Office Awards Labelling Scheme
- Green Office Label
- Better World Company Label

World Green Organisation and Junior Chamber International Hong Kong

Web Accessibility Recognition Scheme - Gold Award
Office of the Government Chief Information Officer and the Equal Opportunities Commission

Mobile

e-brand Awards - The Best of Mobile Broadband Service (DIGI Category)
e-zone

Enterprise Partner Program - Gold Solutions Provider
BlackBerry

Enterprising Hong Kong Brand Awards - Best HK ICT Brand
South China Morning Post

HKMA/TVB Awards for Marketing Excellence 2016 - Merit Award
Hong Kong Management Association and Television Broadcast Limited

Hong Kong Outstanding Digital Brand Awards - Outstanding Mobile Broadband Service
Metro Broadcast and The Chamber of Hong Kong Computer Industry

'Love and Peace of Mind' Corporate Engagement Programme 2015
- Best Partner Award
- Community Engagement Commendation

Senior Citizen Home Safety Association

Marketing Excellence Awards -
Excellence in Innovation - Bronze :
3 Hong Kong's Making Better campaign
Marketing Magazine

Maze Awards -
Best Poster Campaign (Small Format) :
3 Hong Kong's Making Better campaign - Merit
JCDecaux Cityscape

Media Convergence Awards -
Digital Marketing Hero 2015
Hong Kong Association of Interactive Marketing

Metro Awards for Brand Excellence 2015 -
Excellence in Telecom Products and Services
Metro Daily and Metro Prosperity

Metro Awards for Service Excellence 2016 -
Excellence in Telecom Products and Services
Metro Daily and Metro Prosperity

Mob-Ex Awards
- Best App - Creative Design - Bronze Award
- Best Mobile Site - Silver Award

Marketing Magazine

Metro Creative Awards -
The Best Creative Ad
Metro Daily

Platinum Brand -
Mobile Telecom Service
PC3mag.com, e-Choice and IT Pro magazine

Smiling Enterprise Awards
- Smiling Enterprise Outstanding Award
- Outstanding Smiling Staff Award
- Smiling Staff Award

Mystery Shopper Service Association

Stevie Awards -
The International Business Awards :
3 Hong Kong's Better Service campaign
- Small-Budget Marketing Campaign of the Year (<US$3 million / €5 million) - Gold Award
- Re-Branding / Brand Renovation of the Year - Silver Award
- Brand Experience of the Year - Consumer - Bronze Award
- Communications or PR Campaign of the Year - Marketing - Consumer Services - Bronze Award
- Communications or PR Campaign of the Year - Reputation/Brand Management - Bronze Award
- Marketing Campaign of the Year - Internet / Telecom - Bronze Award

The Stevies

• Fixed-line

Arcstar Carrier Forum - Best Performance Award - Reason for Outage Delivery
NTT Communications Corporation

Asia-Pacific Stevie Awards
- Award for Innovation in Technology Management, Planning and Implementation :
  HGC "OTT Network Extension" solution - Gold Award
- Award for Innovation in Business-to-Business Services : HGC Big Data Exchange : content exchange platform for OTT - Bronze Award

The Stevies

CAHK STAR Awards
- The Best International Carrier - Gold Award
- The Best Data Centre - Silver Award
- The Best Fixed Network Operator - Silver Award
- The Best Enterprise Service - Bronze Award

Communications Association of Hong Kong

e-brand Awards - The Best of Home Broadband OTT Entertainment Service Provider (DIGI Category)
e-zone

Global Carrier Awards - Best Asian Project
Capacity Magazine

Global Telecoms Business Innovation Awards - Business Service Innovation : Big Data Exchange
Global Telecoms Business Magazine

Hong Kong Outstanding Digital Brand Awards - Outstanding Home Broadband Entertainment Service
Metro Broadcast and The Chamber of Hong Kong Computer Industry

IAIR Awards - Company of the Year for Innovation and Over-the-Top Leadership - Asia
International Alternative Investment Review Magazine

Platinum Brand - Residential Broadband Service
PC3mag.com, e-Choice and IT Pro magazine

Stevie Awards - The International Business Awards : 3Home Broadband's Over-the-Top (OTT) Home Entertainment Solution
- Best New Product or Service of the Year - Telecommunications - Service - Silver Award

HGC's "20 Years of Building a Better Future" Campaign
- Communications or PR Campaign of the Year - Events & Observances - Bronze Award

> HTHKH congratulates the staff of mobile and fixed-line operations for the success and the recognitions received

HGC Almost Queen Concert at ITW2016
- Communications or PR Campaign of the Year - Reputation/Brand Management - Bronze Award

HGC Big Data Exchange
- Most Innovative Company of the Year - in Asia (China, Japan and Korea) - Bronze Award
- Best New Product or Service of the Year - Telecommunications - Service - Bronze Award

HGC bizCloud 2.0 - One of the First OpenStack Telco Clouds in Hong Kong
- Best New Product or Service of the Year - Software - Cloud Infrastructure - Bronze Award

HGC Over-the-Top (OTT) Network Extension
- Most Innovative Company of the Year - in Asia (China, Japan and Korea) - Gold Award
- Best New Product or Service of the Year - Telecommunications - Service - Bronze Award

The Stevies

Telecoms Awards - Best for Submarine and Terrestrial Cable Systems and TMT Innovation Award for Wholesale Data and Voice Solutions
TMT News

The Marketing Events Awards - Best Event - Corporate – Finalist : HGC's "20 Years of Building a Better Future" campaign
Marketing Magazine

T-Systems Zero Outage Partner Award - Access Provider Asia
T-Systems International

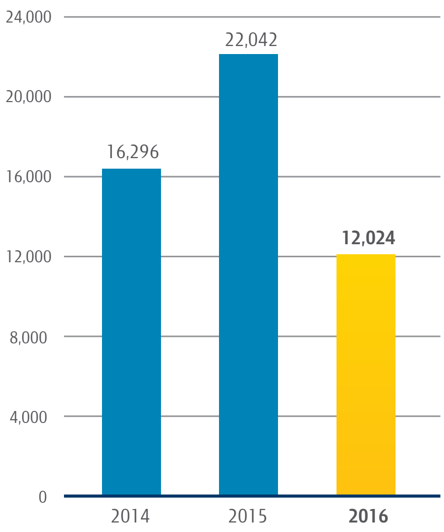
Web Accessibility Recognition Scheme – Gold Award
Office of the Government Chief Information Officer and the Equal Opportunities Commission

- The International Business Awards programme conferred two gold, two silver and 10 bronze accolades on the Group in recognition of accomplishments in mobile and fixed-line business operations.

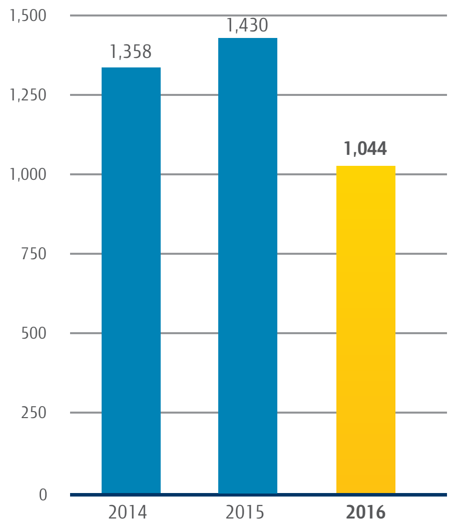
Key Financial Information

(in HK$ millions)

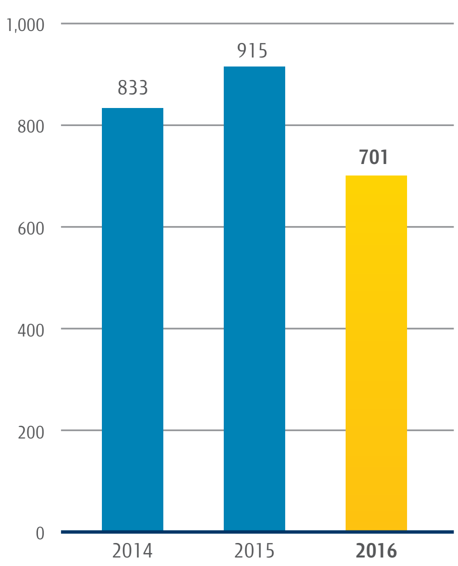
Consolidated Revenue



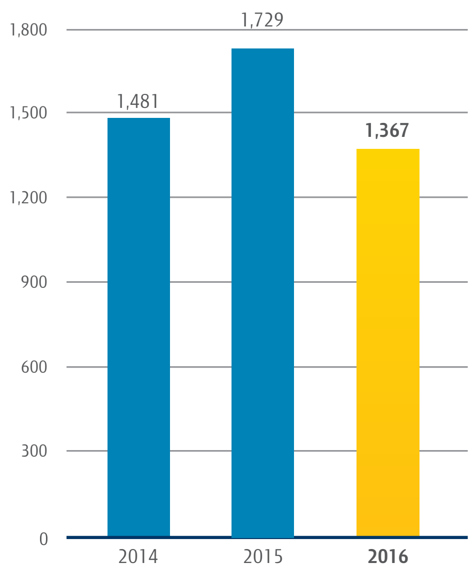
Consolidated EBIT



Profit Attributable to Shareholders of the Company

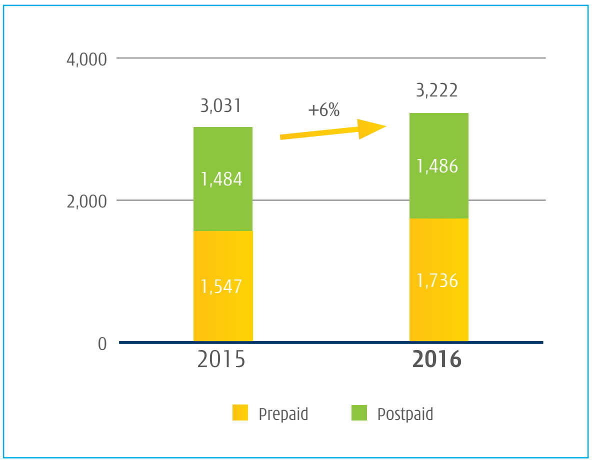


EBITDA Less Capital Expenditure

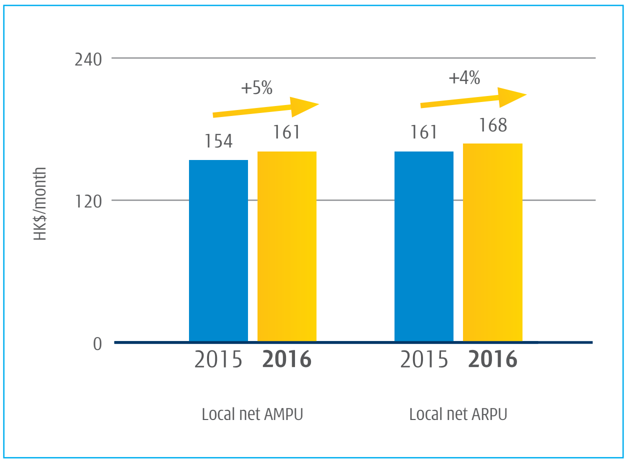


Mobile Customers and ARPU/AMPU Information

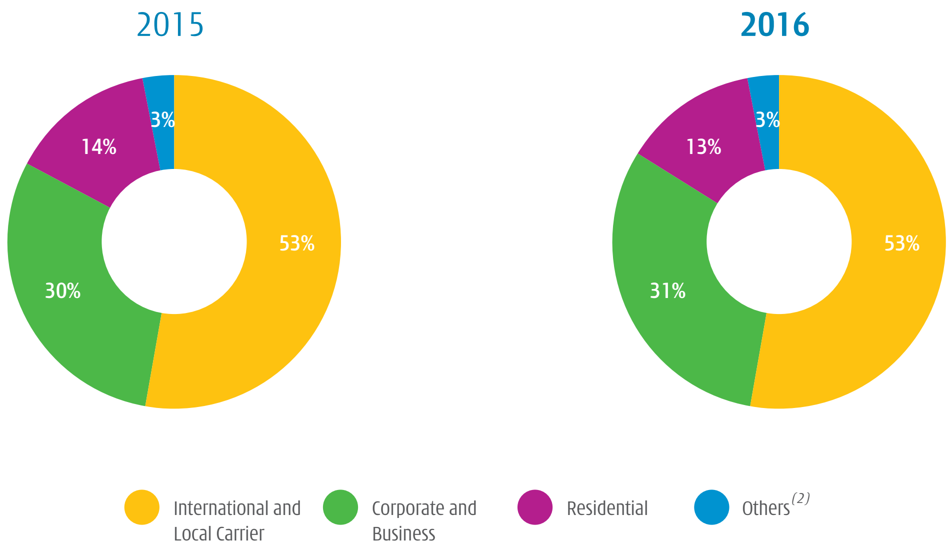
Total customers in Hong Kong and Macau



Blended local postpaid net ARPU and net AMPU



Fixed-line Revenue Mix by Segments



Notes:

(1) Mobile service revenue excludes revenue generated from hardware sales.

(2) Others include revenue from interconnection charges and data centres.

Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited and its subsidiaries report 2016 results achieved in a market under continued downward trend in roaming and hardware revenue. The Group has made continued effort to nurture future service revenue growth by focusing on innovative products offering, enhancing customer service and improving quality on the self-owned advanced network infrastructure.

Results

Consolidated revenue comprising service and hardware revenue from mobile and fixed-line businesses decreased by 45% from HK$22,042 million in 2015 to HK$12,024 million in 2016. Over 99% of the decline in revenue was due to lower hardware revenue as a result of lesser demand for new smartphones during the year.

Consolidated EBITDA and EBIT in 2016 were HK$2,465 million and HK$1,044 million respectively, compared to HK$2,788 million and HK$1,430 million respectively in 2015. Profit attributable to shareholders in 2016 amounted to HK$701 million, a drop of 23% compared to HK$915 million in 2015.

Basic earnings per share for 2016 was 14.55 HK cents compared to 18.99 HK cents for 2015.

Dividends

The Board recommends the payment of a final dividend of 6.90 HK cents (2015: 9.00 HK cents) per share for the year ended 31 December 2016. The proposed final dividend will be payable on Wednesday, 24 May 2017, following the approval of shareholders at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Monday, 15 May 2017, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 4.00 HK cents per share, full year dividend amounts to 10.90 HK cents per share. This payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the sustainable dividend policy of the Company to enhance shareholder value over the long term.

Business Review

Mobile business – Hong Kong and Macau

Mobile business revenue in 2016 was HK$8,332 million, a decrease of 55% compared to HK$18,477 million in 2015. 98% of the decline in revenue was due to lower hardware revenue because of reduced demand for new smartphones during the year. Hardware revenue decreased significantly by 69% from HK$14,371 million in 2015 to HK$4,386 million in 2016.

Mobile net customer service revenue in 2016 was HK$3,946 million, a 4% decrease compared to HK$4,106 million in 2015. The decrease in mobile net customer service revenue was mainly due to a HK$109 million, or 13% decrease in roaming revenue during the year. Excluding roaming revenue, local service revenue was slightly lower than that in 2015 as a result of a drop in customer number in the first quarter of 2016 and such drop was turnaround since the second quarter of 2016. The net customer service margin in 2016 was maintained at 93% despite a lower roaming revenue during the year.

EBITDA and EBIT in 2016 were HK$1,333 million and HK$600 million respectively, a decrease of 19% and 39% respectively compared to those of 2015. Service EBITDA in 2016 was 5% lower than that of 2015 mainly as a result of decrease in roaming margin as well as increase in selling expenses from higher volume of service transactions completed in 2016, partially offset by savings in operating expenses. Corresponding service EBITDA margin was maintained at 32%.

As of 31 December 2016, the Group was serving approximately 3.2 million customers in Hong Kong and Macau (2015: approximately 3.0 million), of which the number of postpaid customers was approximately 1.5 million (2015: approximately 1.5 million). The overall churn rate of postpaid customers was substantially improved to 1.3% in 2016 from 1.8% in 2015, which reflected much improved customers' satisfaction on the 4G LTE network quality and enhanced customer service.

Customer response from various segments was overwhelming and the number of data-centric customers increased in 2016 following the introduction of innovative lifestyle-related tariff plans with various offerings in speed, content and VAS. The blended local postpaid net ARPU improved 4% from HK$161 in 2015 to HK$168 in 2016 as a result of higher data consumption during the year. Blended local postpaid net AMPU improved 5% to HK$161 in 2016 from HK$154 in 2015. Growing popularity around OTT applications and IoT usage prompted the Group to prepare for a new era of digitalisation and automation, in which more personalised content will be offered to customers. The Group will focus on developing local and roaming products and tariff plans to meet demand from various customer base and to boost revenue. At the same time, the Group is committed to developing customer loyalty initiatives for long-term benefits.

In 2016, the Group enhanced its mobile network by refarming a portion of existing 900MHz spectrum band to enhance indoor 4G LTE coverage, while a new 2300MHz spectrum band was activated to meet the rising demand for data. Small-cell technology was deployed to enhance both coverage and capacity in heavy traffic areas and growing data demand into the 5G era.

Fixed-line business

Fixed-line service revenue in 2016 was HK$4,127 million, an increase of 4% compared to HK$3,973 million in 2015. This improvement was mainly due to higher revenue from the corporate and business market segments as well as the international and local carrier markets, partially offset by lower revenue from residential market due to keen competition.

More revenue was generated by developing ICT solutions for corporate customers with sophisticated needs when compared to 2015. During 2016, the Group deepened penetration of various market segments such as banking, insurance, logistics and healthcare. Moving forward, the Group will place more focus on penetrating new industry segments and offer industry-specific one-stop ICT solutions. In addition, the Group will leverage its data centre capabilities and sophisticated network infrastructure to develop high security cloud solutions to help customers achieve greater cost efficiency, while accelerating digital transformation.

EBITDA and EBIT in 2016 slightly decreased by 2% to HK$1,252 million and HK$564 million respectively compared to those of 2015.

Outlook

The appetite for telecommunications is growing, regardless of evolving economies locally and globally. With this in mind, the Group is committed to introducing innovative products and developing new revenue streams. The Group aims to boost customer loyalty by enhancing mobile and fixed-line service quality. These new initiatives would at the same time help maximise customer satisfaction and promote efficiency in the sales process.

The mobile, fixed-line, Wi-Fi and content capabilities of the Group are delivered via integrated network infrastructure and benefit from years of experience in serving a variety of market segments. In addition, the Group is committed to offering customised products and services for the unique needs of each segment. The Group will also focus on offering an array of VAS and delivering customer experience of the highest standard.

I am confident the management team will reinforce our position in mobile and fixed-line businesses.

Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and determination to succeed.

FOK Kin Ning, Canning
Chairman

Hong Kong, 28 February 2017

Operations Review

Mobile Business

Our customers benefit from HTHKH's style of innovation via advanced mobile networks and services delivered in customer-centric fashion.

Three.com.hk

Mobile Business

Hong Kong

Serving Hong Kong and Macau as a major operator, **3** aims to provide customers with the benefits of innovation via advanced mobile networks and services delivered in customer-centric fashion.

As of 31 December 2016, **3** served approximately 3.2 million customers in Hong Kong and Macau, of which approximately 1.5 million were postpaid.

Innovative Products and Services

Popularity around OTT content is growing on a global scale. **3** Hong Kong believes it represents a new trend in mobile entertainment and that watching television content on handheld devices will become common in Hong Kong. All this ushers users into a new era of mobile entertainment comprising rich content made available via an array of OTT applications.

3 Hong Kong is on constant lookout for innovations, with the aim of offering customers a truly top-notch infotainment experience in partnership with leading content providers.

• **3** Hong Kong is constantly on the lookout for ways to innovate.

• 5GB data SIM cards were handed out by **3** Hong Kong to promote the new OTT Service.

In March 2016, **3** Hong Kong drew on competitive advantages in mobile, fixed-line and Wi-Fi networks to launch new OTT services. Free data SIM cards were made available so users could watch TV programmes via an OTT application from one of the largest TV broadcasters in Hong Kong. In November 2016, **3** Hong Kong extended the collaboration to offer existing 4G users a free 12-month period to enjoy the premium content. These unprecedented moves promoted **3** Hong Kong's advanced network alongside compelling content, enabling users to sample the latest free TV programming while on the move.

To increase the variety of infotainment offers and enable customers to enjoy unlimited views of OTT programmes, **3** Hong Kong introduced the Night Fever Unlimited Data Pack, which grants unlimited 4G data from 11pm to 7am every day for a fixed monthly charge.

In August 2016, **3** Hong Kong collaborated with one of the largest OTT content providers in Greater China and launched the value-for-money Sports Pack featuring popular sports action. This provides our customers with high-quality global sports contents for viewing on mobile devices, as well as watching live sports events anytime, anywhere for an eminently affordable tariff.

Our collaboration with this content provider enabled us to launch a new service, so customers could watch spectacular live basketball action from one of the world-leading basketball leagues via superior network.

Creative Data and Roaming Packages

3 Hong Kong is committed to serving a variety of customer needs by introducing "3LikeHome" plans and "4G China Flexi" plan to suit frequent travellers. These plans offer data-usage entitlements to be shared between domestic and overseas use without incurring additional charges.

3 Hong Kong also launched other roaming initiatives such as "3 Days Macau Pass" and "10 Days Europe Pass" to meet growing demand from business travellers. These passes provided free-to-use voice and data entitlements tailored to customers visiting Macau as well as selected European nations.

- A variety of daily-roaming passes launched by **3** Hong Kong come complete with free-to-use voice and data entitlements.

Our collaboration with other global carriers forms one of the world's largest mobile alliances to facilitate global corporate sales and provides preferential roaming services. In short, this collaboration enables customers to enjoy competitive roaming offers, supreme network coverage and quality of service while travelling around the globe.

- Sterling retail and online efforts place customers at the centre of the Group's universe.

Passionate Customer Service

Different campaigns and initiatives ran throughout 2016 to promote the premium mobility experience provided by **3** Hong Kong. Our retail and online services placed customers at the heart of our business, helping the Group become the only corporation in Hong Kong to win the "Smiling Enterprise Outstanding Award". This applauded **3** Hong Kong's frontline staff for adopting a particularly helpful and passionate attitude when serving customers.

The same customer-centric philosophy has been applied to online efforts exemplified by our helpful eSelf-service facility. The 24/7 online 3iChat customer interface generates warmth by using emoticons to create a friendly rapport. Meanwhile, the 3Meter application provides an easy way to check on consumption and top-up entitlement. Such new initiatives are giving rise to a swift, simple and good-natured customer experience.

- **3** Hong Kong launch Apple SIM, granting iPad users the convenience of choosing data plans on their own iPads.

- **3** Hong Kong was one of Asia's first operators to launch a VoWi-Fi service, so customers can make and receive voice calls on devices other than smartphones.

- Customers enjoy a stable, reliable and high-speed telecoms experience when connecting via **3** Hong Kong's Wi-Fi hotspots.

● **3** Hong Kong is building on the IoT concept by harnessing the power of our mobile and Wi-Fi networks.

> Network excellence is our primary focus

Ongoing Network Enhancement

Network excellence is at the very heart and is therefore the primary focus of **3** Hong Kong. **3** Hong Kong is currently the only local operator commanding a collection of spectrum in the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands.

Spectrum in the 900MHz band was refarmed in June 2016 to provide better 4G LTE radio coverage. The highly-penetrative nature of the 900MHz band boosted 4G LTE reception, particularly inside buildings, while improving service quality and call continuity. In October 2016, **3** Hong Kong launched TDD-LTE service to support multi-mode mobile devices and equip 4G LTE customers with massive bandwidth.

3 Hong Kong was one of Asia's first operators to launch VoWi-Fi service with integrated IP Multimedia Subsystem, 4G LTE and Wi-Fi technology, enabling customers to make and receive voice calls on devices other than smartphones. The move delivers unprecedented convenience by breaking free from the limitations normally associated with SIM cards.

● Any local mobile user could enjoy 90 minutes' free daily Wi-Fi service – by courtesy of **3** Hong Kong – from July to September 2016.

Wi-Fi service is available at more than 25,000 hotspots in Hong Kong, with most served by a 1Gbps optical-fibre backhaul network to ensure smooth Internet access. An initiative to promote **3** Hong Kong's ultra-fast Wi-Fi network offered 90 minutes' free Wi-Fi service per day to all local mobile users, irrespective of service provider.

Looking ahead, **3** Hong Kong's 4G LTE network will undergo further enhancement as a result of efficient utilisation of available spectrum through a refarming process. **3** Hong Kong will also deploy carrier aggregation in order to provide customers with high-quality high-speed mobile data services. In addition, infrastructure and business systems will be upgraded and revamped wherever possible to facilitate digital transformation in the big data era.

Macau

3 Macau continues to launch innovative data offerings to attract yet more high-value smartphone users, following a succession of attractive IDD, roaming and data offers made available in Macau.

December 2016 saw full 4G LTE coverage serving all major hotels, casinos, business districts and other busy locations. **3** Macau is committed to continuous improvement of customer service and network quality – laying the groundwork for growth in subscriptions plus higher volumes of local data traffic.

Operations Review

Fixed-line Business

As a trusted network operator and ICT adviser, HGC is dedicated to providing customers with one-stop solutions via extensive and advanced infrastructure and facilities.

Fixed-line Business

• HGC is one of the largest Wi-Fi service providers in Hong Kong, running more than 25,000 hotspots.

HGC continues to address the needs of international and local carriers, as well as corporate clients and residential customers, via an extensive network extending to more than 1.4 million kilometres of fibre-optic cable cores and 6,000-plus kilometres of ducting. This includes development of ducting infrastructure at the Hong Kong Boundary Crossing Facilities, as part of the Hong Kong-Zhuhai-Macao Bridge Project. Fibre network has now been extended to new railway stations such as the MTR's Express Rail link, South Island Line and Kwun Tong Line Extension.

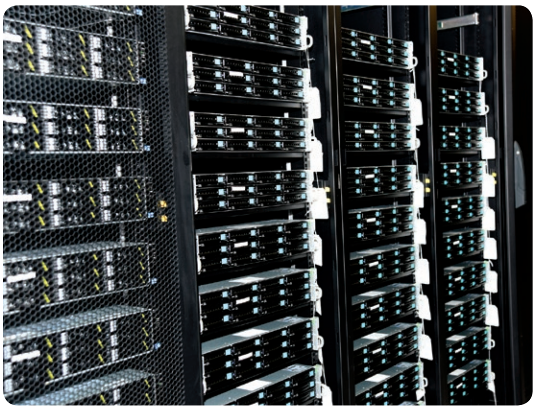
In addition, FTTH and FTTO services, along with "HGC On Air" Wi-Fi hotspots and data centres, are being made available by a 100G fibre backbone network throughout Hong Kong Island, Kowloon and the New Territories. This enhanced infrastructure now supports more than 25,000 Wi-Fi hotspots – many served by a 1Gbps fibre backhaul facility – making HGC one of the largest-scale Wi-Fi service providers in Hong Kong.

International and Local Carrier Market

As one of Asia's leading telecommunications players, HGC has progressed from infrastructure-based carrier to a solutions-centric provider expanding into new market and customer segments, while enriching a global service portfolio in horizontal and vertical terms.

From a horizontal perspective, business reach now extends to every continent in the world, with a particular focus in developing countries. In addition, HGC is penetrating into corporate customers in various industries overseas. It is also co-operating with companies within **3** Group to develop enterprise market opportunities using fixed-and-mobile bundling solutions in geographies such as Europe.

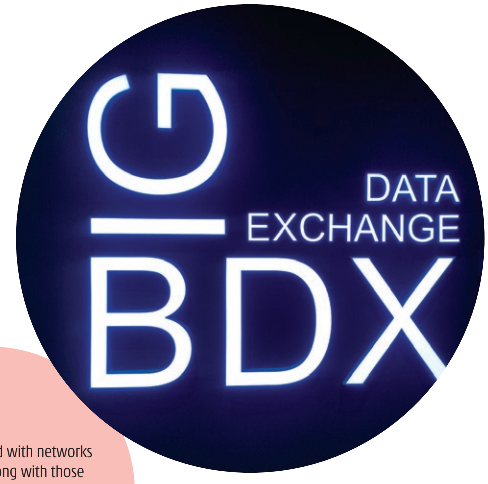
Turning to the vertical aspect, business models that rely on big data and the ability to operate dynamically have prompted HGC to strengthen its capabilities in related areas. These involve private and public cloud computing, cloud connectivity and one-stop solutions with colocation facilities and managed services.



- A server storage service offered by HGC's BDX has been kept busy meeting rising demand.

Carriers are using HGC's public cloud solution to capitalise on upwardly-spiralling demand in their own markets. HGC offers standard and customised private cloud solutions to meet the needs of corporate customers. It also collaborates with providers to offer public cloud connectivity around the world that satisfies dynamic IT requirements with the utmost flexibility.

BDX is our innovative solution to address the need of OTT players, content and game providers and IT developers.



- The BDX is peered with networks in Hong Kong, along with those run by international carriers, data centres and Internet exchanges around the world.

BDX solutions bundles hardware, software, managed services, premium Internet access and cloud connectivity, as well as server farm design to grant flexibility and efficiency for organisations of all sizes and types.

Meanwhile, HGC is capitalising on rising usage of mobile data and smart devices by tailoring solutions to the requirements of mobile network operators. In addition to serving the **3** Group companies, for example, HGC's Internet Packet Exchange solution meets the end-to-end needs of mobile network operators seeking to exchange all forms of mobile traffic. HGC established group-to-group IPX peering with operators and related mobile network communities in order to help widen coverage and raise service levels above those of traditional IPX offerings.

HGC acts as a voice gateway for **3** Group companies to exchange traffic with other mobile operators. It facilitates all the on-net and off-net traffic exchange to promote quality and efficiency. HGC is also engaged in delivering OTT traffic to the rest of the world while running its own Voice-over-Internet-Protocol application as a VAS to meet changing customer requirements.

HGC now benefits from voice interconnections with more than 400 carriers, along with direct mobile connections to 200-plus mobile operators in some 100 countries and video coverage in 59 nations via 160 carriers.

HGC leads the Hong Kong market as a provider of backhaul services that connect local mobile operators seeking to satisfy an ever-increasing appetite for data among their customers. Such demand has increased sharply with the advent of 4G LTE service, which requires high bandwidth to carry data at markedly higher speeds. Our solution was launch of Gigabit Access Network service, which provides carriers with bandwidth up to 1Gbps per mobile base-station for backhaul purposes. Cell-site expansion of Gigabit Access Network positions HGC ideally for the forthcoming 5G era.

Advances in Dense Wavelength Division Multiplexing technology have enabled HGC to equip mobile operators with cost-effective Dense Wavelength Division Multiplexing multiple 10G connectivity as a "mobile fronthaul" service. The upshot is mobile operators are able to reduce the cost of renting cell-sites, while centralising mobile base-band units at hub sites and distributing remote-radio units via front-haul link of HGC. At the same time, HGC also provides backhaul links to facilitate mobile operators to deploy small cells indoor and outdoor in locations such as food chains and retail shops to enhance further coverage.

- HGC provides a variety of one-stop ICT solutions to suit a variety of industries.

Corporate and Business Market

HGC owns and runs an extensive network that provides financial institutions, government departments, schools, hospitals and other organisations with a variety of solutions.

Segments served include insurance, manufacturing, logistics, engineering and professional services, all of which drove new business opportunities in 2016. Meanwhile, ongoing development of cloud and managed services assisted the process of IT transformation for customer organisations, while creating revenue streams other than from traditional connectivity activities.

HGC's bizCloud offering was upgraded to a premium bizCloud 2.0 version in early 2016, enabling corporations to respond dynamically to ever-changing market conditions by gaining flexible access to computing, storage and network resources. Launch of the one-stop enterprise-grade Cloud Backup Service in July 2016 enables enterprises to backup files, operating systems and applications securely, flexibly and cost-effectively on a Backup-as-a-Service basis.

Collaboration with shopping malls saw deployment of a large-scale Wi-Fi network that now serves millions of shoppers and visitors. The move reinforces HGC's leadership in providing Wi-Fi throughout major shopping clusters via its 1Gbps optical-fibre backhaul infrastructure.

HGC launched FTTO in response to demand from schools for high-speed broadband. This innovative technology delivers fibre services via passive optical components, at speeds up to 1Gbps, while helping to generate loyalty and a long-term relationship with the education community.

HGC's bizCloud 2.0 cloud solution comes complete with a self-management portal.

3Home Broadband serves the residential market with high-speed Internet access to facilitate "better living" among users.

Residential Market

High-speed broadband Internet services continued to be HGC's residential focus and featured FTTH speeds ranging from 100Mbps to 1Gbps. Widespread provision of Gigabit Internet service via FTTH technology is being extended to all major estates and buildings, especially in the high-end residential segment. In fact, HGC established a premium sales team to address top-tier residential customers. At the end of December 2016, HGC's broadband coverage amounted to more than 1.8 million home-passes.

In order to satisfy a growing appetite for infotainment and OTT services, HGC has collaborated with various industry leaders to offer a superior customer experience. In 2016, HGC bundled fixed-line service offerings with a connection device that has resulted in an enriched home entertainment experience for our residential customers. This was taken a step further when HGC collaborated with content leaders to offer TV programmes bundled with drama and sports content as part of a value-for-money package.

Data Centre Market

HGCGC owns two data centres, designed to the TIA-942 (Telecommunications Industry Association), tier-3, or higher, standard. HGCGC provides comprehensive redundancy solutions and critical application-hosting solutions that come complete with comprehensive cloud and IT management services for corporate customers.

The Watson Centre data centre has been accredited with ISO 27001 information security management and ISO 50001 energy management certification to facilitate HGCGC's sustainable development in this growing industry.

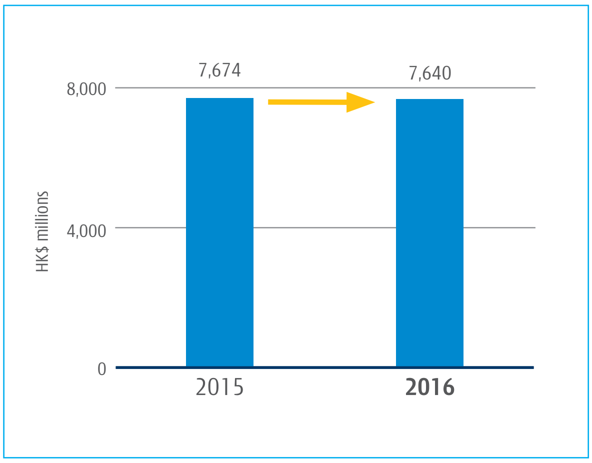
The Group's Watson Centre facility has been accredited with the ISO 50001 energy management standard.

Management Discussion and Analysis

Financial Review

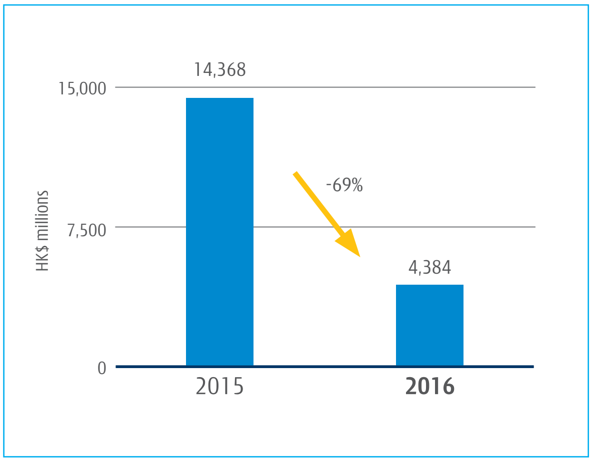
Consolidated service revenue in 2016 was HK$7,640 million, comparable to HK$7,674 million in 2015. This was the result of a 4% increase in fixed-line revenue, partially offset by a 4% decrease in mobile service revenue.

Consolidated service revenue



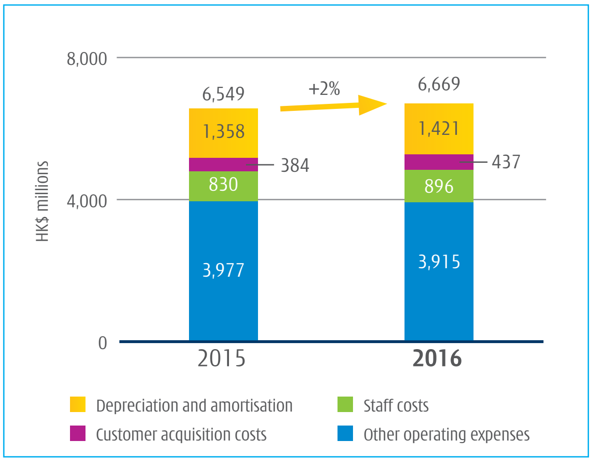
Consolidated hardware revenue was HK$4,384 million in 2016, a decrease of 69% from HK$14,368 million in 2015 resulting from lesser demand for new smartphones during the year.

Consolidated hardware revenue



Total operating expenses, excluding cost of inventories sold, amounted to HK$6,669 million in 2016, slightly higher than HK$6,549 million in 2015. Overall, total operating expenses were managed such that they had below inflationary incremental change, this outcome was achieved despite higher operating expenses including call centre costs and additional spectrum licence fee amortisation were incurred to help generate future growth.

Key cost items



Consolidated service EBITDA in 2016 was HK$2,392 million, a decrease of 4% compared to HK$2,483 million in 2015. Consolidated service EBITDA margin was 31% in 2016.

Depreciation and amortisation amounted to HK$1,421 million in 2016 compared to HK$1,358 million in 2015. The increase was mainly a result of enhancement of the 4G LTE network infrastructure as well as an increase in spectrum licence fee amortisation on 2100MHz band and 2300MHz band after its activation in 2016.

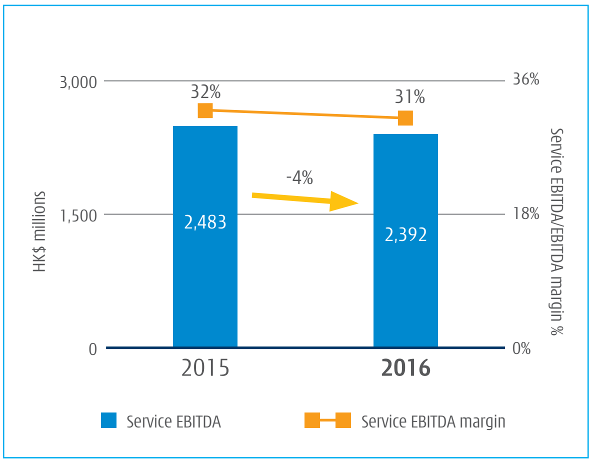
Consolidated service EBIT was HK$971 million in 2016, a decrease of 14% compared to 2015, mainly due to an increase in depreciation and amortisation mentioned above together with the decrease in consolidated service EBITDA.

Net interest and other finance costs amounted to HK$95 million in 2016, representing a decrease of 8% compared to HK$103 million in 2015. This decrease was the result of lower notional finance charge on decreasing spectrum licence fee liabilities, partially offset by higher finance costs on increased level of bank borrowings to finance one-off payment of mobile spectrum licence fee on 2100MHz band, the licence period of which was renewed for another 15 years to 2031. Gearing ratio as of 31 December 2016, calculated by dividing net debt by net total capital, was 26% (2015: 20%) as a result of higher net debt position.

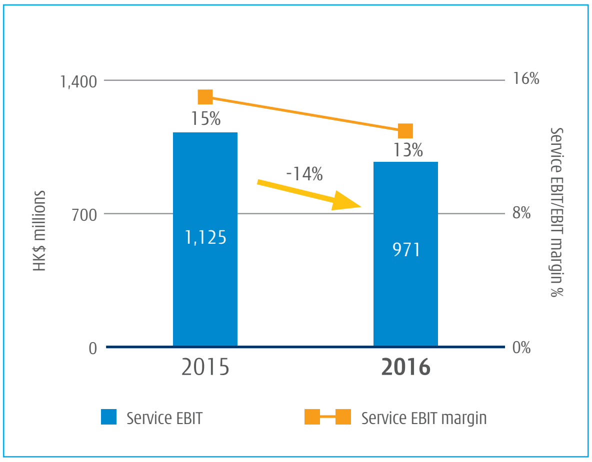
Share of joint venture losses in 2016 decreased to HK$21 million compared to HK$34 million in 2015 mainly due to improved occupancy performance of the data centre joint venture business in 2016.

Overall, profit attributable to shareholders of the company in 2016 was HK$701 million, a decrease of 23% compared to HK$915 million in 2015.

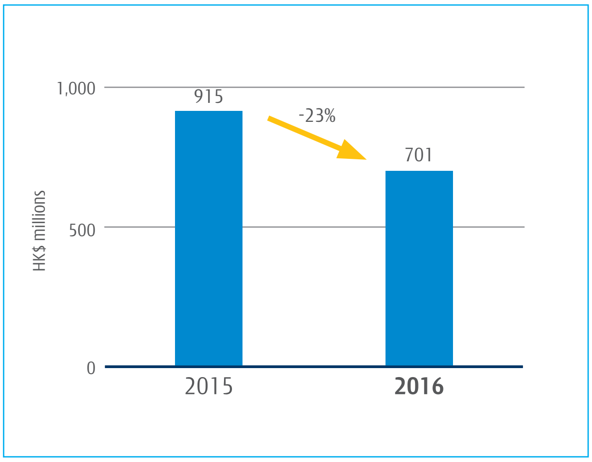
Consolidated service EBITDA



Consolidated service EBIT



Profit attributable to shareholders



Business Review

The Group is engaged in two principal businesses – mobile and fixed-line.

Hong Kong and Macau mobile business highlights

	For the year ended 31 December 2016 HK$ millions	For the year ended 31 December 2015 HK$ millions	Favourable/ (unfavourable) change
Total revenue	8,332	18,477	-55%
- Net customer service revenue	3,946	4,106	-4%
- Local service revenue	3,224	3,275	-2%
- Roaming service revenue	722	831	-13%
- Hardware revenue	4,386	14,371	-69%
- Bundled sales revenue	712	815	-13%
- Standalone handset sales revenue	3,674	13,556	-73%
Net customer service margin	3,656	3,823	-4%
Net customer service margin %	*93%*	*93%*	-
Standalone handset sales margin	73	308	-76%
Total CACs	(1,037)	(1,085)	+4%
Less: Bundled sales revenue	712	815	-13%
Total CACs (net of handset revenue)	(325)	(270)	-20%
Operating expenses	(2,071)	(2,224)	+7%
Opex as a % of net customer service margin	*57%*	*58%*	*+1% point*
EBITDA	1,333	1,637	-19%
Service EBITDA	1,260	1,329	-5%
Service EBITDA margin %	*32%*	*32%*	-
Depreciation and amortisation	(733)	(661)	-11%
EBIT	600	976	-39%
Service EBIT	527	668	-21%
CAPEX (excluding licence)	(589)	(574)	-3%
EBITDA less CAPEX	744	1,063	-30%
Spectrum licence fee	(1,779)	(3)	

Mobile business revenue in 2016 was HK$8,332 million, a decrease of 55% compared to HK$18,477 million in 2015. 98% of the decline in revenue was due to lower hardware revenue because of reduced demand for new smartphones during the year. Hardware revenue decreased significantly by 69% from HK$14,371 million in 2015 to HK$4,386 million in 2016.

Mobile net customer service revenue in 2016 was HK$3,946 million, a 4% decrease compared to HK$4,106 million in 2015. The decrease in mobile net customer service revenue was mainly due to a HK$109 million, or 13% decrease in roaming revenue during the year. Excluding roaming revenue, local service revenue was slightly lower than that in 2015 as a result of a drop in customer number in the first quarter of 2016 and such drop was turnaround since the second quarter of 2016. The net customer service margin in 2016 was maintained at 93% despite a lower roaming revenue during the year.

EBITDA and EBIT in 2016 were HK$1,333 million and HK$600 million respectively, a decrease of 19% and 39% respectively compared to those of 2015. Service EBITDA in 2016 was 5% lower than that of 2015 mainly as a result of decrease in roaming margin as well as increase in selling expenses from higher volume of service transactions completed in 2016, partially offset by savings in operating expenses. Corresponding service EBITDA margin was maintained at 32%.

As of 31 December 2016, the Group was serving approximately 3.2 million customers in Hong Kong and Macau (2015: approximately 3.0 million), of which the number of postpaid customers was approximately 1.5 million (2015: approximately 1.5 million). The overall churn rate of postpaid customers was substantially improved to 1.3% in 2016 from 1.8% in 2015, which reflected much improved customers' satisfaction on the 4G LTE network quality and enhanced customer service.

Customer response from various segments was overwhelming and the number of data-centric customers increased in 2016 following the introduction of innovative lifestyle-related tariff plans with various offerings in speed, content and VAS. The blended local postpaid net ARPU improved 4% from HK$161 in 2015 to HK$168 in 2016 as a result of higher data consumption during the year. Blended local postpaid net AMPU improved 5% to HK$161 in 2016 from HK$154 in 2015. Growing popularity around OTT applications and IoT usage prompted the Group to prepare for a new era of digitalisation and automation, in which more personalised content will be offered to customers. The Group will focus on developing local and roaming products and tariff plans to meet demand from various customer base and to boost revenue. At the same time, the Group is committed to developing customer loyalty initiatives for long-term benefits.

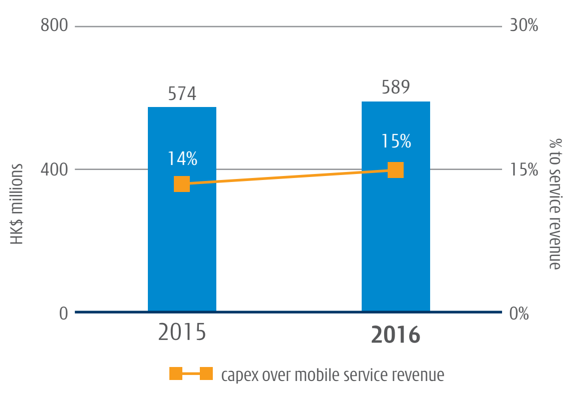
In 2016, the Group enhanced its mobile network by refarming a portion of existing 900MHz spectrum band to enhance indoor 4G LTE coverage, while a new 2300MHz spectrum band was activated to meet the rising demand for data. Small-cell technology was deployed to enhance both coverage and capacity in heavy traffic areas and growing data demand into the 5G era.

Key performance indicators for mobile business

	For the year ended 31 December 2016	For the year ended 31 December 2015	Favourable/ (unfavourable) change
Number of postpaid customers ('000)	1,486	1,484	-
Number of prepaid customers ('000)	1,736	1,547	+12%
Total customers ('000)	3,222	3,031	+6%
Postpaid customers to the total customer base (%)	46%	49%	-3% points
Postpaid customers' contribution to the net customer service revenue (%)	93%	93%	-
Monthly postpaid churn rate (%)	1.3%	1.8%	+0.5% point
Local postpaid gross ARPU (HK$)	210	212	-1%
Local postpaid net ARPU (HK$)	168	161	+4%
Local postpaid net AMPU (HK$)	161	154	+5%

Capital expenditure on property, plant and equipment in 2016 amounted to HK$589 million (2015: HK$574 million), accounting for 15% (2015: 14%) of mobile service revenue. The slight increase in capital expenditure in 2016 was mainly a result of long-term investment in network enhancement for 4.5G technology and preparation for coming 5G technology for better service and long-term cost savings in future.

Mobile capex



Summary of spectrum investment

as of 31 December 2016

Spectrum band	Bandwidth	Year of expiry
Hong Kong		
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2020
1800 MHz	23.2 MHz	2021
2100 MHz	29.6 MHz	2031
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028
Macau		
900 MHz	15.6 MHz	2023
1800 MHz	38.8 MHz	2023
2100 MHz	20 MHz	2023

* *Shared under 50/50 joint venture - Genius Brand Limited*

Fixed-line business highlights

	For the year ended 31 December 2016 HK$ millions	For the year ended 31 December 2015 HK$ millions	Favourable/ (unfavourable) change
Revenue	**4,127**	3,973	+4%
Operating expenses	**(2,875)**	(2,699)	-7%
Opex as % of revenue	***70%***	*68%*	*-2% points*
EBITDA	**1,252**	1,274	-2%
EBITDA margin %	***30%***	*32%*	*-2% points*
Depreciation and amortisation	**(688)**	(697)	+1%
EBIT	**564**	577	-2%
CAPEX (excluding licence)	**(509)**	(485)	-5%
EBITDA less CAPEX	**743**	789	-6%

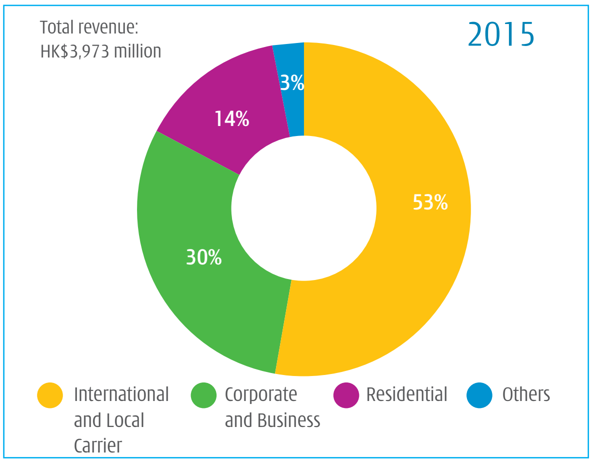
Fixed-line service revenue in 2016 was HK$4,127 million, an increase of 4% compared to HK$3,973 million in 2015. This improvement was mainly due to higher revenue from corporate and business market segments as well as the international and local carrier markets, partially offset by lower revenue from residential market due to keen competition.

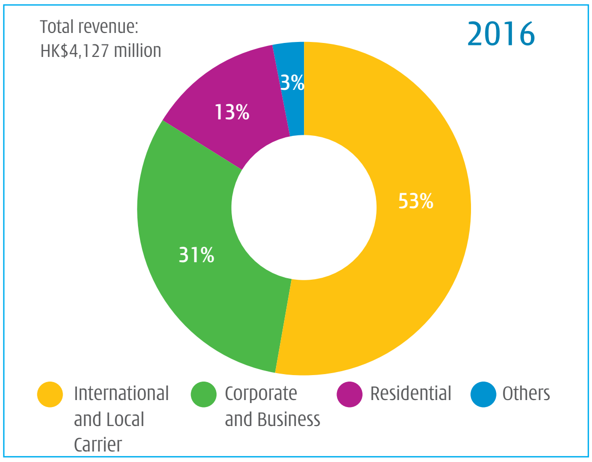
More revenue was generated by developing ICT solutions for corporate customers with sophisticated needs when compared to 2015. During 2016, the Group deepened penetration of various market segments such as banking, insurance, logistics and healthcare. Moving forward, the Group will place more focus on penetrating new industry segments and offer industry-specific one-stop ICT solutions. In addition, the Group will leverage its data centre capabilities and sophisticated network infrastructure to develop high security cloud solutions to help customers achieve greater cost efficiency, while accelerating digital transformation.

EBITDA and EBIT in 2016 slightly decreased by 2% to HK$1,252 million and HK$564 million respectively compared to those of 2015.

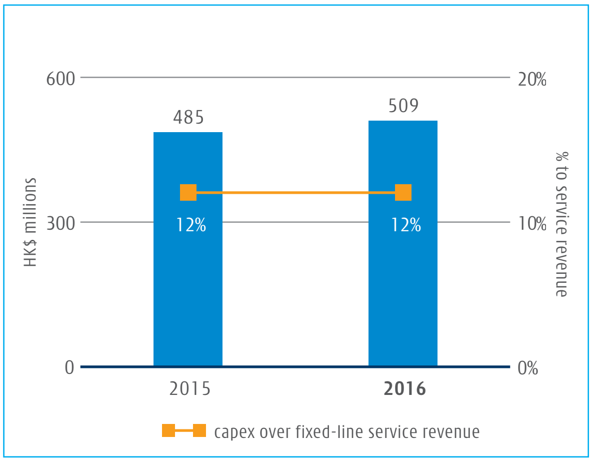
Capital expenditure on property, plant and equipment in 2016 amounted to HK$509 million (2015: HK$485 million), representing 12% (2015: 12%) of fixed-line service revenue. The slight increase in capital expenditure in 2016 was mainly a result of additional network equipment acquired to meet corporate customer requirements.

Fixed-line service revenue





Fixed-line capex



Group Capital Resources and Liquidity

Treasury Management

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

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings which are at floating rates.

Foreign currency exposure

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their 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, such risks are continuously monitored by the management.

Capital and Net Debt

As at 31 December 2016, the Group recorded share capital of HK$1,205 million and total equity of HK$12,156 million.

The cash and cash equivalents of the Group amounted to HK$237 million as at 31 December 2016 (2015: HK$1,021 million), 34% of which were denominated in Euros, 19% in Hong Kong dollars, 17% in United States dollars, 11% in Macau Patacas, with remaining in various other currencies. The Group's carrying amount of bank borrowings amounted to HK$4,467 million at 31 December 2016 (2015: HK$3,962 million), which were denominated in Hong Kong dollars and repayable in the fourth quarter of 2019.

As at 31 December 2016, the consolidated net debt of the Group was HK$4,230 million (2015: HK$2,941 million). The Group's net debt to net total capital ratio at 31 December 2016 was 26% (2015: 20%).

Charges on Group Assets

As at 31 December 2016, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

Committed borrowing facilities available to the Group but not drawn as at 31 December 2016 amounted to HK$1,500 million (2015: HK$1,000 million).

Contingent Liabilities

As at 31 December 2016, the Group provided performance and other guarantees of HK$631 million (2015: HK$326 million).

Commitments

As at 31 December 2016, the Group had total capital commitments of property, plant and equipment amounting to HK$787 million (2015: HK$748 million).

As at 31 December 2016, the Group had total operating lease commitments for building and other assets amounting to HK$296 million (2015: HK$575 million).

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

Risk Factors

The business, financial condition and results of operations of the Group are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the financial condition of the Group or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Economy

The Group operates principally in Hong Kong. As a result, the financial condition of the Group and results of operations may be influenced by the general state of a local market or economy in the region. Any significant or protracted worsening of the present financial and economic climate within Hong Kong and/or other areas, could result in a change to customer spending or usage behaviour, which could have an adverse impact on the business, results of operations and financial performance of the Group.

Highly-competitive Market

The Group faces significant competition. Aggressive tariff plans and customer acquisition strategies adopted by competitors may impact on pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects – hence, the service revenue the Group receives as a major provider of telecommunications services. Risk of competition from alternative sources of telecommunications services now, or in the future, could materially and adversely affect the financial performance and growth prospects of the Group.

Strategic Partners

The Group conducts some of its businesses through non wholly-owned subsidiaries and joint ventures, in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group into the future, or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, other investors in the non-wholly-owned subsidiaries and joint ventures of the Group may undergo a change of control or financial difficulties, which may affect the financial condition and results of operations of the Group.

Impact of Regulatory Decisions

The Group is permitted to provide telecommunications services and operate networks only under licences granted by regulatory authorities in individual countries/areas. All these licences have, historically, been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed when renewed. All these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct business, and such requirements may cover network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspension or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences held by the Group, or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), could result in the Group facing unforeseen competition, and could adversely affect the financial condition and results of operations of the Group.

Accounting

The International Accounting Standards Board has issued, and may in the future issue more new and revised standards and interpretations. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the financial condition and results of operations of the Group.

Rapid Technological Changes

The global telecommunications industry is characterised by rapid increases in the diversity and sophistication of the technologies and services offered. As a result, the Group may face increasing competition from technologies currently being developed, or which may be developed in the future, by both existing competitors as well as new market entrants. The development and application of new technologies involve time, substantial cost and risk. The technologies employed may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any of assets could adversely affect the financial condition and results of operations of the Group. If the Group fails to develop, or obtain timely access to, new technologies and equipment, or if the Group fails to obtain the necessary licences and spectrum to provide services using these new technologies, the Group may lose customers and market share and become less profitable.

Network Performance

Some elements of networks of the Group, such as switching and data platforms, perform critical functions for broad sectors of network operations. Damage to such critical elements may cause an entire sector of network coverage to be rendered non-functional and, as a result, the Group may not be able to provide telecommunications services to a substantial proportion of customer base. In the event that the Group is unable to provide telecommunications services to a substantial proportion of its customers for an extended period of time, its business and results of operations will be materially and adversely affected.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from floods and other major natural disasters and the occurrence of any of these events could disrupt the Group's business and materially and adversely affect the Group's financial condition and results of operations.

Although the Group has not experienced any major structural damage to the Group's facilities, there can be no assurance that those natural disasters will not occur and result in major damage to the Group's facilities, which could adversely affect the Group's financial condition and results of operations.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained within this annual report are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained within this annual report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained within this annual report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Environmental, Social and Governance Report

A philosophy of continuous improvement serves HTHKH's commitment to staff members, customers and supply chain entities, as well as our anti-corruption, environmental and community efforts.

Environmental, Social and Governance Report

About this Report

This ESG report provides an annual update on sustainability performance of the Group for the year ended 31 December 2016. There are no significant changes in the scope and the aspect boundaries compared with the Group's ESG Report for 2015.

This ESG report is prepared in accordance with the latest ESG Reporting Guide under Appendix 27 to the Listing Rules issued by the Stock Exchange in 2015, and should be read in conjunction with the Corporate Governance Report section of this annual report.

Approach to ESG strategy and reporting

The Group's approach to ESG strategy seeks to align with the development of the Group and value creation for our stakeholders. Key ESG issues are identified, prioritised and addressed to demonstrate transparency and accountability to the stakeholders concerned.

As a leading integrated telecommunications operator in Hong Kong, the Group acknowledges the importance of good ESG strategy and therefore integrates ESG into its daily operations. ESG issues are addressed both at Group and business level. The Board has delegated day-to-day responsibility for corporate governance and sustainability matters to the Governance Working Group. This group provides strategic direction, establishes sustainability policy and objectives, oversees corporate governance matters and monitors progress.

A sustainability taskforce has been formed to formulate and translate policy into action, while facilitating exchange of best practices throughout group companies. Business units and departments within the Group then integrate such initiatives into operations and activities. The sustainability taskforce collects and analyses data, evaluates performance and reports major issues to Governance Working Group on periodic basis.

Stakeholder engagement and material assessment

Stakeholder engagement is an integral part of the Group's approach to sustainable development. The Group maintains ongoing dialogue with key stakeholders including employees, shareholders, customers, suppliers, local communities, professional institutions, non-governmental organisations and the authorities. The Group collects views from stakeholders regularly through a variety of channels such as meetings, liaison groups, panel discussions, surveys, feedback programmes and workshops.

ESG compliance and how the Group leverages what it does as a core business to benefit the community are of key concern and interest to the Group's stakeholders and therefore enjoy priority in the way the Group manages ESG. Given the diversity of business operations supporting various basic functions of society, ESG aspects considered important by stakeholders range from environmental emissions and use of resources to employment and operating practices, as well as investment in the community. Material aspects identified are reviewed annually and updated by Corporate Governance Committee where necessary.

This report is divided into six sections that cover commitments to staff members, customers, supply chain entities as well as anti-corruption, environmental and community efforts. In each section, key initiatives and activities performed by representative businesses are included to demonstrate efforts in creating long term value for the stakeholders.

Commitment to Our Staff Members

Recruiting, engaging and retaining talent

Employees represent a precious asset of the Group, and career opportunities are made available to loyal and industrious staff members, as the Group expands.

As of 31 December 2016, the Group employed 2,304 full-time staff members. The Group is committed to complying with the Employment Ordinance and associated guidelines and regulations including laws prohibiting child and forced labour. Every aspect of employment is subject to a stringent internal review process. This involves a well-defined monitoring procedure to verify a candidate's personal information so as to prevent misrepresentation and any form of forced labour. An official employment contract comes complete with easily-understood terms and conditions, and each individual is well briefed before being employed. The Group's Code of Ethics requires staff to comply with applicable government and regulatory laws, rules, codes and regulations.

The Group adopts equal employment opportunity policies and runs programmes that ensure employees are hired, promoted and assigned on the basis of their skills and abilities. The Group is committed to providing all employees with a positive, diverse, respectful and safe working environment, without discrimination or harassment. The selection process affords equal opportunities to all persons subscribing to the Group's commitment to excellence – and is carried out regardless of race, colour, gender or religious belief. This non-discrimination policy continues throughout a staff member's career and applies to all employment matters including placement, transfer, promotion and compensation.

Investing in training and development

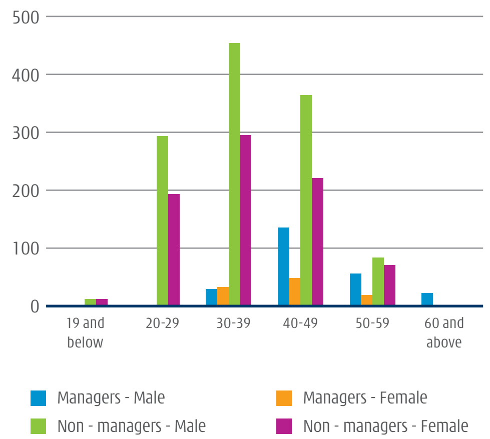
Heavy emphasis on career development translates into extensive and ongoing workshops and on-the-job training. Comprehensive and structured programmes are designed to familiarise new staff members with the industry. The Group also extends tailored programmes to certain educational institutions to help identify potential candidates for employment and allow those interested to learn more about a career development path.

Educational sponsorship is available to employees in the form of job-related courses provided by external institutions. The Group encourages employees to take part in work-life balance activities and community service. These include employee outings, sports events and volunteering activities in the community.

The Group won the "7th Asia Best Employer Brand Awards 2016 – Asia's Best Employer Brand", thereby demonstrating commitment to retention of talent and motivating our employees to build their career within the Group.

“Customer satisfaction is high priority for the Group”

Total full-time employees by gender, employment type and age group



Promoting well-being, health and safety

The Group provides a safe and healthy workplace for all employees, and is committed to complying with all applicable health and safety laws and regulations. Health and safety considerations are an important element of the design, operation and maintenance of the office facilities, and the way our business is conducted.

Employees are able to access health and safety information posted on the Group's intranet, which includes hyperlinks to external sites. A list of first aid helpers is maintained in offices, along with information to help employees understand how accidents should be reported.

Regulatory compliance

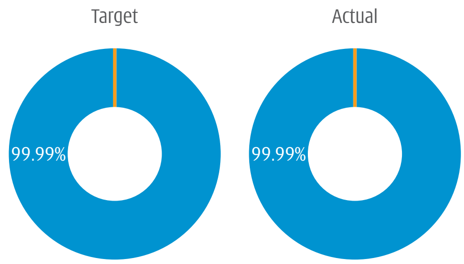
During 2016, the Group was not aware of any non-compliance with laws and regulations that have a significant impact relating to employment and labour practices or occupational health and safety. Nor did the Group identify any incidents relating to hire of child and forced labour.

Commitment to Our Customers

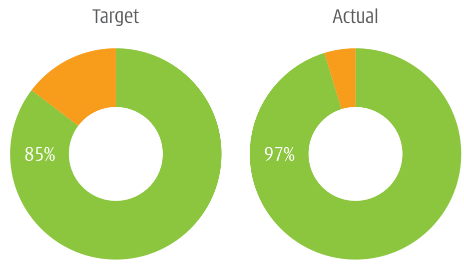
Building trust through reliability and quality

Customer satisfaction is high priority for the Group. The Group was the only corporation in Hong Kong to win the “Smiling Enterprise Outstanding Award” in 2016. This applauded frontline staff for adopting a particularly helpful and sincere attitude when serving customers during “mystery shopper” visits organised by the Mystery Shopper Service Association. The 24/7 online 3iChat customer interface uses emoticons to create a friendly rapport, while the eSelf-service initiative has blossomed into a swift, simple and good-natured customer experience. Outstanding eSelf-service performance won recognition from Marketing Magazine in the form of two titles from the Mob-Ex Awards scheme.

3 Hong Kong network availability: The availability of the core network i.e. the percentage of the uptime of the core network in an observation period

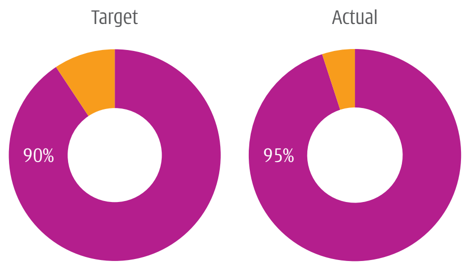


3 Hong Kong customer hotline performance: hotline answer time - within 30 seconds*



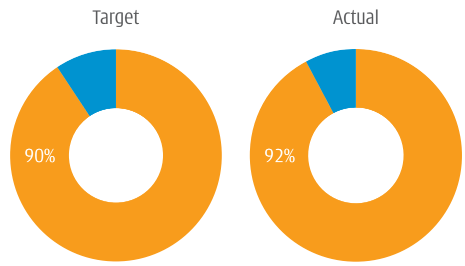
* *Not applicable to the period of unexpected incidents (e.g. system outage and typhoon) or during the launch of large-scale promotional campaigns*

3 Hong Kong complaint acknowledge time: before the end of next working day upon receipt during office hours*



* *General complaints do not include (1) scenarios where the relevant customer is not reachable or when the information and/or supporting documents provide by the customer are insufficient to carry out trouble-shooting and testing; and (2) cases which require on site testing or joint testing with other service provides or contractors be carried out*

3 Hong Kong complaint resolution time: within 5 working days*



* *General complaints do not include (1) scenarios where the relevant customer is not reachable or when the information and/or supporting documents provide by the customer are insufficient to carry out trouble-shooting and testing; and (2) cases which require on site testing or joint testing with other service provides or contractors be carried out*

• HTHKH plays a role in the Computer Recycling Programme run by the Environmental Protection Department.

Enabling sustainable options

Research identifies IT infrastructure as a major source of energy consumption and GHG emission. However, cloud services provided by HGC optimise the way IT equipment is used in order to consume less space and energy. This helps the customers of the Group achieve greater energy efficiency than when running on-premise IT infrastructure. HGC's cloud services grant customers access to equipment, networks and software, while reducing the negative impact on the environment by cutting GHG emissions and generation of hazardous waste when replacing equipment. HGC launched cloud services for consumer and corporate customers so they can operate more efficiently and sustainably.

Improving customer experience

The Group maintains a range of customer communications channels such as customer service centres, social networking pages and smartphone applications so that feedback can be acted upon. The Group treats customer feedback with due care and in a timely manner. In addition, customer complaints are handled efficiently and investigated to identify and rectify root causes. Records are kept as to how complaints are handled and whether any improvements resulted, with measures in place to review outcomes. The Group also fosters a culture of continuous improvement by benchmarking and publishing service performance details on a regular basis. Service levels are benchmarked according to performance pledges to customers and periodically published on the website of the Group.

Protecting our customers

The Group is committed to complying with data privacy laws and regulations. Privacy Policy and Personal Information Collection Statements demonstrate a commitment to safeguarding each customer's personal data. The Group has developed a robust system to control collection, access to, updating, security and retention of personal data received.

Protecting consumers and safeguarding their privacy are top priorities. In addition to distribution of guidelines and handbooks, the Group issues periodic reminders to customer-facing employees, and runs workshops to emphasise the importance of protecting personal data.

Regulatory compliance

During 2016, the Group was not aware of any incidents of non-compliance with laws or regulations that have a significant impact concerning health and safety, advertising, labeling and privacy matters relating to products and services and methods of redress.

Commitment to Our Supply Chain

Fair assessment of suppliers

The Group is committed to upholding international and local laws and regulations. Purchasing and Business Partner Evaluation Policies and Procedures provide direction and guidelines on evaluation and engagement when dealing with major business partners. This encompasses working relationships with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities.

The Group adheres to international best practices and conducts fair and unbiased tender processes in dealings with vendors. When selecting vendors and suppliers, the Group takes factors into account such as quality of products and services, past performance, financial standing, capacity assessment and reputation including track records in handling social and environmental matters. The Group expects suppliers to observe the same environmental, social, health and safety and governance considerations in their own operating practices. Procurement teams are trained to take into account each and every aspect of such policies and procedures when assessing suppliers, and tendering procedures are carefully communicated to vendors. The Group also provides stakeholders, including vendors, with procedures such that they can report any suspected impropriety.

Anti-corruption

An Anti-Bribery and Anti-Corruption Policy sets out standards of conduct that all employees are required to follow. The Group has also established Procedures for Reporting Possible Improprieties on matters of Financial Reporting, Internal Control or other matters to encourage employees of the Group – and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) – to report any suspected impropriety, misconduct or malpractice within the Group. These procedures aim to provide reporting channels and guidance, while reassuring whistleblowers that they will be protected against any unfair treatment.

The Group organises periodic corporate governance seminars and training on anti-corruption measures and guidelines, as well as sound operating practices and business ethics.

Regulatory compliance

During 2016, the Group was not aware of any of non-compliance with laws or regulations that have a significant impact concerning bribery, extortion, fraud and money laundering.

Commitment to Our Environment

Optimsing resources use

Our internal environmental-protection policy details a commitment to minimise the negative impact of business activities on the environment and support protection initiatives.

The sustainability taskforce comprises representatives from business units and was established to promote staff awareness around environmental protection. The Go Green Workshops were run during 2016 and green tips were disseminated to raise awareness among employees.

- Volunteers help members of the Hong Chi Tai Ping Centre celebrate the magic of Mid-autumn Festival.

- Staff and their families join the Go Green tour and get a first-hand impression of organic farming.

> The Group engages in a wide range of philanthropic efforts to benefit the community

The Group demonstrated a keen sense of community spirit by running the Recycling of Handsets and Accessories Programme and placing recycling boxes at designated 3Shops to encourage the public to dispose of, and recycle, unwanted phones and handset accessories. Since the programme was launched in 2012, more than 2,500 old handset and accessory items were collected and handed to Environmental Protection Department of the Hong Kong Government and voluntary organisations for recycling or reuse.

In 2016, the Group contributed to the Computer Recycling Programme run by the Environmental Protection Department of the Hong Kong Government. More than 1,000 units of recyclable equipment such as desktop PCs, laptops, monitors, printers and scanners were amassed as a result of staff computers and associated equipment being renewed. Items fit for reuse have since been donated to people in need.

The Group was in 2016 awarded the Class of Excellence for Wastewi$e certificate and EnergyWi$e certificate. This was the third year Green Office status has been awarded to the Group under the World Green Organisation's Green Office Awards Labelling Scheme. In addition, the Group received Better World Company honours as part of the United Nations' Sustainable Development Goals initiative through the Junior Chamber International Hong Kong.

The Group continues to encourage customers to opt for electronic billing through email or SMS, as part of a long-term strategy to reduce consumption of paper.

Our Watson Centre data centre is accredited with ISO 50001 energy management system certification, exemplifying pioneering efforts to conserve energy and develop sustainable data centre facilities.

Regulatory compliance

During 2016, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and GHG emissions, discharges into water or land, and generation of hazardous waste.

Commitment to Our Community

The Group engages in a wide range of philanthropic efforts to benefit the community. Such initiatives include employee volunteerism, education and health care. In line with sound corporate governance practice, donations and contributions are subject to internal compliance guidelines and controls in order to safeguard stakeholder and shareholder interests.

- Volunteers help generate an atmosphere of fun at a centre for the elderly and hand out souvenirs.

- A programme was organised to collect foodstuffs for people in need.

The Group encourages staff to get involved in sporting events that benefit worthwhile causes.

The Group has maintained "Caring Company" status – granted by the Hong Kong Council of Social Service – for an extensive period of time. The Group has adopted a public engagement and donation policy to promote serving the community through voluntary efforts from staff and by way of cash and in-kind donations.

Cash and in-kind donations for 2016 amounted to approximately HK$0.6 million and benefitted community projects in Hong Kong and Macau under the subject headings of community, education, youth and the elderly.

Drawing on the strength of the Group's superior mobile communications network and technology expertise, the Group has made in-kind donations to the benefit of a diversity of needy individuals. For example, the Group sponsored senior citizens by providing the free "e-Care Link" package, which includes voice minutes, local data usage, certain smartphone models and the all-year-round call-and-care "e-Care Link" service. This was carried out under the auspices of the Safety Phone Service Plans Sponsorship Programme organised by the Senior Citizen Home Safety Association. The year under review also saw continuity of the Lo-Yau-Kee Monthly Service Plans Sponsorship Programme, which was launched in 2010. Meanwhile, senior citizens from a number of charitable organisations benefitted from a waiver of service fee from the Group.

Further, the Group contributed towards building an inclusive and caring society by making it easy for people with disabilities and special needs to obtain information and services. The Group's corporate and HGC websites won gold awards in the Web Accessibility Recognition Scheme organised by The Office of the Government Chief Information Officer and the Equal Opportunities Commission.

The Group also plays an important role in imparting knowledge of mobile technologies and ICT among young people. The Group sponsored the Hong Kong Next Generation Interest Society Technical Seminar and the Communication Association of Hong Kong's ICT Conference and Expo 2016. Student visits to the Group's data centre were also conducted.

The Group emphasises the importance of striking a healthy work-life balance and encourages staff to participate in various charity sports events such as the Standard Chartered Hong Kong Marathon, Orbis Walks for Sight, the Hong Kong Disneyland 10K Weekend and Oxfam Trailwalker. Some of such initiatives were also sponsored by the Group.

As a responsible corporate citizen, the Group initiated a food donation programme in 2016 so staff could donate canned and other foodstuffs, as well as non-refrigerated beverages, to the SKH St Christopher's Home, St Mary's Home for the Aged and Kwun Tong Methodist Social Service Gleaners Community Foodbank.

Staff in Macau took part in a community walk to raise funds for the underprivileged, while the Group continued to sponsor the Mobile Application Software Technologies Training Plan, which encourages youngsters to keep up to speed with the latest mobile app technology.

Information on Directors

Biographical details of Directors

FOK Kin Ning, Canning
Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 65, has been Chairman and a Non-executive Director of the Company since March 2009. He is also a member of the Remuneration Committee of the Company. Mr Fok is an executive director and group co-managing director of CKHH and also the chairman of HTAL, HPHM (as trustee-manager of Hutchison Port Holdings Trust), Power Assets Holdings Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited, co-chairman of Husky Energy Inc. and deputy chairman of CKI. In addition, he is a director of CKHGI, which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses. Mr Fok was previously Alternate Director to Mrs Susan Chow, a then Non-executive Director of the Company, and an executive director and group managing director of HWL and was re-designated as director in June 2015. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of the Chartered Accountants Australia and New Zealand.

LUI Dennis Pok Man
Deputy Chairman and Non-executive Director

Lui Dennis Pok Man, aged 65, has been Deputy Chairman and a Non-executive Director of the Company since March 2009. He is a director of Hutchison Telecommunications Group Holdings Limited and heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also oversees the telecommunications operations in Ireland and Austria and generally assists in other telecommunications operations and related investments within the group of CKHH. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was managing director of HTHK (a wholly owned subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in China, Hong Kong, Macau and Taiwan from 1996 to 2000. From 2001, he oversaw a number of the telecommunications operations and new business development of the group of HWL in particular as an executive director and chief executive officer of HTIL from 2004 to 2010. He is also a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Lui holds a Bachelor of Science degree.

WOO Chiu Man, Cliff
Executive Director and Chief Executive Officer

Woo Chiu Man, Cliff, aged 63, has been Executive Director and Chief Executive Officer of the Company since January 2017. He is also a director of HTAL. Mr Woo held various senior technology management positions in the telecommunications industry before joining the HWL Group in 1998. He was deputy managing director of HTHK, a subsidiary of the Company, from 2000 to 2004, and also executive director of HTIL from March 2005 to December 2005. Mr Woo was seconded to Vodafone Hutchison Australia Pty Limited as chief technology officer from 2012 to 2013 and was part of the core management team. HTAL, HWL, and HTIL are all subsidiaries of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Further, Mr Woo is also a director of certain companies controlled by certain substantial shareholders of the Company. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years. Mr Woo holds a Bachelor's degree in Electronics and a Diploma in Management for Executive Development. He is a Chartered Engineer and also a Member of the Institution of Engineering and Technology (UK) and the Hong Kong Institution of Engineers.

LAI Kai Ming, Dominic
Non-executive Director

Lai Kai Ming, Dominic, aged 63, has been a Non-executive Director of the Company since March 2009 and Alternate Director to Mr Fok Kin Ning, Canning, Chairman and a Non-executive Director of the Company, and Ms Edith Shih, a Non-executive Director and Company Secretary of the Company since January 2017. He is an executive director and deputy managing director of CKHH, a director of HTAL, and an alternate director to directors of HTAL and TOM Group Limited. In addition, Mr Lai is a director of CKHGI, which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mr Lai acts as director for the purpose of overseeing the management of such businesses. He was previously an Alternate Director to Mr Frank John Sixt, a then Non-executive Director of the Company. Mr Lai has over 30 years of management experience in different industries and holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Edith SHIH
Non-executive Director and Company Secretary

Edith Shih, aged 65, has been a Non-executive Director of the Company since January 2017 and Company Secretary of the Company since November 2007. She is also an executive director, Head Group General Counsel and Company Secretary of CKHH, and a non-executive director of Hutchison China MediTech Limited and HPHM (as trustee-manager of Hutchison Port Holdings Trust). In addition, she is a director of CKHGI, which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO, as well as director and company secretary of numerous companies under the CKHH Group. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Ms Shih acts as director for the purpose of overseeing the management of such businesses. She has over 34 years of experience in the legal, regulatory, corporate finance, compliance and corporate governance fields. Ms Shih is at present the Senior Vice President and Executive Committee member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and a past President and current council member and Chairperson of various committees and panels of The Hong Kong Institute of Chartered Secretaries. She is also the Chairman of the Remuneration Committee and Vice-Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants. She was a member of the Listing Committee and Corporate Governance Sub-Committee of the Stock Exchange, the Standing Committee on Companies Law Reform as well as the Hong Kong Institute of Certified Public Accountants Council. Ms Shih is a solicitor qualified in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines and a Master of Arts degree and a Master of Education degree from Columbia University, New York.

CHEONG Ying Chew, Henry
Independent Non-executive Director

Cheong Ying Chew, Henry, aged 69, has been an Independent Non-executive Director of the Company since April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company, since March 2010. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of Cheung Kong Property Holdings Limited, CKI, CNNC International Limited, Greenland Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group Limited. He is also an independent director of BTS Group Holdings Public Company Limited, and an executive director and deputy chairman of Worldsec Limited. Mr Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

LAN Hong Tsung, David, GBS, ISO, JP
Independent Non-executive Director

Lan Hong Tsung, David, aged 76, has been an Independent Non-executive Director of the Company since April 2009. He is Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently chairman of David H T Lan Consultants Limited. He is an independent non-executive director of CKI, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) and SJM Holdings Limited. He is also president of The International Institute of Management Limited, senior advisor of Mitsui & Company (Hong Kong) Limited, supervisor of Nanyang Commercial Bank (China), Limited and an independent non-executive director of Nanyang Commercial Bank, Limited and Cinda Financial Holdings Co., Limited. He was previously an independent non-executive director of ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust). Dr Lan was Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal in July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr Lan is a Chartered Secretary, and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford. Dr Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University and Visiting Professorships of Bulacan State University and Tarlac State University.

WONG Yick Ming, Rosanna, DBE, JP
Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 64, has been an Independent Non-executive Director of the Company since April 2009. She is a member of the Audit Committee of the Company. She is an independent non-executive director of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Dr Wong is an independent non-executive director of The Hongkong and Shanghai Hotels, Limited, the executive director of The Hong Kong Federation of Youth Groups, the non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation, an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited, a director of The Committee of Youth Activities in Hong Kong Limited, and honorary chairman of World Vision Hong Kong. In addition, she is a member of the 12th session of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, The Hong Kong University of Science and Technology Business School Advisory Council, the Advisory Committee of The Jockey Club CPS Limited, and a global advisor to Mars, Incorporated. Dr Wong holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates from The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada.

MA Lai Chee, Gerald
Alternate Director

Ma Lai Chee, Gerald, aged 49, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company since June 2009. He is a member of executive committee and general manager of corporate business development department of Cheung Kong Property Holdings Limited. Mr Ma joined the group of Cheung Kong (Holdings) in 1996. He is also a non-executive director and member of the Designated Committee of ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust) and also a non-executive director and member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust). He has over 27 years of experience in finance, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Changes in Information of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2016 Interim Report and the date of announcement on appointment of Directors are set out below:

Name of Director	Details of changes
Lai King Ming, Dominic	Appointed as alternate director to Mr Fok Kin Ning, Canning, Chairman of HTAL[(1)], on 5 December 2016
Edith Shih	Appointed as executive director of CKHH[(2)] on 1 January 2017
	Appointed as non-executive director of HPHM (as trustee-manager of Hutchison Port Holdings Trust[(3)]) on 1 January 2017
Lan Hong Tsung, David	Resigned as independent non-executive director of ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust[(4)]) on 1 January 2017

Notes:

(1) A company whose shares are listed on the Australian Security Exchange.

(2) A company whose shares are listed on the Main Board of the Stock Exchange.

(3) A trust whose units are listed on the Main Board of Singapore Exchange Securities Trading Limited (the "Singapore Exchange").

(4) A trust whose units are listed on the Main Board of the Stock Exchange and on the Main Board of the Singapore Exchange.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Company's own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held in American Depositary Shares	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380[(1)]	-	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	-	0.1888%
Wong King Fai, Peter[(2)]	Beneficial owner	Personal interest	2,666,667	-	0.0553%
Frank John Sixt[(3)]	Beneficial owner	Personal interest	-	255,000[(4)]	0.0053%

Notes:

(1) Such ordinary shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

(2) Mr Wong King Fai, Peter retired as Executive Director and Chief Executive Officer & Group Managing Director on 1 January 2017.

(3) Mr Frank John Sixt resigned as Non-executive Director of the Company on 1 January 2017.

(4) 17,000 American Depositary Shares (each representing 15 ordinary shares) were held by Mr Frank John Sixt.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

Mr Fok Kin Ning, Canning held, as at 31 December 2016, the following interests:

(i) corporate interests in 5,111,438 ordinary shares, representing approximately 0.13% of the issued voting shares, in CKHH; and

(ii) 5,100,000 ordinary shares, representing approximately 0.04% of the issued voting shares, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively.

Mr Fok Kin Ning, Canning held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse and held the above personal interests in his capacity as a beneficial owner.

Mr Wong King Fai, Peter held, as at 31 December 2016, family interests in 15,048 ordinary shares, representing approximately 0.0004% of the issued voting shares, in CKHH held by his spouse.

Mr Frank John Sixt in his capacity as a beneficial owner held, as at 31 December 2016, personal interests in (i) 136,800 ordinary shares, representing approximately 0.004% of the issued voting shares, in CKHH; and (ii) 1,000,000 ordinary shares, representing approximately 0.007% of the issued voting shares, in HTAL.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner held, as at 31 December 2016, personal interests in 34,200 ordinary shares, representing approximately 0.0009% of the issued voting shares, in CKHH.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner held, as at 31 December 2016, personal interests in 13,680 ordinary shares, representing approximately 0.0004% of the issued voting shares, in CKHH.

Save as disclosed above, as at 31 December 2016, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the HTHKH Securities Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

During the year ended 31 December 2016, the following Directors of the Company had interests in certain businesses (apart from the businesses of the Company or its subsidiaries) which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

- Mr Fok Kin Ning, Canning, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic were executive directors of CKHH and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications business.

- Mr Lui Dennis Pok Man and Mr Ma Lai Chee, Gerald were directors and/or alternate directors of certain subsidiaries of CKHH which are engaged in telecommunications business.

- Mrs Chow Woo Mo Fong, Susan and Mr Wong King Fai, Peter retired as Directors of the Company on 1 August 2016 and 1 January 2017 respectively. Before retirement, they were also directors and/or alternate directors of certain subsidiaries of CKHH which are engaged in telecommunications business.

- Save and except for Messrs Fok Kin Ning, Canning and Lui Dennis Pok Man, all the above-mentioned Directors of the Company were also directors of HGCGC and/or Beijing Net-Infinity Technology Development Company Limited, both of which are engaged in data centre business and became subsidiaries of CKHH as a result of the completion of the reorganisation of HWL Group on 3 June 2015.

On 17 April 2009, the Company entered into a non-competition agreement with HWL (the then holding company of the Company) (the "HWL Non-Competition Agreement") and a non-competition agreement with HTIL, whereby the parties thereto agreed, inter alia, to clearly delineate the respective geographical markets and businesses of each of (i) HWL Group (excluding HTIL and its subsidiaries (the "HTIL Group") and the Group); (ii) the HTIL Group; and (iii) the Group within their respective territories for the purpose of implementing the non-competition restrictions. The exclusive territories of the Group comprised Hong Kong and Macau. The exclusive territories of the HWL Group (which in substance included those of the HTIL Group following the privatisation of HTIL in 2010) comprised all the remaining countries of the world.

HWL transferred its rights and obligations under the HWL Non-Competition Agreement to CKHH by novation on 28 December 2015, as a result of the completion of the reorganisation of HWL Group on 3 June 2015 whereupon CKHH became the ultimate holding company of HWL and the Company.

Information on Senior Management

Biographical Details of Senior Management

TAN Yuen Chun, Jennifer

Chief Operating Officer

TAN Yuen Chun, Jennifer, aged 53, has been Chief Operating Officer of the Group since June 2014. She joined the Group in May 1996 and has been finance director of HTHK since 2000 and was appointed Chief Financial Officer of HTHK and HGC in August 2005. She then became Managing Director of fixed-line business of the Group in September 2012. Before joining the Group, Ms Tan gained extensive senior management experience with various Fortune 500 multinational corporations. She is a qualified accountant and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom. She is a fellow of several professional accounting associations. She has been a committee member of the Association of Chartered Certified Accountants Hong Kong since September 2015. She has also completed The Cambridge-HKU Senior Executive Programme and Stanford Senior Executive Leadership Program. Ms Tan has more than 20 years of experience in telecommunications.

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 42, has been Chief Financial Officer of the Group since September 2012. She joined the HWL Group in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 19 years of experience in accounting and finance for corporate and banking sectors.

CHIANG Yung Hon, Byron

Chief Technology Officer (Fixed)

CHIANG Yung Hon, Byron, aged 51, has been Chief Technology Officer (Fixed) of the Group since June 2014. He joined the Group in November 2003. Mr Chiang is responsible for network engineering, operations, IT and product development aspects of fixed-line business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 27 years of experience in telecommunications.

CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

CHUNG Yiu Man, Daniel, aged 49, has been Chief Technology Officer (Mobile) of the Group since June 2008. Mr Chung is responsible for network engineering, operations and IT development aspects of mobile business. He holds a Master's degree in Business Administration and has more than 26 years of experience in telecommunications.

HO Wai Ming

Chief Executive Officer – Macau (Mobile)

HO Wai Ming, aged 63, has been Chief Executive Officer – Macau (Mobile) of the Group since April 2008. He joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 35 years of experience in telecommunications.

KWOK Wing Pong, Andrew

International & Carrier Business Director

KWOK Wing Pong, Andrew, aged 56, has been International & Carrier Business Director of the Group since June 2014. He joined the Group in June 2002. Mr Kwok is now responsible for international, carrier business and global development of mobile and fixed-line businesses. He also represents the Group in regional telecommunications alliance as one of the founding board members after his chairmanship. Mr Kwok has more than 36 years of experience in telecommunications.

HO Wai Wing, Raymond

Corporate & Marketing Communications Director

HO Wai Wing, Raymond, aged 54, has been Corporate & Marketing Communications Director of the Group since June 2014. He joined the Group in May 2003. Mr Ho is responsible for the corporate and marketing communications of the mobile and fixed-line business arms. He holds a Master's degree in Business Administration and has more than 32 years of experience in sales and marketing.

NG May Yuk, Frances

General Manager, Corporate Affairs

NG May Yuk, Frances, aged 56, has been General Manager, Corporate Affairs of the Group since June 2014. She joined the Group in July 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She holds a Master's degree in Business Administration and has more than 32 years of experience in public relations.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 52, has been Director of Legal Services & Regulatory of the Group since September 2012. He joined the HWL Group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 29 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India.

WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 53, has been HR & Organisational Development Director of the Group since January 2012. He joined the HWL Group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 27 years of experience in human resources management.

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 151 to 152.

Business Review

The business review of the Group for the year ended 31 December 2016 is set out on pages 10 to 47 and pages 69 to 86.

Group Profit

The consolidated income statement is set out on page 92 and shows the profit of the Group for the year ended 31 December 2016.

Dividends

An interim dividend of 4.00 HK cents per share was paid to shareholders on 9 September 2016.

The Directors recommend the declaration of a final dividend at the rate of 6.90 HK cents per share, payable on Wednesday, 24 May 2017 to those persons registered as shareholders of the Company on Monday, 15 May 2017, being the record date for determining the entitlement of shareholders to the proposed final dividend.

Reserves

The reserves of the Group and of the Company during the year are set out in Notes 26 and 34(a) to the consolidated financial statements respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$0.6 million (2015: HK$0.8 million).

Directors

The Board as at 31 December 2016 comprised eight Directors: Mr Fok Kin Ning, Canning (Chairman and a Non-executive Director); Mr Lui Dennis Pok Man (Deputy Chairman and a Non-executive Director); Mr Wong King Fai, Peter (Executive Director); two Non-executive Directors, namely, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic (Mr Ma Lai Chee, Gerald is Alternate Director to Mr Lai Kai Ming, Dominic); and three Independent Non-executive Directors, namely, Mr Cheong Ying Chew, Henry, Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna.

During the year ended 31 December 2016 and up to the date of this report, the following changes to the Board composition took place:

(i) On 1 August 2016, Mrs Chow Woo Mo Fong, Susan retired as Non-executive Director.

(ii) On 1 January 2017,

  (a) Mr Wong King Fai, Peter retired as Executive Director and Chief Executive Officer & Group Managing Director;

  (b) Mr Frank John Sixt resigned as Non-executive Director; and Mr Lai Kai Ming, Dominic ceased to act as Alternate Director to Mr Frank John Sixt;

  (c) Mr Woo Chiu Man, Cliff was appointed as Executive Director and Chief Executive Officer;

  (d) Ms Edith Shih was appointed as Non-executive Director; and

  (e) Mr Lai Kai Ming, Dominic was appointed as Alternate Director to Mr Fok Kin Ning, Canning and Ms Edith Shih.

Mr Wong King Fai, Peter, Mrs Chow Woo Mo Fong, Susan and Mr Frank John Sixt have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

The Board would like to record its appreciation for the services of Mr Wong King Fai, Peter, Mrs Chow Woo Mo Fong, Susan and Mr Frank John Sixt to the Group during their tenure and is pleased to welcome Mr Woo Chiu Man, Cliff and Ms Edith Shih to the Board.

In accordance with Code Provision A.4.2 contained in Appendix 14 of the Listing Rules and Article 83(3) of the Articles of Association, Mr Woo Chiu Man, Cliff and Ms Edith Shih, who are appointed to fill the casual vacancies, will retire at the next following general meeting (i.e. the forthcoming annual general meeting) and, being eligible, offer themselves for re-election.

In accordance with Code Provision A.4.2 contained in Appendix 14 of the Listing Rules and Article 84 of the Articles of Association, Mr Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic and Mr Cheong Ying Chew, Henry will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company received confirmations from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 48 to 50.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation, other than statutory compensation.

Permitted Indemnity Provisions

The Articles of Association provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place to protect the Directors of the Company or of its subsidiaries against any potential costs and liabilities arising from claims brought against the Directors.

Directors' Material Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the business of the Group to which a subsidiary, fellow subsidiary or holding company of the Company was a party in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

Continuing Connected Transactions

On 4 June 2015, the Company and CKHH entered into (i) the master HTHKH telecommunications supplies agreement, whereby the Company agreed to provide, or to procure its subsidiaries to provide, the Group Telecommunications Supplies (as defined hereunder) to the CKHH Group; (ii) the master CKHH telecommunications supplies agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the CKHH Telecommunications Supplies (as defined hereunder) to members of the Group; and (iii) the master purchase agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the Business Related Supplies (as defined hereunder) to members of the Group (collectively, the "Master Agreements") as and when reasonably requested by relevant members of the Group or of the CKHH Group for a period commencing from 3 June 2015 and ending on 31 December 2017:

(a) Group Telecommunications Supplies include telecommunications products and services of the Group, including mobile and fixed-line telecommunications products (including mobile handsets, accessories and fixed-line equipment); data centre services (including data centre facilities (such as power supply, telecommunications connectivity, air-conditioning, fire prevention and security systems), hardware and software management and co-location services); mobile telecommunications services (including IDD and roaming services and other value-added services); telecommunications and internet services (including local and international fixed-line telecommunications services, internet access bandwidth with value-added services, and internet and web-hosting services); procurement of local and international fixed-line telecommunications services (including IDD); and such other telecommunications products and services of the Group as may be agreed between the Company and CKHH from time to time;

(b) CKHH Telecommunications Supplies include telecommunications goods and services of the CKHH Group, including roaming services; local and international fixed-line telecommunications services (including IDD services and international private leased circuits); data centre services; and such other telecommunications goods and services of the CKHH Group as may be agreed between the Company and CKHH from time to time, which exclude the Business Related Supplies; and

(c) Business Related Supplies include goods and services for use in connection with the businesses of the Group, including billing collection services; dealership services at retail outlets in Hong Kong for sale of handsets and/or telecommunications services; IT related services, including IT platforms development services, software solutions and applications development services and other professional services; management services of content, digital properties and online marketing activities; cash coupons and marketing, advertising and promotional services; business risks management services; equipment installation and maintenance services; lease and licensing services; and such other goods and services for use in connection with the businesses of the Group as may be agreed between the Company and CKHH from time to time, which exclude the CKHH Telecommunications Supplies.

Each of CKHH and the other members of the CKHH Group is a connected person of the Company by virtue of being either a substantial shareholder of the Company or an associate of CKHH. Accordingly, the transactions contemplated under the Master Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement dated 4 June 2015 was issued.

As set out in the announcement, the caps for the period between 3 June and 31 December 2015, the year ended 31 December 2016 and the year ending 31 December 2017 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group amounted to HK$244 million, HK$446 million and HK$495 million respectively, (ii) the Group's acquisition of the CKHH Telecommunications Supplies amounted to HK$138 million, HK$286 million and HK$342 million respectively, and (iii) the Group's acquisition of the Business Related Supplies amounted to HK$76 million, HK$116 million and HK$144 million respectively.

The aggregate amounts attributed to (i) the provision of the Group Telecommunications Supplies to the CKHH Group, (ii) the Group's acquisition of the CKHH Telecommunications Supplies, and (iii) the Group's acquisition of the Business Related Supplies for the year ended 31 December 2016 which are subject to the annual review requirement under the Listing Rules were approximately HK$313 million, HK$171 million and HK$22 million respectively.

The internal audit department of the Group has reviewed the above transactions and the internal control procedures and is of the view that the transactions are conducted in compliance with the agreements governing them, the internal control procedures and Chapter 14A of the Listing Rules during the year ended 31 December 2016. All the Independent Non-executive Directors of the Company have reviewed the continuing connected transactions entered into by the Group under the Master Agreements during the year ended 31 December 2016 and the report provided by the internal audit department of the Group and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the Board that nothing has come to their attention that causes them to believe that the continuing connected transactions entered into by the Group under the Master Agreements during the year ended 31 December 2016 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) have exceeded the respective annual cap amounts as referred to in the announcement dated 4 June 2015.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in Note 33 to the consolidated financial statements. In particular, the transactions entered into with the CKHH Group and the NTT Group (as defined and described in Note 33 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules except that the transactions contemplated under the Master Agreements are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures are set out in the "Information on Directors" section on pages 52 to 53.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to the Directors and Chief Executive of the Company, as at 31 December 2016, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the "Information on Directors" section, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
HTHL	Beneficial owner	512,961,149 (1)	10.64%
HTIHL	Beneficial owner	2,619,929,104 (1))	
		)	
	Interest of a controlled corporation	512,961,149 (1))	65.01%
		)	
CKHGI	Interest of controlled corporations	3,132,890,253 (1)	65.01%
CKHH	Interest of controlled corporations	3,184,982,840 (1)(2)	66.09%

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
The Capital Group Companies, Inc.	Interest of controlled corporations	246,038,000	5.11%
Yuda Limited ("Yuda")	Beneficial owner	350,527,953 (3)	7.27%
Mayspin Management Limited ("Mayspin")	Interest of controlled corporations	403,979,499 (4)	8.38%
Li Ka-shing ("Mr Li")	Founder of discretionary trusts	153,280 (5))	
	Interest of controlled corporations	403,979,499 (4))	8.38%

Notes:

(1) *HTHL is a direct wholly-owned subsidiary of HTIHL, and its interests in the share capital of the Company are duplicated in the interests of HTIHL. HTIHL in turn is a direct subsidiary of CKHGI, which in turn is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and CKHGI were deemed to be interested in the 2,619,929,104 ordinary shares of the Company held by HTIHL and the 512,961,149 ordinary shares of the Company held by HTHL.*

(2) *Certain wholly-owned subsidiaries of Cheung Kong (Holdings) hold 52,092,587 ordinary shares of the Company. Cheung Kong (Holdings) is a direct wholly-owned subsidiary of CKHH. By virtue of the SFO, CKHH and Cheung Kong (Holdings) were deemed to be interested in the 52,092,587 ordinary shares of the Company held by certain wholly-owned subsidiaries of Cheung Kong (Holdings).*

(3) *Yuda is a direct wholly-owned subsidiary of Mayspin, which in turn is a company wholly-controlled by Mr Li. The interests held by Yuda are duplicated in that of Mayspin.*

(4) *Mayspin is a company wholly-controlled by Mr Li and is interested in the 53,451,546 ordinary shares of the Company through certain of its direct wholly-owned subsidiaries and the 350,527,953 ordinary shares of the Company held by Yuda. Such interests held by Mayspin are duplicated in that of Mr Li.*

(5) *Mr Li is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 ordinary shares of the Company.*

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco, TUT3 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid. Each of the trustee of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any shares of the Company comprising the trust assets of UT3.

As Mr Li may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO, and by virtue of the above, Mr Li is taken to have a duty of disclosure in relation to the 153,280 ordinary shares of the Company held by TUT3 as trustee of UT3 under the SFO as a substantial shareholder of the Company.

Save as disclosed above and so far as is known to the Directors and Chief Executive of the Company, as at 31 December 2016, there was no other person (other than the Directors and Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 6 April 2009, was approved at the extraordinary general meeting of HWL on 21 May 2009 for the grant of options to acquire ordinary shares of HK$0.25 each in the share capital of the Company. The Share Option Scheme is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. The Share Option Scheme has a remaining term of approximately two years as at the date of this report. A summary of the Share Option Scheme is as follows:

(1) The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group and/or to establish a stronger business relationship between the Group and such participants.

(2) The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for shares of the Company:

   (a) any employee or consultant (as to functional areas of finance, business or personnel administration or IT) (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

   (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

   (c) any supplier of goods or services to any member of the Group or any Invested Entity;

   (d) any customer of any member of the Group or any Invested Entity;

   (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

   (f) any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

   (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

   (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of share options under the Share Option Scheme.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

(3) A nominal consideration of HK$1.00 is payable on acceptance to an offer for the grant of a share option.

(4) Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised.

(5) The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company on the date of the offer of grant of the share options which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (iii) the nominal value of share of the Company.

(6) The maximum number of shares of the Company which may be allotted and issued pursuant to the Share Option Scheme is as follows:

(a) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time;

(b) The total number of shares of the Company which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue, being 4,814,346,208 ordinary shares, as at 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange (the "General Scheme Limit"). Based on the number of shares in issue of the Company on the Listing Date, the General Scheme Limit of the Share Option Scheme is 481,434,620 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme (including the share options granted but yet to be exercised) was 476,884,620, representing approximately 9.90% of the shares of the Company in issue as at that date;

(c) Subject to sub-paragraph (6)(a) above and without prejudice to sub-paragraph (6)(d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted;

(d) Subject to sub-paragraph (6)(a) above and without prejudice to sub-paragraph (6)(c) above, the Company may seek separate approval of its shareholders in general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) or, if applicable, the extended limit referred to in sub-paragraph (6)(c) above to participants specifically identified by the Company before such approval is sought; and

(e) The total number of shares of the Company issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders in a general meeting of the Company (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer of grant of the share option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof.

Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2016 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2016 were as follows:

Category of participants	Date of grant of share options(1)	Number of share options held at 1 January 2016	Granted during 2016	Exercised during 2016	Lapsed/ cancelled during 2016	Number of share options held at 31 December 2016	Exercise period of share options	Exercise price of share options(2) HK$	Price of share of the Company at the grant date of share options(3) HK$	Price of share of the Company at the exercise date of share options HK$
Employees in aggregate	1.6.2009	200,000	-	-	-	200,000	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	N/A
Total		200,000	-	-	-	200,000				

Notes:

(1) The share options were vested according to a schedule, namely, as to as close to one-third of the shares of the Company which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the Share Option Scheme) on such vesting date.

(2) The exercise price of the share options is subject to adjustment in accordance with the provisions of the Share Option Scheme.

(3) The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, the Company had 200,000 share options outstanding under the Share Option Scheme, which represented approximately 0.0042% of the shares of the Company in issue as at that date.

No share option was granted under the Share Option Scheme during the year ended 31 December 2016.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries or its holding company or a subsidiary of the holding company of the Company a party to any arrangements whose objects are to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Equity-linked Agreements

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company subsisted at the end of the year or at any time during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Shares/Debentures Issued

No shares or debentures of the Company were issued during the year.

Details of the share capital of the Company are set out in Note 25 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

Major Customers and Suppliers

During the year, the percentage of revenue attributable to the five largest customers of the Group combined was less than 30% of the total revenue of the Group.

During the year, the percentages of purchases attributable to the major suppliers of the Group were as follows:

	Percentage of total purchases of the Group
The largest supplier	54%
Five largest suppliers combined	66%

As at 31 December 2016,

(a) Dr Lan Hong Tsung, David, an Independent Non-executive Director, held 500,000 shares in PCCW Limited, the ultimate holding Company of Hong Kong Telecommunications (HKT) Limited ("HKTL"), which was one of the five largest suppliers of the Group, and 42,507 share stapled units of HKT Trust and HKT Limited (HKT Limited is the holding company of HKTL); and

(b) CKHH, a substantial shareholder of the Company, indirectly held 36,726,857 shares in PCCW Limited and indirectly held 3,122,464 share stapled units of HKT Trust and HKT Limited.

Save as disclosed above, none of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers noted above.

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, approximately 25.08% of the issued share capital of the Company was held by the public.

Auditor

The financial statements have been audited by PwC who will retire and, being eligible, offer itself for re-appointment.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2017

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality Board, effective risk management and internal controls systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2016 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, other than those in respect of the nomination committee. The reasons for deviation are explained subsequently in this report.

The Board

Corporate strategy

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

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board, led by the Chairman (Non-executive), Mr Fok Kin Ning, Canning, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Board composition

As at 31 December 2016, the Board comprised eight Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer & Group Managing Director, two Non-executive Directors and three Independent Non-executive Directors.

On 1 August 2016, Mrs Chow Woo Mo Fong, Susan retired as Non-executive Director.

On 1 January 2017, Mr Wong King Fai, Peter retired as Executive Director and Chief Executive Officer & Group Managing Director and Mr Frank John Sixt resigned as Non-executive Director; and Mr Lai Kai Ming, Dominic ceased to act as Alternate Director to Mr Frank John Sixt. Mr Woo Chiu Man, Cliff was appointed as Executive Director and Chief Executive Officer and Ms Edith Shih as Non-executive Director. Mr Lai Kai Ming, Dominic was appointed as Alternate Director to Mr Fok Kin Ning, Canning and Ms Edith Shih.

Mr Woo joined the HWL Group in 1998. He possesses extensive operations experience in the telecommunications industry and has been involved in cellular technology for over 30 years.

Ms Shih is currently the Company Secretary of the Company. She is also an executive director, Head Group General Counsel and Company Secretary of CKHH. She has been with the CKHH Group since 1989, overseeing legal, corporate finance, regulatory, compliance and corporate governance affairs of the CKHH Group, with in-depth knowledge of the business operations of the CKHH Group.

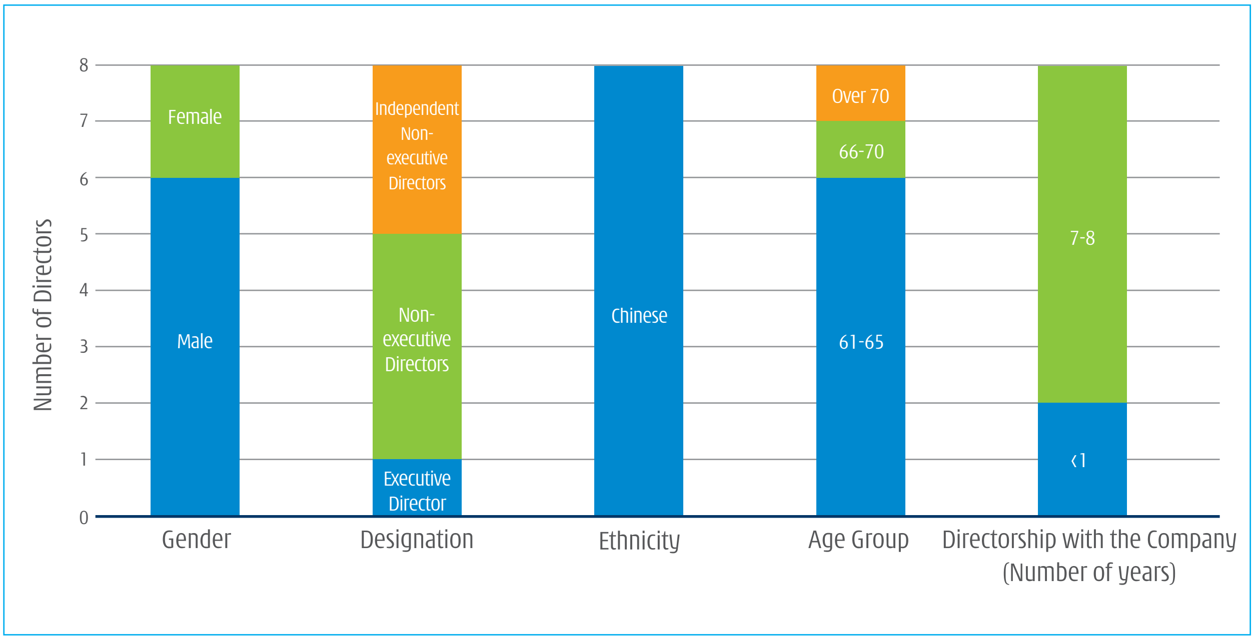
The Board believes that the appointment of Mr Woo and Ms Shih would be of significant benefit to the Group.

The Board has adopted a policy which recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

Board appointment has been, and will continue to be, made based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Board diversity policy is available on the website of the Company (www.hthkh.com). The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

The following chart shows the diversity profile of the Board:



Biographical details of the Directors are set out in the "Information on Directors" section on pages 48 to 50 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and HKEx.

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

Chairman, Deputy Chairman and Executive Director

The roles of the Chairman and the Deputy Chairman are separate from that of the Chief Executive Officer. Such division of responsibilities reinforces the independence and accountability of these Directors.

The Chairman assisted by the Deputy Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the affairs of the Board so as to contribute to the effective functioning of the Board. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in this report.

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Chief Operating Officer, the Chief Financial Officer and the executive management team of each business division, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Board processes

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or any of his close associates is materially interested and such Director is not counted for quorum determination purposes.

The Company held four Board meetings in 2016 with overall attendance of approximately 94%. All Directors (including Non-executive and Independent Non-executive Directors) attended the annual general meeting of the Company held on 11 May 2016.

Name of Director	Attended/ eligible to attend Board Meeting	Attended 2016 Annual General Meeting
Chairman and Non-executive Director		
Fok Kin Ning, Canning	4/4	√
Deputy Chairman and Non-executive Director		
Lui Dennis Pok Man	4/4	√
Executive Director		
Wong King Fai, Peter[(1)]	4/4	√
(Chief Executive Officer & Group Managing Director)		
Non-executive Directors		
Chow Woo Mo Fong, Susan[(2)]	2/2	√
Frank John Sixt[(3)]	2/4[(4)]	√
	2/4 *(by alternate)*	
Lai Kai Ming, Dominic	4/4	√
Independent Non-executive Directors		
Cheong Ying Chew, Henry	4/4	√
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

Notes:

(1) Retired on 1 January 2017

(2) Retired on 1 August 2016

(3) Resigned on 1 January 2017

(4) Due to business commitments overseas, Mr Frank John Sixt arranged for his alternate, Mr Lai Kai Ming, Dominic, to attend the Board meetings held in February and December 2016, albeit the attendance of the alternate has not been counted in his attendance record.

In addition to Board meetings, the Chairman holds regular meetings with Executive Director and meets with Non-executive Directors (including Independent Non-executive Directors) at least twice annually without the presence of Executive Director. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent views to the Board.

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at annual general meetings at least about once every three years. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. In addition, Non-executive Directors were appointed for an initial term ending on 31 December of the year of their appointments which contracts are automatically renewed for successive 12-month periods, subject to re-election in accordance with the provisions of the Listing Rules and the Articles of Association.

No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the Articles of Association. The procedures for such proposal are posted on the website of the Company.

Training and commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the businesses of the Group by senior executives.

The Company arranges and provides Continuous Professional Development ("CPD") training such as seminars and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2016 is summarised as follows, representing an average of approximately 14 hours by each Director in 2016.

	Areas		
Name of Director	**Legal and Regulatory**	**Corporate Governance**	**Businesses of the Group/ Directors' Duties**
Chairman and Non-executive Director			
Fok Kin Ning, Canning	√	√	√
Deputy Chairman and Non-executive Director			
Lui Dennis Pok Man	√	√	√
Executive Director			
Wong King Fai, Peter[(1)] *(Chief Executive Officer & Group Managing Director)*	√	√	√
Non-executive Directors			
Chow Woo Mo Fong, Susan[(2)]	√	√	√
Frank John Sixt[(3)]	√	√	√
Lai Kai Ming, Dominic	√	√	√
Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic)	√	√	√
Independent Non-executive Directors			
Cheong Ying Chew, Henry	√	√	√
Lan Hong Tsung, David	√	√	√
Wong Yick Ming, Rosanna	√	√	√

Notes:

(1) Retired on 1 January 2017

(2) Retired on 1 August 2016

(3) Resigned on 1 January 2017

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. In addition, Directors disclose to the Company in a timely manner their interests as director in other public companies and major appointments as well as update the Company on any subsequent changes.

Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout 2016.

Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Company and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Chief Executive Officer.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the compliance of the Group with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, price-sensitive/inside information, and Directors' obligations for disclosure of interests and dealings in securities of the Company, to ensure that the standards and disclosures requirements of the Listing Rules are complied with and, where required, reported in the interim and annual reports of the Company.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih is the Company Secretary of the Company and has day-to-day knowledge of the affairs of the Group. She confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules in 2016.

Accountability and Audit

Financial reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 87 and 91 which acknowledges the reporting responsibility of the auditor of the Group.

Annual report and financial statements

The Directors acknowledge their responsibility for the preparation of this annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the applicable accounting standards.

Accounting policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments and estimates that are reasonable in accordance with the applicable accounting standards.

Accounting records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the accounting policies of the Group.

Safeguarding assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Cheong Ying Chew, Henry with Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna as members.

The Audit Committee held five meetings in 2016 with 100% attendance.

Name of Member	Attended/eligible to attend
Cheong Ying Chew, Henry *(Chairman)*	5/5
Lan Hong Tsung, David	5/5
Wong Yick Ming, Rosanna	5/5

Throughout 2016, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The terms of reference of the Audit Committee was revised and adopted by the Board effective on 1 January 2016.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditor, review the preliminary interim and annual results, and interim and annual financial statements of the Group, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of internal audit, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters has been adopted by the Audit Committee and is posted on the website of the Company.

The Audit Committee meets with the Chief Financial Officer and other senior management of the Group from time to time for the purposes of reviewing the interim and final results, the interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the internal and external auditors of the Group, with a view of ensuring that the consolidated financial statements of the Group are prepared in accordance with IFRS. It also meets at least four times a year with the external auditor of the Group, PwC, to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining effective risk management and internal control systems. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the risk management and internal control systems of the Group and adequacy of resources, qualifications and experience of staff in the accounting, financial reporting and internal audit functions of the Group, as well as their training programmes and budgets. In addition, the Audit Committee reviews with the internal auditor the work plans for its audits together with its resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of risk management and internal control systems in the business operations of the Group. Further, it receives the reports from the Company Secretary on the material litigation proceedings and compliance status of the Group on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

External auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The policy of the Group regarding the engagement of its external auditor for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed, to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – include, for example, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the remuneration to PwC is shown in Note 8 to the consolidated financial statements. During the year ended 31 December 2016, the fees to PwC, amounting to approximately HK$13 million, were primarily for audit services and those for non-audit services amounted to approximately HK$0.8 million, or 6% of the total fees.

Risk Management, Internal Control and Legal & Regulatory Compliance

Role of the Board

The Board has overall responsibility for the systems of risk management, internal control and legal and regulatory compliance of the Group.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the business operations of the Group and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. The Board evaluates and determines the nature and extent of the risks that the Company is willing to accept in pursuit of the strategic and business objectives of the Group. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. Reporting and review activities include review by the Executive Director and the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budgets, review by the Audit Committee of the ongoing work of internal audit and risk management functions, as well as regular business reviews by the Executive Director and the executive management team of each business division.

On behalf of the Board, the Audit Committee regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by a Director and Company Secetary, comprising representatives from key departments of the Company, continuously provides updates, identifies emerging matters of compliance, and structures appropriate compliance policies and procedures for Group-wide adoption. During the year, the Company reviewed the key risk areas within the Group in light of the current antitrust and competition law regime. Practical trainings, internal control measures, guidelines and policies tailor-made for key business units were put in place to strengthen the compliance program of the Group in these areas. The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the nomination committee.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the business objectives of the Group, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Risk management

The Company adopts an Enterprise Risk Management (ERM) framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. The framework facilitates a systematic approach to the management of risks within the Group, coupled with a strong internal control environment, enables the Group to effectively manage the risks it faces, be they strategic, financial, operational and compliance.

Risk management of the Group is integrated into the day-to-day activities of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the Executive Director and the executive management team of each business division about current and emerging risks, their possible impact and mitigation measures. These measures include instituting additional controls and safeguards and deploying appropriate insurance instruments to transfer or minimise the financial impact of risks to the business of the Group. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Company adopts a "top-down and bottom-up" approach, involving input from each business division as well as discussions and reviews by the Executive Director. More specifically, on a half-yearly basis, each business division is required to formally identify and assess the risks their business faces, and record them in the relevant risk register. Mitigation measures and plans are also registered to facilitate review and tracking of progress. These risk registers are considered by the Executive Director who takes a holistic assessment of all the significant risks that the Group faces.

The composite Register, of which the content is confirmed by the Executive Director, forms part of the Risk Management Report for review and approval by the Audit Committee on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the Report to ensure that all significant risks are identified and appropriately managed.

Pages 35 to 37 of this annual report provide a description of the risk factors of the Group which could affect the financial condition or results of operations of the Group that differ materially from expected or historical results.

Internal control environment

Executive directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and business strategies with associated risks identified and setting of key business performance targets. The executive management team of each business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly management of each business is accountable for its conduct and performance. The Executive Director monitors the performance and reviews the risk profiles of the Group companies on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management team of each business division and the Executive Director.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and the Executive Director as part of the five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, the Chief Financial Officer and finance managers of the business operations have monthly meetings to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the finance department oversees the investment and lending activities of the Group. Treasury reports on cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Chief Financial Officer or Executive Director are required for unbudgeted expenditures and material expenditures within the approved budget. Monthly reports of actual versus budgeted and approved expenditures are also reviewed.

In terms of formal review of the internal control system of the Group, an internal control self-assessment process is in place, requiring the executive management team and senior management of each business division to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulate its opinion on the risk management and internal control systems of the Group.

Legal and regulatory compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The legal department has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising management of legal and commercial issues of concern. In addition, the legal department is responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response or filings with relevant regulatory and/or government authorities on regulatory issues and consultations. In addition, the department prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group. The legal department reports to the group legal department of the holding company of the Group on all material legal, regulatory and corporate secretarial matters and it determines and approves in conjunction with the group legal department of the holding company of the Group the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, the legal department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the legal and corporate secretarial teams.

On the listed company level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the SFO. The legal department is vigilant with the legal requirements under these statutes, rules and regulations.

Code of Ethics and handling of inside information

The Group places utmost importance on the ethical, personal and professional standards of the Directors and employees of the Group. In addition to the various policies adopted and implemented by the Group imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rule and regulations, every employee is required to undertake to adhere to the Code of Ethics, and is expected to achieve the highest standards of behaviour including avoiding conflict of interest, discrimination or harassment and bribery and corruption. Employees are required to report any non-compliance with the Code of Ethics to Management.

With a view to identifying, handling and disseminating inside information in compliance with the SFO, additional procedures – including pre-clearance on dealing in the securities of the Company by designated members of Management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis – have also been implemented by the Group to guard against possible mishandling of inside information within the Group.

Internal Audit

The internal auditor, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the business operations of the Group. Using risk assessment methodology and taking into account the dynamics of the activities of the Group, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and continually reassessed during the year to ensure that adequate resources are deployed and the objectives of the plan are met. Internal audit is responsible for assessing the risk management and internal control systems of the Group, formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the senior management concerned as well as following up on all reports to ensure that all issues are satisfactorily resolved. In addition, a regular dialogue is maintained with the external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by internal audit includes financial/IT and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the internal auditor and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2016 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting, internal audit and financial reporting function of the Group, and their training programmes and budget.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Lan Hong Tsung, David, an Independent Non-executive Director with Chairman, Mr Fok Kin Ning, Canning and Mr Cheong Ying Chew, Henry, an Independent Non-executive Director as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and additional meetings where warranted.

The Remuneration Committee held one meeting in 2016 with 100% attendance.

Name of Member	Attended/eligible to attend
Lan Hong Tsung, David *(Chairman)*	1/1
Fok Kin Ning, Canning	1/1
Cheong Ying Chew, Henry	1/1

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy of the Group. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of the Executive Director and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2017 director's fees for Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2017 remuneration package of the Executive Director and senior executives of the Group. The Executive Director does not participate in the determination of his own remuneration.

Remuneration policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

2016 remuneration

Directors' emoluments comprise payments to Directors by the Group. The emoluments of each of the Directors exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. Details of emoluments paid to each Director in 2016 are set out below:

Name of Director	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind(6) HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
Fok Kin Ning, Canning (1)(4)(5)	0.09	-	-	-	-	0.09
Lui Dennis Pok Man (1)(5)	0.07	-	-	-	-	0.07
Wong King Fai, Peter (5)(7)	0.07	3.75	6.05	0.27	-	10.14
Chow Woo Mo Fong, Susan (1)(5)(8)	0.04	-	-	-	-	0.04
Frank John Sixt (1)(5)(9)	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic (1)	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry (2)(3)(4)	0.16	-	-	-	-	0.16
Lan Hong Tsung, David (2)(3)(4)	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna (2)(3)	0.14	-	-	-	-	0.14
Total	0.87	3.75	6.05	0.27	-	10.94

Notes:

(1) Non-executive Director

(2) Independent Non-executive Director

(3) Member of the Audit Committee

(4) Member of the Remuneration Committee

(5) Directors' fees received by these Directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(6) Benefits-in-kind included insurance and transportation

(7) Retired on 1 January 2017

(8) Retired on 1 August 2016

(9) Resigned on 1 January 2017

The remuneration to the members of senior management by bands in 2016 is set out below:

Remuneration Bands	Number of individuals
HK$500,001 to HK$1,000,000	1
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	3
HK$3,000,001 to HK$3,500,000	1
HK$4,500,001 to HK$5,000,000	1
HK$5,500,001 to HK$6,000,000	1

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through the Chief Executive Officer, the Chief Financial Officer, the Investor Relations Department and the Corporate Secretarial team, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. A policy on shareholders' communication, which is available on the website of the Company, has been adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company are published on the websites of the Company and HKEx. Moreover, additional information on the Group is available to shareholders and stakeholders through the Investor Relations page on the website of the Company.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to article 58 of the Articles of Association, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders, by sending the Board or the Company Secretary at the principal place of business a written request for such general meetings, signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Hong Kong Share Registrar of the Company. The results of the poll are published on the websites of the Company and HKEx. In addition, regular updated financial, business and other information on the Group is made available on the website of the Company for shareholders and stakeholders.

The latest shareholders' meeting of the Company was the 2016 Annual General Meeting (the "AGM"), which was held on 11 May 2016 at Harbour Grand Kowloon, and attended by PwC and all Directors, including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. The Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 11 May 2016 are set out below:

Resolutions proposed at the AGM		**Percentage of votes**
1	Adoption of the audited financial statements together with the report of the Directors and the report of the Auditor for the year ended 31 December 2015	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr WONG King Fai, Peter as a Director	99.90%
3(b)	Re-election of Mr Frank John SIXT as a Director	96.20%
3(c)	Re-election of Dr WONG Yick Ming, Rosanna as a Director	99.79%
3(d)	Authorisation of the Board of Directors to fix the Directors' remuneration	99.98%
4	Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration	99.83%
5	Granting of a general mandate to the Directors to issue additional shares of the Company	85.88%
6	Granting of a general mandate to the Directors to repurchase the shares of the Company	94.25%
7	Extension of the general mandate to the Directors to issue additional shares of the Company	93.00%

Accordingly, all resolutions put to shareholders at the AGM were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2017 and public float capitalisation as at 31 December 2016.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Manager or the Company Secretary by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by e-mail at ir@hthkh.com.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a working group chaired by a Director comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The ESG Report of the Group is set out on pages 38 to 47 of this annual report.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 28 February 2017

Independent Auditor's Report

To the Shareholders of Hutchison Telecommunications Hong Kong Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 152, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:
- Goodwill; and
- Revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill	
Refer to note 14 to the consolidated financial statements	
As at 31 December 2016, the Group had goodwill amounting to HK$4,503 million. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the Group's telecommunications businesses and to determine the key assumptions, including the growth rate used in the cash flow projections, the EBITDA multiples used in determining the terminal values, and the discount rates applied to bring the future cash flows back to their present values. Based on the results of these impairment assessments conducted by the Group, it is believed that there is sufficient headroom and therefore there is no impairment of goodwill. This conclusion is based on the recoverable amounts exceeding the book amount of the cash generating units including goodwill and telecommunications related assets. The significant assumptions are disclosed in note 14 to the consolidated financial statements.	The procedures to evaluate the Group's assessments included: • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions based on our knowledge of the business and industry; • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions against which the value-in-use calculations are most sensitive to; and • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets. We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to note 5 to the consolidated financial statements* The Group recognised revenue of HK$12,024 million from the provision of telecommunications services (mobile and fixed-line) and revenue from hardware sales during the year ended 31 December 2016. Significant effort was spent auditing the revenue recognised by the Group because systems are complex, involving frequent changes in tariff structures as well as large volume of transactions arising from a combination of different hardware or services sold, some of which are bundled transactions under contracts with customers, through a number of different systems. Significant management judgement is required in assessing the fair values of both the services and hardware elements to allocate revenue to separable elements in bundled transactions under contracts with customers.	The procedures in addressing the risk around the accuracy of revenue recognised included: • Testing the IT environment in which billing, rating and other relevant support systems reside; • Testing the key controls over the accuracy in calculation and allocation of revenue to separable elements in bundled transactions under contracts with customers; • Assessing judgement exercised by the Group on allocation of separable elements in bundled transactions under contracts with customers, with reference to standalone selling price and other observable market data; and • Testing a sample of transaction records in the systems to their respective customer contracts, underlying invoices and cash receipts. We found the revenue recorded to be supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sung Lai, Arthur.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 HK$ millions	2015 HK$ millions
Revenue	5	**12,024**	22,042
Cost of inventories sold		**(4,311)**	(14,063)
Staff costs	7	**(896)**	(830)
Customer acquisition costs		**(437)**	(384)
Depreciation and amortisation		**(1,421)**	(1,358)
Other operating expenses	8	**(3,915)**	(3,977)
		1,044	1,430
Interest income	9	**18**	19
Interest and other finance costs	9	**(113)**	(122)
Share of results of joint ventures	18	**(21)**	(34)
Profit before taxation		**928**	1,293
Taxation	10	**(155)**	(216)
Profit for the year		**773**	1,077
Attributable to:			
Shareholders of the Company		**701**	915
Non-controlling interests		**72**	162
		773	1,077
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	11	**14.55**	18.99
- diluted	11	**14.55**	18.99

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 12. The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$ millions	2015 HK$ millions
Profit for the year	773	1,077
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	(18)	(12)
Item that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	(6)	(4)
Total comprehensive income for the year, net of tax	749	1,061
Total comprehensive income attributable to:		
Shareholders of the Company	677	899
Non-controlling interests	72	162
	749	1,061

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 HK$ millions	2015 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	**10,631**	10,656
Goodwill	14	**4,503**	4,503
Telecommunications licences	15	**2,796**	1,207
Other non-current assets	16	**768**	858
Deferred tax assets	17	**53**	128
Investments in joint ventures	18	**460**	493
Total non-current assets		**19,211**	17,845
Current assets			
Cash and cash equivalents	19	**237**	1,021
Trade receivables and other current assets	20	**1,719**	1,817
Inventories	21	**127**	591
Total current assets		**2,083**	3,429
Current liabilities			
Trade and other payables	22	**3,581**	4,200
Current income tax liabilities		**8**	11
Total current liabilities		**3,589**	4,211
Non-current liabilities			
Deferred tax liabilities	17	**573**	497
Borrowings	23	**4,467**	3,962
Other non-current liabilities	24	**509**	513
Total non-current liabilities		**5,549**	4,972
Net assets		**12,156**	12,091

	Note	2016 HK$ millions	2015 HK$ millions
CAPITAL AND RESERVES			
Share capital	25	**1,205**	1,205
Reserves	26	**10,368**	10,317
Total shareholders' funds		**11,573**	11,522
Non-controlling interests		**583**	569
Total equity		**12,156**	12,091

The accompanying notes are an integral part of these financial statements.

LUI Dennis Pok Man
Director

WOO Chiu Man, Cliff
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2016	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
Profit for the year	-	-	701	-	-	-	701	72	773
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(18)	-	(18)	-	(18)
Currency translation differences	-	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive income, net of tax	-	-	701	(6)	(18)	-	677	72	749
Dividend paid (Note 12)	-	-	(626)	-	-	-	(626)	(58)	(684)
At 31 December 2016	1,205	11,185	(849)	(13)	28	17	11,573	583	12,156
At 1 January 2015	1,205	11,185	(1,169)	(3)	58	17	11,293	416	11,709
Profit for the year	-	-	915	-	-	-	915	162	1,077
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(12)	-	(12)	-	(12)
Currency translation differences	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income, net of tax	-	-	915	(4)	(12)	-	899	162	1,061
Dividend paid	-	-	(670)	-	-	-	(670)	(9)	(679)
At 31 December 2015	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$ millions	2015 HK$ millions
Cash flows from operating activities			
Cash generated from operations	27	2,458	2,566
Interest and other finance costs paid		(77)	(72)
Tax paid		(7)	(16)
Net cash generated from operating activities		2,374	2,478
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,088)	(1,045)
Additions to other non-current assets		(40)	(8)
Additions to telecommunications licences		(1,777)	-
Proceeds from disposals of property, plant and equipment		6	-
Interest received		1	1
Loan to a joint venture		(71)	(85)
Net cash used in investing activities		(2,969)	(1,137)
Cash flows from financing activities			
Proceeds from borrowings		1,995	-
Repayment of borrowings		(1,500)	-
Dividend paid to the shareholders of the Company	12	(626)	(670)
Dividend paid to non-controlling interests		(58)	(9)
Net cash used in financing activities		(189)	(679)
(Decrease)/increase in cash and cash equivalents		(784)	662
Cash and cash equivalents at 1 January		1,021	359
Cash and cash equivalents at 31 December	19	237	1,021

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 General Information

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

The Company and its subsidiaries (together the "Group") are principally engaged in mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and whose American Depositary Shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issuance by the Board of Directors on 28 February 2017.

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2016, the current liabilities of the Group exceeded its current assets by approximately HK$1,506 million. Included in the current liabilities were non-refundable customer prepayments of HK$676 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current liabilities of the Group would have been approximately HK$830 million. Management of the Group anticipates the net cash inflows from its operations, together with the ability to draw down from available banking facilities, would be sufficient to enable the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of Significant Accounting Policies (Continued)

(b) New/revised standards and amendments to existing standards adopted by the Group

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2016:

IFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle
IAS 1 (Amendment)	Disclosure Initiative
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (Amendment)	Equity Method in Separate Financial Statements
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these new/revised standards and amendments to existing standards does not have an impact on the accounting policies of the Group.

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

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2016:

IFRSs (Amendments) [(ii)]	Annual Improvements 2014 – 2016 Cycle
IAS 7 (Amendment) [(i)]	Disclosure Initiative
IAS 12 (Amendment) [(i)]	Recognition of Deferred Tax Assets for Unrealised Losses
IAS 40 (Amendment) [(iii)]	Transfers of Investment Property
IFRS 2 (Amendment) [(iii)]	Classification and Measurement of Share-based Payment Transactions
IFRS 9 (2014) [(iii)]	Financial Instruments
IFRS 10 and IAS 28 [(v)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 15 [(iii)]	Revenue from Contracts with Customers
IFRS 16 [(iv)]	Leases

(i) Effective for annual periods beginning on or after 1 January 2017
(ii) The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018 and the amendment to IFRS 12 is effective for annual periods beginning on or after 1 January 2017
(iii) Effective for annual periods beginning on or after 1 January 2018
(iv) Effective for annual periods beginning on or after 1 January 2019
(v) No mandatory effective date yet determined but is available for adoption

2 Summary of Significant Accounting Policies (Continued)

(c) New/revised standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

IFRS 15 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2018. IFRS 15 will replace all existing IFRS revenue guidance and requirements including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 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 IFRS 15. It is currently anticipated that the application of IFRS 15 in the future may impact the disclosure to be made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the impact of IFRS 15 as at the date of publication of these financial statements.

IFRS 16 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 specifies how an entity to recognise, measure, present and disclose leases. IFRS 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 IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. The Group is assessing the impact of IFRS 16 and as a result, it is not practicable to provide a reasonable estimate of the impact of IFRS 16 as at the date of publication of these financial statements.

The impact of adoption of other new/revised standards and amendments to existing standards in future periods is not currently known or cannot be reasonably estimated.

(d) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Summary of Significant Accounting Policies (Continued)

(d) Subsidiaries (Continued)

(i) Consolidation (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed (Note 2(j)). If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Company's financial statements

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(e) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the shareholders of the Company.

(f) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of Significant Accounting Policies (Continued)

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Property, plant and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

Buildings	50 years or over the unexpired period of the lease, whichever is the shorter
Telecommunications infrastructure and network equipment	2 – 35 years
Motor vehicles	4 years
Office furniture and equipment and computer equipment	5 – 7 years
Leasehold improvements	Over the unexpired period of the lease or at annual rate of 15%, whichever is the shorter

Subsequent costs on property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to the qualifying assets.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating expenses" in the consolidated income statement.

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is reported in the consolidated statement of financial position as a separate asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The Group allocates goodwill to each of its operating segments.

2 Summary of Significant Accounting Policies (Continued)

(k) Telecommunications licences

Telecommunications licences represent the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date the related spectrum is ready for its intended use. Telecommunications licences are amortised on a straight-line basis from the date the related spectrum is ready for its intended use over the remaining expected licence periods and are stated net of accumulated amortisation.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period which are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (Continued)

(m) Financial assets (Continued)

(ii) Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Financial assets are impaired and impairment losses are incurred only if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. A provision for doubtful debts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of provision is determined based on historical data of payment statistics for aged receivable balances. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated income statement. Changes in the carrying amount of the provision account are recognised in the consolidated income statement.

(n) Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks and all demand deposits placed with banks with original maturities of three months or less from the date of placement or acquisition.

(o) Inventories

Inventories consist of handsets and phone accessories and are valued using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts (Note 2(m)(ii)).

2 Summary of Significant Accounting Policies (Continued)

(q) Trade and other payables

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

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets (Notes 2(i) and 2(k)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of Significant Accounting Policies (Continued)

(t) Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while 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 (including tax losses) can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is disclosed in the notes to the consolidated financial statements unless the possibility of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2 Summary of Significant Accounting Policies (Continued)

(w) Employee benefits

(i) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

(a) Defined benefit plans

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in pension costs, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in other comprehensive income.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the pension costs in the consolidated income statement.

(b) Defined contribution plans

The Group's contributions to defined contribution plans are charged to the consolidated income statement in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 Summary of Significant Accounting Policies (Continued)

(w) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably committed itself to terminating employment or to providing benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) Revenue recognition

The Group recognises revenue on the following bases:

(i) Sales of services are recognised in the accounting period in which the services are rendered.

(ii) Sales of hardware are recognised upon delivery to customers.

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

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3 Financial Risk Management

(a) Financial risk factors

The Group is exposed to market risk (from changes in interest rates and currency exchange rates), credit risk and liquidity risk. Interest rate risk exists with respect to the Group's financial assets and liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed rate financial assets and liabilities. Exchange rate risk exists with respect to the Group's financial assets and liabilities denominated in a currency that is not the entity's functional currency. No instruments are held by the Group for speculative purposes.

(i) Foreign currency exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with the surplus funds placed with banks as deposits, trade receivables and trade payables denominated in United States dollars ("US$"), Euro ("EURO") and British pounds ("GBP"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The table below summarises the foreign exchange exposure on the net monetary position of the above assets and liabilities, expressed in the Group's presentation currency of HK$.

	2016 HK$ millions	2015 HK$ millions
US$	**(16)**	257
EURO	**154**	(170)
GBP	**(2)**	(37)
Total net exposure: net assets	**136**	50

As at 31 December, a 5% strengthening/weakening of the currencies of the above assets and liabilities against HK$ would have increased/decreased post-tax profit for the year by the amounts as shown below. This analysis assumes that all other variables remain constant.

	2016 HK$ millions	2015 HK$ millions
US$	**(1)**	11
EURO	**7**	(7)
GBP	**-**	(2)
	6	2

There is no foreign currency transaction risk that would affect equity directly. The 5% movement represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate exposure

The Group's main interest risk exposures relate to its borrowings, investments of surplus funds placed with banks as deposits and loans to joint ventures. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt and interest rate exposure of investments of surplus funds by placing such balances with various maturities and interest rate terms.

As at 31 December, the carrying amounts of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

	2016 HK$ millions	2015 HK$ millions
Borrowings at floating rates (Note 23)	**(4,467)**	(3,962)
Cash at banks and short-term bank deposits	**126**	792
Loan to a joint venture (Note 18)	**484**	513
	(3,857)	(2,657)

The interest rate profile of the Group's borrowings is disclosed in Note 23. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2016 and 2015 would have decreased by approximately HK$32 million and HK$22 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash at banks and bank deposits and interest bearing balance with a joint venture; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from counter party and investment risks in respect of the surplus funds as well as credit exposures to trade and other receivables and loans to joint ventures. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

For counterparty and investment risks in respect of the surplus fund, the Group manages these risks in a prudent manner, usually in the form of deposits with banks or financial institutions. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not have significant exposure to any individual debtor.

The Group considers its maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2016 **HK$ millions**	2015 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**237**	1,021
Trade and other receivables (Note 20)	**1,545**	1,646
Loan to a joint venture (Note 18)	**484**	513
	2,266	3,180

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Prudent liquidity risk management, including maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, is adopted. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines and sufficient cash for operating and investing activities.

The following table details the contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	Carrying amount HK$ millions	Contractual liabilities HK$ millions	Non-contractual liabilities HK$ millions	Contractual undiscounted cash flow HK$ millions	Within 1 year HK$ millions	After 1 year but within 2 years HK$ millions	After 2 years but within 5 years HK$ millions	After 5 years HK$ millions
At 31 December 2016								
Borrowings (Note 23)	4,467	4,467	-	4,500	-	-	4,500	-
Trade payables (Note 22)	730	730	-	730	730	-	-	-
Other payables, accruals and deferred revenue (Note 22)	2,795	857	1,938	857	857	-	-	-
Licence fees liabilities (Notes 22 and 24)	239	239	-	264	58	57	149	-
	8,231	6,293	1,938	6,351	1,645	57	4,649	-

	Carrying amount HK$ millions	Contractual liabilities HK$ millions	Non-contractual liabilities HK$ millions	Contractual undiscounted cash flow HK$ millions	Within 1 year HK$ millions	After 1 year but within 2 years HK$ millions	After 2 years but within 5 years HK$ millions	After 5 years HK$ millions
At 31 December 2015								
Borrowings (Note 23)	3,962	3,962	-	4,000	-	-	4,000	-
Trade payables (Note 22)	1,041	1,041	-	1,041	1,041	-	-	-
Other payables, accruals and deferred revenue (Note 22)	2,968	774	2,194	774	774	-	-	-
Licence fees liabilities (Notes 22 and 24)	421	421	-	473	209	58	173	33
	8,392	6,198	2,194	6,288	2,024	58	4,173	33

3 Financial Risk Management (Continued)

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk.

The Group defines capital as total equity attributable to shareholders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

(c) Fair value estimation

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate their fair values due to short maturity. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

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

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2016, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$9,443 million (2015: HK$9,481 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

4 Critical Accounting Estimates and Judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the 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 based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2016 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contracts with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised 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 the 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 values of the elements as a result of changes in market conditions.

4 Critical Accounting Estimates and Judgements (Continued)

(b) Critical judgements in applying the Group's accounting policies

Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2016, the Group has recognised deferred tax assets of approximately HK$53 million (2015: HK$128 million).

5 Revenue

Revenue comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of revenue is as follows:

	2016 HK$ millions	2015 HK$ millions
Mobile telecommunications services	**3,915**	4,095
Fixed-line telecommunications services	**3,725**	3,579
Telecommunications hardware	**4,384**	14,368
	12,024	22,042

6 Segment Information

The Group is organised into two operating segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on EBITDA/(LBITDA) [(a)] and EBIT/(LBIT) [(b)]. Revenue from external customers is after elimination of inter-segment revenue. The segment information on revenue, EBITDA/(LBITDA), EBIT/(LBIT), total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

	At and for the year ended 31 December 2016				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	3,946	4,127	-	(433)	7,640
Revenue - hardware	4,386	-	-	(2)	4,384
	8,332	4,127	-	(435)	12,024
Operating costs	(6,999)	(2,875)	(120)	435	(9,559)
EBITDA/(LBITDA)	1,333	1,252	(120)	-	2,465
Depreciation and amortisation	(733)	(688)	-	-	(1,421)
EBIT/(LBIT)	600	564	(120)	-	1,044
Total assets before investments in joint ventures	10,555	10,417	17,347	(17,485)	20,834
Investments in joint ventures	460	-	-	-	460
Total assets	11,015	10,417	17,347	(17,485)	21,294
Total liabilities	(11,321)	(6,833)	(4,598)	13,614	(9,138)
Other information:					
Additions to property, plant and equipment	589	509	-	-	1,098
Additions to telecommunications licences	1,779	-	-	-	1,779

6 Segment Information (Continued)

	At and for the year ended 31 December 2015				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	4,106	3,973	-	(405)	7,674
Revenue - hardware	14,371	-	-	(3)	14,368
	18,477	3,973	-	(408)	22,042
Operating costs	(16,840)	(2,699)	(123)	408	(19,254)
EBITDA/(LBITDA)	1,637	1,274	(123)	-	2,788
Depreciation and amortisation	(661)	(697)	-	-	(1,358)
EBIT/(LBIT)	976	577	(123)	-	1,430
Total assets before investments in joint ventures	10,292	10,608	16,948	(17,067)	20,781
Investments in joint ventures	493	-	-	-	493
Total assets	10,785	10,608	16,948	(17,067)	21,274
Total liabilities	(11,203)	(7,080)	(4,096)	13,196	(9,183)
Other information:					
Additions to property, plant and equipment	574	485	-	-	1,059
Additions to telecommunications licences	3	-	-	-	3

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation and share of results of joint ventures.

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of joint ventures.

The total revenue from external customers in Hong Kong for the year ended 31 December 2016 amounted to approximately HK$11,378 million (2015: HK$20,905 million) and the total revenue from external customers in Macau for the year ended 31 December 2016 amounted to approximately HK$646 million (2015: HK$1,137 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2016 amounted to approximately HK$18,578 million (2015: HK$17,147 million) and the total of these non-current assets located in Macau as at 31 December 2016 amounted to approximately HK$580 million (2015: HK$570 million).

7 Staff Costs

	2016 HK$ millions	2015 HK$ millions
Wages and salaries	**947**	896
Pension costs		
– defined benefit plans (Note 30(a))	**40**	35
– defined contribution plans	**18**	15
Termination benefits	**1**	4
Less: Amounts capitalised as non-current assets	**(110)**	(120)
	896	830

(a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Group. The emoluments of each of the directors of the Company exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and the chief executive for 2016 and 2015 are as follows:

	2016					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind[(vi)] HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning [(i)]	0.09	-	-	-	-	0.09
Lui Dennis Pok Man [(i)]	0.07	-	-	-	-	0.07
Wong King Fai, Peter [(i) (ii) (iii)]	0.07	3.75	6.05	0.27	-	10.14
Chow Woo Mo Fong, Susan [(i) (iv)]	0.04	-	-	-	-	0.04
Frank John Sixt [(i) (v)]	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic [(i)]	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry	0.16	-	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.87	3.75	6.05	0.27	-	10.94

7 Staff Costs (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	2015					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in- kind[(vi)] HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning [(i)]	0.09	-	-	-	-	0.09
Lui Dennis Pok Man [(i)]	0.07	-	-	-	-	0.07
Wong King Fai, Peter [(i)(ii)]	0.07	3.49	6.72	0.26	-	10.54
Chow Woo Mo Fong, Susan [(i)]	0.07	-	-	-	-	0.07
Frank John Sixt [(i)]	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry	0.16	-	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.90	3.49	6.72	0.26	-	11.37

(i) Director's fee received by these directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(ii) Mr Wong King Fai, Peter was the chief executive for the years ended 31 December 2016 and 2015 whose emoluments have been shown in directors' emoluments above.

(iii) Retired on 1 January 2017.

(iv) Retired on 1 August 2016.

(v) Resigned on 1 January 2017.

(vi) Benefits-in-kind included insurance and transportation.

(b) Directors' retirement benefits

The retirement benefits and long service payment paid to or receivable by Mr Wong King Fai, Peter during the year ended 31 December 2016 by a defined benefit pension plan operated by the Group in respect of Mr Wong King Fai, Peter's services as a director of the Company and its subsidiaries are amounted to HK$7 million (2015: Nil). No other retirement benefits were paid to or receivable by Mr Wong King Fai, Peter in respect of his other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: Same).

7 Staff Costs (Continued)

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

	2016 Number of individual	2015 Number of individual
Director of the Company	**1**	1
Management executives	**4**	4

The aggregate remuneration paid to these highest paid individuals is as follows:

	2016 HK$ millions	2015 HK$ millions
Basic salaries, allowances and benefits-in-kind	**13**	12
Bonuses	**13**	15
Provident fund contributions	**1**	1
	27	28

The emoluments of the above mentioned individuals with the highest emoluments fall within the following bands:

	2016 Number of individual	2015 Number of individual
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**-**	1
HK$4,500,001 – HK$5,000,000	**1**	1
HK$5,500,001 – HK$6,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**-**	1
HK$10,000,001 – HK$10,500,000	**1**	–
HK$10,500,001 – HK$11,000,000	**-**	1

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2016 (2015: Nil).

8 Other Operating Expenses

	2016 HK$ millions	2015 HK$ millions
Cost of services provided	3,004	2,547
General administrative and distribution costs	206	274
Operating leases in respect of		
– buildings	500	493
– hire of plant and machinery	167	652
Loss on disposals of property, plant and equipment	2	1
Auditor's remuneration	12	12
Provision for doubtful debts	24	(2)
Total	3,915	3,977

9 Interest and Other Finance Costs, Net

	2016 HK$ millions	2015 HK$ millions
Interest income:		
Interest income from a joint venture	17	18
Bank interest income	1	1
	18	19
Interest and other finance costs:		
Bank loans	(62)	(56)
Notional non-cash interest accretion [(a)]	(32)	(48)
Guarantee and other finance fees	(25)	(26)
	(119)	(130)
Less: Amounts capitalised on qualifying assets	6	8
	(113)	(122)
Interest and other finance costs, net	(95)	(103)

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

10 Taxation

	2016		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	1	148	149
Outside Hong Kong	3	3	6
	4	151	155

	2015		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	1	203	204
Outside Hong Kong	8	4	12
	9	207	216

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

	2016 HK$ millions	2015 HK$ millions
Profit before taxation	928	1,293
Tax calculated at domestic rates	152	212
Expenses not deductible for taxation purposes	18	13
Utilisation of previously unrecognised tax losses	(20)	(9)
Utilisation of previously unrecognised temporary differences	(1)	–
Temporary differences not recognised	1	–
Under/(over) provision in prior years	4	(4)
Tax losses not recognised	-	3
Others	1	1
Total taxation charge	155	216

11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$701 million (2015: HK$915 million) and on the weighted average number of 4,818,896,208 (2015: Same) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2016 is calculated by adjusting the weighted average number of 4,818,896,208 (2015: Same) ordinary shares in issue with the weighted average number of 124,242 (2015: 138,462) ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2016 HK$ millions	2015 HK$ millions
Interim, paid of 4.00 HK cents per share (2015: 5.20 HK cents per share)	193	251
Final, proposed of 6.90 HK cents per share (2015: 9.00 HK cents per share)	332	433
	525	684

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2016 and 2015 are as follows:

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
At 1 January 2016	152	21,020	3,573	605	25,350
Additions	-	607	112	379	1,098
Disposals	-	(36)	(80)	-	(116)
Transfer between categories	-	284	49	(333)	-
Currency translation differences	-	(4)	(1)	-	(5)
At 31 December 2016	152	21,871	3,653	651	26,327
Accumulated depreciation and impairment losses					
At 1 January 2016	42	11,539	3,113	-	14,694
Charge for the year	4	920	188	-	1,112
Disposals	-	(30)	(78)	-	(108)
Currency translation differences	-	(1)	(1)	-	(2)
At 31 December 2016	46	12,428	3,222	-	15,696
Net book value					
At 31 December 2016	106	9,443	431	651	10,631

13 Property, Plant and Equipment (Continued)

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
At 1 January 2015	152	20,000	3,472	798	24,422
Additions	-	614	113	332	1,059
Disposals	-	(71)	(58)	-	(129)
Transfer between categories	-	479	46	(525)	-
Currency translation differences	-	(2)	-	-	(2)
At 31 December 2015	152	21,020	3,573	605	25,350
Accumulated depreciation and impairment losses					
At 1 January 2015	37	10,757	2,965	-	13,759
Charge for the year	5	853	205	-	1,063
Disposals	-	(71)	(57)	-	(128)
At 31 December 2015	42	11,539	3,113	-	14,694
Net book value					
At 31 December 2015	110	9,481	460	605	10,656

The carrying values of all property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Other assets include motor vehicles, office furniture and equipment, computer equipment and leasehold improvements.

Additions of telecommunications infrastructure and network equipment included interest of HK$4 million (2015: HK$5 million) capitalised at a rate of 1.7% per annum (2015: 1.6%).

14 Goodwill

	2016 **HK$ millions**	2015 HK$ millions
Gross carrying amount and net book value at 1 January and 31 December	**4,503**	4,503
Accumulated impairment losses at 1 January and 31 December	**-**	-

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segments.

A segment-level summary of the goodwill allocation is presented below:

	2016 **HK$ millions**	2015 HK$ millions
Mobile business	**2,155**	2,155
Fixed-line business	**2,348**	2,348
	4,503	4,503

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2021.

Key assumptions used for value-in-use calculations are:

(i) Projected EBITDA has been based on past performance of the Group's respective CGUs and its expectation for the market development. Management considers EBITDA a proxy for operating cash flow.

(ii) A long-term growth rate into perpetuity is not used to extrapolate cash flows beyond the forecast period. Instead, management uses EBITDA multiples with reference to market to determine the terminal value of the Group's respective CGUs.

14 Goodwill (Continued)

(iii) The discount rate applied to cash flows of the Group's respective CGUs is based on pre-tax discount rate and reflects the specific risks relating to the relevant segment. The pre-tax discount rate applied in the value-in-use calculation is as follows:

	2016	2015
Mobile business	**3.0%**	3.8%
Fixed-line business	**3.1%**	2.6%

The discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets.

In accordance with the Group's accounting policy on asset impairment (Note 2(l)), the carrying values of goodwill were tested for impairment at each reporting date. Note 4(a)(iii) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2016 indicated no impairment charge was necessary (2015: Same).

15 Telecommunications Licences

	HK$ millions
At 1 January 2015	
Cost	2,307
Accumulated amortisation	(934)
Net book value	1,373
Year ended 31 December 2015	
Opening net book value	1,373
Additions	3
Amortisation for the year	(169)
Closing net book value	1,207
At 31 December 2015	
Cost	2,310
Accumulated amortisation	(1,103)
Net book value	1,207
Year ended 31 December 2016	
Opening net book value	**1,207**
Additions	**1,779**
Amortisation for the year	**(190)**
Closing net book value	**2,796**
At 31 December 2016	
Cost	**3,473**
Accumulated amortisation	**(677)**
Net book value	**2,796**

As a result of the exercise of a right of first refusal for the re-assignment of a block of 19.8MHz spectrum and the bid of a block of 9.8MHz spectrum at the 2100MHz (collectively, the "Spectrum"), the Group acquired telecommunications licences amounting HK$1,777 million during the year ended 31 December 2016.

Additions of telecommunications licences included interest of HK$2 million (2015: HK$3 million) capitalised at a rate of 1.6% per annum (2015: 1.6%).

16 Other Non-Current Assets

	2016 HK$ millions	2015 HK$ millions
Prepayments	**721**	813
Non-current deposits	**47**	45
	768	858

Non-current deposits are carried at amortised cost, which approximate their fair values at the reporting date.

17 Deferred Tax Assets and Liabilities

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 following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2016 HK$ millions	2015 HK$ millions
Deferred tax assets	**53**	128
Deferred tax liabilities	**(573)**	(497)
Net deferred tax liabilities	**(520)**	(369)

The gross movement of the deferred tax (liabilities)/assets is as follows:

	Accelerated depreciation allowance HK$ millions	Tax losses HK$ millions	Total HK$ millions
At 1 January 2015	(1,069)	907	(162)
Net credit/(charge) for the year (Note 10)	8	(215)	(207)
At 31 December 2015	(1,061)	692	(369)
At 1 January 2016	**(1,061)**	**692**	**(369)**
Net credit/(charge) for the year (Note 10)	**7**	**(158)**	**(151)**
At 31 December 2016	**(1,054)**	**534**	**(520)**

17 Deferred Tax Assets and Liabilities (Continued)

The potential deferred tax assets which have not been recognised in the consolidated financial statements are as follows:

	2016 HK$ millions	2015 HK$ millions
Arising from unused tax losses	30	53
Arising from depreciation allowances	2	1
	32	54

The utilisation of unused tax losses depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

As at 31 December 2016, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$183 million (2015: HK$318 million) can be carried forward indefinitely.

18 Investments in Joint Ventures

	2016 HK$ millions	2015 HK$ millions
Loans to joint ventures	515	546
Share of undistributed post acquisition reserves	(55)	(53)
	460	493

The loans to joint ventures are unsecured, have no fixed terms of repayment and non-interest bearing except for a loan of HK$484 million (2015: HK$513 million) which bears interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2015: Same).

Particulars of the principal joint ventures are summarised as follows:

Name	Place of incorporation	Principal activities	Interest held
Genius Brand Limited	Hong Kong	Telecommunications business in Hong Kong	50%
HGC GlobalCentre Limited	Hong Kong	Data centre business in Hong Kong	50%

18 Investments in Joint Ventures (Continued)

The Group's share of the results of its joint ventures, all of which are unlisted, are as follows:

	2016 HK$ millions	2015 HK$ millions
Net loss and total comprehensive loss for the year	**(21)**	(34)
Proportionate interests in joint ventures' capital commitments Contracted but not provided for	**62**	72

As at 31 December 2016, there were no contingent liabilities related to the Group's interest in joint ventures (2015: Nil). As at 31 December 2016, a joint venture had an outstanding performance guarantee of HK$3 million (2015: Same).

As at 31 December 2016, all the shares held by the Group in a joint venture were pledged as security in favour of another partner of the joint venture under a cross share pledge arrangement (2015: Same).

19 Cash and Cash Equivalents

	2016 HK$ millions	2015 HK$ millions
Cash at banks and in hand	**214**	290
Short-term bank deposits	**23**	731
	237	1,021

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.39% per annum (2015: 0.01% to 0.25%). These deposits have an average maturity of 1 to 31 days (2015: Same).

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

20 Trade Receivables and Other Current Assets

	2016 HK$ millions	2015 HK$ millions
Trade receivables	**1,443**	1,661
Less: Provision for doubtful debts	**(106)**	(110)
Trade receivables, net of provision [(a)]	**1,337**	1,551
Other receivables [(b)]	**208**	95
Prepayments and deposits [(b)]	**174**	171
	1,719	1,817

(a) Trade receivables, net of provision

	2016 HK$ millions	2015 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	**846**	1,039
31 - 60 days	**190**	208
61 - 90 days	**96**	115
Over 90 days	**205**	189
	1,337	1,551

The carrying values of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

As at 31 December 2016, trade receivables of approximately HK$633 million (2015: HK$662 million) were past due but not provided for. These related to a number of independent customers that have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

	2016 HK$ millions	2015 HK$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1-30 days	**292**	321
Past due 31-60 days	**116**	130
Past due 61-90 days	**80**	69
Past due over 90 days	**145**	142
	633	662

20 Trade Receivables and Other Current Assets (Continued)

(a) Trade receivables, net of provision (Continued)

As at 31 December 2016, provision for doubtful debts of approximately HK$106 million (2015: HK$110 million) was recognised for trade receivables of approximately HK$664 million (2015: HK$672 million) which were individually assessed for impairment. These impaired receivables were past due and management assessed that only a portion of the receivables was expected to be recovered. The Group does not hold any collateral over these balances.

Movement of provision for doubtful debts of trade receivables is as follows:

	2016 HK$ millions	2015 HK$ millions
At 1 January	**110**	155
Increase in provision recognised in the consolidated income statement	**111**	135
Amounts recovered in respect of brought forward balance	**(87)**	(137)
Write-off during the year	**(28)**	(43)
At 31 December	**106**	110

The creation and release of provision for doubtful debts have been included in "Other operating expenses" in the consolidated income statement (Note 8). Amount charged to the provision account is generally written off when the recoverability is remote.

(b) Other receivables, prepayments and deposits

The carrying values of other receivables approximate their fair values. Other receivables, prepayments and deposits do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2016, the amount of inventories carried at net realisable value was approximately HK$7 million (2015: HK$4 million).

22 Trade and Other Payables

	2016 HK$ millions	2015 HK$ millions
Trade payables [(a)]	730	1,041
Other payables and accruals	2,119	2,217
Deferred revenue	676	751
Current portion of licence fees liabilities (Note 24)	56	191
	3,581	4,200

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

(a) Trade payables

	2016 HK$ millions	2015 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	411	477
31 - 60 days	99	137
61 - 90 days	35	101
Over 90 days	185	326
	730	1,041

23 Borrowings

	Maturity year	2016 HK$ millions	2015 HK$ millions
Unsecured bank loans			
Repayable between 2 and 5 years	2019	4,467	3,962

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2016 and 2015 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.1% per annum (2015: 1.6%) and are within level 2 of the fair value hierarchy.

24 Other Non-Current Liabilities

	2016 HK$ millions	2015 HK$ millions
Non-current licence fees liabilities [(a)]	183	230
Pension obligations (Note 30(a))	112	80
Accrued expenses	214	203
	509	513

(a) Licence fees liabilities

	2016 HK$ millions	2015 HK$ millions
Licence fees liabilities - minimum annual fees payments:		
Not later than 1 year	58	209
After 1 year, but within 5 years	206	231
After 5 years	-	33
	264	473
Future finance charges on licence fees liabilities	(25)	(52)
Carrying amount of licence fees liabilities	239	421
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 22)	56	191
Non-current licence fees liabilities:		
After 1 year, but within 5 years	183	203
After 5 years	-	27
	183	230
Total licence fees liabilities	239	421

25 Share Capital

(a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (2015: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ millions
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**4,818,896,208**	**1,205**

(c) Share options of the Company

The Company's share option scheme was approved on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to directors, non-executive directors or employees of the Group.

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	Weighted average exercise price per share HK$	Number of share options granted
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**1.00**	**200,000**

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). The fair value of share options determined using the Black-Scholes model was approximately HK$0.27 each. The significant inputs into the model were an expected volatility of 49%, an expected dividend yield of 5.9%, an expected option life up to 6 years and an annual risk-free interest rate of 1.65%.

As at 31 December 2016, 200,000 (2015: Same) share options were exercisable.

26 Reserves

	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
At 1 January 2015	11,185	(1,169)	(3)	58	17	10,088
Profit for the year	-	915	-	-	-	915
Remeasurements of defined benefit plans	-	-	-	(12)	-	(12)
Currency translation differences	-	-	(4)	-	-	(4)
Dividend paid	-	(670)	-	-	-	(670)
At 31 December 2015	11,185	(924)	(7)	46	17	10,317
At 1 January 2016	**11,185**	**(924)**	**(7)**	**46**	**17**	**10,317**
Profit for the year	**-**	**701**	**-**	**-**	**-**	**701**
Remeasurements of defined benefit plans	**-**	**-**	**-**	**(18)**	**-**	**(18)**
Currency translation differences	**-**	**-**	**(6)**	**-**	**-**	**(6)**
Dividend paid (Note 12)	**-**	**(626)**	**-**	**-**	**-**	**(626)**
At 31 December 2016	**11,185**	**(849)**	**(13)**	**28**	**17**	**10,368**

27 Cash Generated from Operations

	2016 HK$ millions	2015 HK$ millions
Cash flows from operating activities		
Profit before taxation	**928**	1,293
Adjustments for:		
– Interest income (Note 9)	**(18)**	(19)
– Interest and other finance costs (Note 9)	**113**	122
– Depreciation and amortisation	**1,421**	1,358
– Loss on disposals of property, plant and equipment (Note 8)	**2**	1
– Share of results of joint ventures (Note 18)	**21**	34
Changes in working capital		
– Decrease in trade receivables and other assets	**109**	92
– Decrease/(increase) in inventories	**464**	(449)
– (Decrease)/increase in trade and other payables	**(596)**	124
– Retirement benefits obligations	**14**	10
Cash generated from operations	**2,458**	2,566

28 Contingent Liabilities

As at 31 December, the Group had contingent liabilities in respect of the following:

	2016 HK$ millions	2015 HK$ millions
Performance guarantees	615	310
Financial guarantees	11	12
Others	5	4
	631	326

As at 31 December 2016, the above amount included performance guarantees of approximately HK$305 million (2015: Nil) provided by a subsidiary of the Group in relation to the service performance of a joint venture.

29 Commitments

As at 31 December, outstanding commitments of the Group not provided for in the consolidated financial statements are as follows:

(a) Capital commitments

The Group had capital commitments contracted but not provided for as follows:

	2016 HK$ millions	2015 HK$ millions
Property, plant and equipment	787	748
Telecommunications licences	-	1,777
	787	2,525

As at 31 December 2015, a standby letter of credit of approximately HK$1,777 million was issued in favour of the Office of the Communications Authority of Hong Kong in relation to the Spectrum.

29 Commitments (Continued)

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Buildings	
	2016 HK$ millions	2015 HK$ millions
Not later than one year	185	230
Later than one year but not later than five years	66	99
	251	329

	Other assets	
	2016 HK$ millions	2015 HK$ millions
Not later than one year	27	184
Later than one year but not later than five years	14	57
Later than five years	4	5
	45	246

The above amount included the following future aggregate minimum lease payments to related parties:

	Buildings	
	2016 HK$ millions	2015 HK$ millions
Not later than one year	2	2
Later than one year but not later than five years	-	1
	2	3

	Other assets	
	2016 HK$ millions	2015 HK$ millions
Not later than one year	-	6

(c) Telecommunications licence fees

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

30 Employee Retirement Benefits

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 defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2016, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2015: Same).

	2016 HK$ millions	2015 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	**(428)**	(385)
Less: Fair value of plan assets	**316**	305
Pension obligations recognised in the consolidated statement of financial position (Note 24)	**(112)**	(80)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

The movements in the defined benefit obligations over the year are as follows:

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2016	(385)	305	(80)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
– Current service cost	(39)	-	(39)
– Net interest (expense)/income	(5)	4	(1)
	(44)	4	(40)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Loss on plan assets, excluding amounts included in interest income	-	(1)	(1)
– Loss from change in financial assumptions	(18)	-	(18)
– Experience gains	1	-	1
	(17)	(1)	(18)
Contributions:			
– Employers	-	26	26
– Employees	(1)	1	-
Actual benefits paid	19	(19)	-
At 31 December 2016	(428)	316	(112)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2015	(348)	290	(58)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
– Current service cost	(34)	–	(34)
– Net interest (expense)/income	(6)	5	(1)
	(40)	5	(35)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	2	2
– Loss from change in financial assumptions	(13)	–	(13)
– Experience losses	(1)	–	(1)
	(14)	2	(12)
Contributions:			
– Employers	–	25	25
– Employees	(1)	1	–
Actual benefits paid	17	(17)	–
Net transfer	1	(1)	–
At 31 December 2015	(385)	305	(80)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2016 HK$ millions	2015 HK$ millions
Equity instruments	206	215
Debt instruments	85	75
Other assets	25	15
	316	305

The principal actuarial assumptions and the sensitivity of the defined benefit obligations to changes in the principal assumptions are:

	2016		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	0.9% to 1.0%	-2.3%	+2.4%
Future salary rate	4.0%	+0.7%	-0.6%

	2015		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	1.2% to 1.5%	-2.4%	+2.5%
Future salary rate	4.0%	+0.7%	-0.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied in calculating the pension liability recognised within the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change comparing to the previous period.

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2016	2015
Weighted average duration of defined benefit obligations	**9 years**	10 years

Expected contributions to defined benefit plans for the year ending 31 December 2017 are approximately HK$31 million.

Forfeited contributions totalling HK$4 million (2015: HK$4 million) were used to reduce the current year's level of contributions during the year and HK$0.2 million was available as at 31 December 2016 (2015: HK$0.1 million) to reduce future years' contributions.

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the surplus/deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2016 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements.

(b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$0.1 million (2015: HK$0.4 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2016 (2015: Nil) to reduce future years' contributions.

31 Subsidiaries

Particulars of principal subsidiaries are set out on pages 151 to 152.

The financial information for the subsidiary that has non-controlling interests that is material to the Group is as follows:

	Hutchison Telephone Company Limited	
	2016 HK$ millions	2015 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**11,555**	10,016
Current assets	**1,495**	2,659
	13,050	12,675
Liabilities		
Non-current liabilities	**(9,067)**	(8,631)
Current liabilities	**(1,828)**	(2,143)
	(10,895)	(10,774)
Net assets	**2,155**	1,901
Summarised income statement		
Revenue	**7,918**	18,111
Profit for the year	**252**	579
Total profit for the year attributable to non-controlling interests	**61**	140
Total comprehensive income	**252**	579
Summarised cash flows		
Net cash generated from operating activities	**1,032**	699
Net cash used in investing activities	**(2,234)**	(366)
Net cash generated from financing activities	**720**	-
Net (decrease)/increase in cash and cash equivalents	**(482)**	333
Cash and cash equivalents at 1 January	**502**	169
Cash and cash equivalents at 31 December	**20**	502

The information above is the amount before inter-company eliminations.

32 Ultimate Holding Company

On 3 June 2015, the reorganisation of Hutchison Whampoa Limited ("HWL") and Cheung Kong (Holdings) Limited ("Cheung Kong (Holdings)") (the "Reorganisation") was completed.

As at 31 December 2016 and 2015, the Company was owned as to approximately 66% by CK Hutchison Holdings Limited ("CKHH"). The directors regarded CKHH as the Company's ultimate holding company.

33 Related Party Transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

Related Party Group:

Before the Reorganisation:

(1) HWL Group – HWL together with its direct and indirect subsidiaries and joint ventures

(2) Other shareholders of the Group or HWL Group: Cheung Kong (Holdings) Group – Cheung Kong (Holdings) together with its direct and indirect subsidiaries and joint ventures

After the Reorganisation:

(3) CKHH Group – CKHH together with its direct and indirect subsidiaries (including a joint venture of the Group after the Reorganisation) and joint ventures

Throughout the year:

(4) Other shareholders of subsidiaries of the Group: NTT Group – Nippon Telegraph and Telephone Corporation together with its direct and indirect subsidiaries and joint ventures

(5) Joint ventures of the Group

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the consolidated financial statements, transactions between the Group and other related parties during the year are summarised below.

(a) Key management personnel remuneration

No transaction has 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 remuneration) as disclosed in Note 7.

33 Related Party Transactions (Continued)

(b) Transactions with related parties

	2016 HK$ millions	2015 HK$ millions
CKHH Group		
Provision of mobile telecommunications services	16	9
Provision of fixed-line telecommunications services	298	116
Sharing of services arrangement income	21	9
Purchase of telecommunications services	(98)	(41)
Purchase of data centre services	(73)	(35)
Purchase of telecommunications products	-	(1)
Rental expenses on lease arrangements	(4)	(3)
Dealership service expenses	(5)	(6)
Billing collection service expenses	(8)	(5)
Purchase of office supplies	(10)	(5)
Purchase of air tickets and hotel accommodation	(3)	-
Advertising and promotion expenses	(2)	(2)
Global procurement service arrangement expenses	(7)	(1)
Sharing of services arrangement expenses	(45)	(24)
Equipment maintenance expenses	(3)	(1)
Corporate guarantee expenses	(8)	(5)
HWL Group		
Provision of mobile telecommunications services	-	13
Provision of fixed-line telecommunications services	-	64
Purchase of telecommunications services	-	(23)
Rental expenses on lease arrangements	-	(39)
Dealership service expenses	-	(4)
Billing collection service expenses	-	(4)
Purchase of office supplies	-	(3)
Purchase of air tickets and hotel accommodation	-	(2)
Advertising and promotion expenses	-	(2)
Global procurement service arrangement expenses	-	(5)
Sharing of services arrangement expenses	-	(17)
Corporate guarantee expenses	-	(3)
Purchase of property, plant and equipment	-	(1)

33 Related Party Transactions (Continued)

(b) Transactions with related parties (Continued)

	2016 HK$ millions	2015 HK$ millions
Cheung Kong (Holdings) Group		
Provision of mobile telecommunications services	-	1
Provision of fixed-line telecommunications services	-	16
Rental expenses on lease arrangements	-	(3)
Purchase of office supplies	-	(1)
Sharing of services arrangement expenses	-	(2)
Purchase of property, plant and equipment	-	(3)
NTT Group		
Provision of mobile telecommunications services	7	11
Joint Ventures of the Group		
Provision of fixed-line telecommunications services	-	1
Interest income	17	18
Sharing of services arrangement income	1	11
Purchase of data centre services	-	(26)
Purchase of telecommunications services	(119)	(120)

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

34 Statement of Financial Position of the Company

At 31 December 2016	2016 HK$ millions	2015 HK$ millions
ASSETS		
Non-current assets		
Investments in subsidiaries, at costs	3,871	3,871
Total non-current assets	3,871	3,871
Current assets		
Receivables from subsidiaries	8,973	9,069
Other current assets	1	1
Cash and cash equivalents	2	8
Total current assets	8,976	9,078
Current liabilities		
Other payables	2	2
Payables to subsidiaries	96	94
Total current liabilities	98	96
Net assets	12,749	12,853
CAPITAL AND RESERVES		
Share capital	1,205	1,205
Reserves [(a)]	11,544	11,648
Total equity	12,749	12,853

LUI Dennis Pok Man
Director

WOO Chiu Man, Cliff
Director

34 Statement of Financial Position of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK$ millions	Retained earnings HK$ millions	Total HK$ millions
At 1 January 2015	11,185	455	11,640
Profit for the year	-	678	678
Dividend paid	-	(670)	(670)
At 31 December 2015	11,185	463	11,648
At 1 January 2016	**11,185**	**463**	**11,648**
Profit for the year	**-**	**522**	**522**
Dividend paid (Note 12)	**-**	**(626)**	**(626)**
At 31 December 2016	**11,185**	**359**	**11,544**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2016 amounting to HK$11,544 million (2015: HK$11,648 million).

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2016 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ paid-up capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Global Communications Investment Holding Limited	The British Virgin Islands (the "BVI"), limited liability company	Investment holding	320 ordinary shares of US$1 each	100%	-	-
Hutchison Telecommunications (HK) Holdings Limited	The BVI, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	-	-
Hutchison Telecom Finance Limited	Hong Kong, limited liability company	Treasury services in Hong Kong	HK$1	100%	-	-
Hutchison Global Communications (Cambodia) Limited	The Kingdom of Cambodia, limited liability company	Support services in the Kingdom of Cambodia	1,000 ordinary shares of KHR4,000 each	-	100%	-
Hutchison Global Communications (Guangdong) Limited*	The People's Republic of China (the "PRC"), limited liability company	Equipment trading in the PRC	RMB5,000,000	-	100%	-
Hutchison Global Communications Korea Limited	Republic of Korea, stock company	Support services in Korea	60,000 ordinary shares of KRW5,000 each	-	100%	-
Hutchison Global Communications Limited	Hong Kong, limited liability company	Fixed-line telecommunications business in Hong Kong	HK$20	-	100%	-
Hutchison Global Communications (Malaysia) Sdn. Bhd.	Malaysia, limited liability company	Telecommunications business and support services in Malaysia	2 ordinary shares of RM1 each	-	100%	-
Hutchison Global Communications (Myanmar) Limited	Myanmar, limited liability company	Support services in Myanmar	50,000 ordinary shares of US$1 each	-	100%	-
Hutchison Global Communications Pte Limited	Singapore, limited liability company	Telecommunications business and support services in Singapore	2 ordinary shares of SG$1 each	-	100%	-
Hutchison Global Communications (Taiwan) Limited	Taiwan, limited liability company	Telecommunications business and support services in Taiwan	100,000 ordinary shares of NTD10 each	-	100%	-

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ paid-up capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Global Communications (UK) Limited	The United Kingdom, limited liability company	Telecommunications business and support services in the United Kingdom	2 ordinary shares of GBP1 each	-	100%	-
Hutchison GlobalCentre Limited	Hong Kong, limited liability company	Data centre business in Hong Kong	HK$2	-	100%	-
Hutchison MultiMedia Services Limited	Hong Kong, limited liability company	Internet services in Hong Kong	HK$20	-	100%	-
Hutchison Telecommunications (Hong Kong) Limited	Hong Kong, limited liability company	Management and treasury services in Hong Kong	HK$5,000,020	-	100%	-
Hutchison Telecommunications Information Technology (Shenzhen) Limited*	The PRC, limited liability company	Information technology services in the PRC	HK$10,000,000	-	100%	-
Hutchison Telecommunication Services Limited	Hong Kong, limited liability company	Telecommunications retail operations in Hong Kong	HK$20	-	100%	-
Hutchison Telephone Company Limited	Hong Kong, limited liability company	Mobile telecommunications business in Hong Kong	HK$2,730,684,340	-	75.9%	24.1%
Hutchison Telephone (Macau) Company Limited	Macau, limited liability company	Mobile telecommunications business in Macau	MOP10,000,000	-	75.9%	24.1%
NextGen MultiMedia Limited	The United States of America, limited liability company	Telecommunications business and support services in the United States of America	3,000 ordinary shares of US$0.01 each	-	100%	-

* *Wholly owned foreign enterprise (WOFE) registered under PRC law.*

Financial Summary

	2016 HK$ millions	2015 HK$ millions	2014 HK$ millions	2013 HK$ millions	2012 HK$ millions
RESULTS					
Revenue	**12,024**	22,042	16,296	12,777	15,536
Profit for the year	**773**	1,077	963	1,090	1,515
Non-controlling interests	**(72)**	(162)	(130)	(174)	(300)
Net profit attributable to shareholders of the Company	**701**	915	833	916	1,215
ASSETS					
Total non-current assets	**19,211**	17,845	18,305	18,744	18,477
Cash and cash equivalents	**237**	1,021	359	209	182
Other current assets	**1,846**	2,408	2,034	2,052	2,241
Total assets	**21,294**	21,274	20,698	21,005	20,900
LIABILITIES					
Other current liabilities	**3,589**	4,211	3,974	3,995	4,874
Long-term borrowings	**4,467**	3,962	3,952	4,571	3,746
Other non-current liabilities	**1,082**	1,010	1,063	1,103	1,189
Total liabilities	**9,138**	9,183	8,989	9,669	9,809
Net assets	**12,156**	12,091	11,709	11,336	11,091
CAPITAL AND RESERVES					
Share capital	**1,205**	1,205	1,205	1,205	1,205
Reserves	**10,368**	10,317	10,088	9,836	9,757
Total shareholders' funds	**11,573**	11,522	11,293	11,041	10,962
Non-controlling interests	**583**	569	416	295	129
Total equity	**12,156**	12,091	11,709	11,336	11,091

Note: Details of the basis of preparation of the consolidated financial statements are set out in Note 2 to the Consolidated Financial Statements.

Glossary

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

Terms	Definition
"4G LTE"	4G Long Term Evolution
"ARPU"	Average Revenue Per User
"AMPU"	Average Margin Per User
"Articles of Association"	the Articles of Association of the Company as amended from time to time
"BDX"	Big Data Exchange
"Board"	the board of Directors of the Company
"CAC"	Customer Acquisition Costs
"Cheung Kong (Holdings)"	Cheung Kong (Holdings) Limited
"CKHGI"	CK Hutchison Global Investments Limited
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"CKI"	Cheung Kong Infrastructure Holdings Limited
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215) and whose American Depositary Shares are eligible for trading in the United States of America only in the over-the-counter market
"EBIT"	Earnings before interest income, interest and other finance costs, taxation, and share of results of joint ventures
"EBITDA"	Earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures
"FTTH"	Fibre-to-the-Home
"FTTO"	Fibre-to-the-Office
"GHG"	Greenhouse gas
"Group"	the Company and its subsidiaries
"HGC"	Hutchison Global Communications Limited
"HGCGC"	HGC GlobalCentre Limited

Terms	Definition
"HK$"	Hong Kong dollars
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HPHM"	Hutchison Port Holdings Management Pte. Limited
"HTAL"	Hutchison Telecommunications (Australia) Limited
"HTHK"	Hutchison Telecommunications (Hong Kong) Limited
"HTHL"	Hutchison Telecommunications Holdings Limited
"HTIHL"	Hutchison Telecommunications Investment Holdings Limited
"HTIL"	Hutchison Telecommunications International Limited
"HWL"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares were previously listed on the Main Board of the Stock Exchange (Stock Code: 13) and was privatised by way of a scheme of arrangement on 3 June 2015
"HWL Group"	HWL and its subsidiaries
"ICT"	Information and communications technology
"IDD"	International Direct Dialing
"IFRS"	International Financial Reporting Standards
"IoT"	Internet-of-Things
"IT"	Information technology
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"OTT"	Over-the-Top
"PwC"	PricewaterhouseCoopers
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"VAS"	Value-added service

Information for Shareholders

Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its American Depositary Shares (ADSs) are eligible for trading in the United States of America only in the over-the-counter market.

Stock Code

215

Public Float Capitalisation

As at 31 December 2016:
Approximately HK$3,027 million (approximately 25.12% of the issued share capital of the Company)

Financial Calendar

Payment of 2016 Interim Dividend:	9 September 2016
2016 Final Results Announcement:	28 February 2017
Closure of Register of Members:	4 May 2017 to 9 May 2017
Annual General Meeting:	9 May 2017
Record Date for 2016 Final Dividend:	15 May 2017
Payment of 2016 Final Dividend:	24 May 2017
2017 Interim Results Announcement:	July 2017

Registered Office

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Principal Executive Office

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Cayman Islands Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House, 24 Shedden Road, George Town,
Grand Cayman KY1-1110, Cayman Islands
Telephone: +1 345 949 9107
Facsimile: +1 345 949 5777

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
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ADS Depositary

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Citibank Shareholder Services
P.O. Box 43077, Providence, Rhode Island 02940-3077,
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Telephone (outside USA): +1 781 575 4555
Facsimile: +1 201 324 3284
Email: citibank@shareholders-online.com

Investor Information

Corporate press releases, financial reports and other investor information are available online at the website of the Company.

Investor Relations Contact

Please direct enquiries to:
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