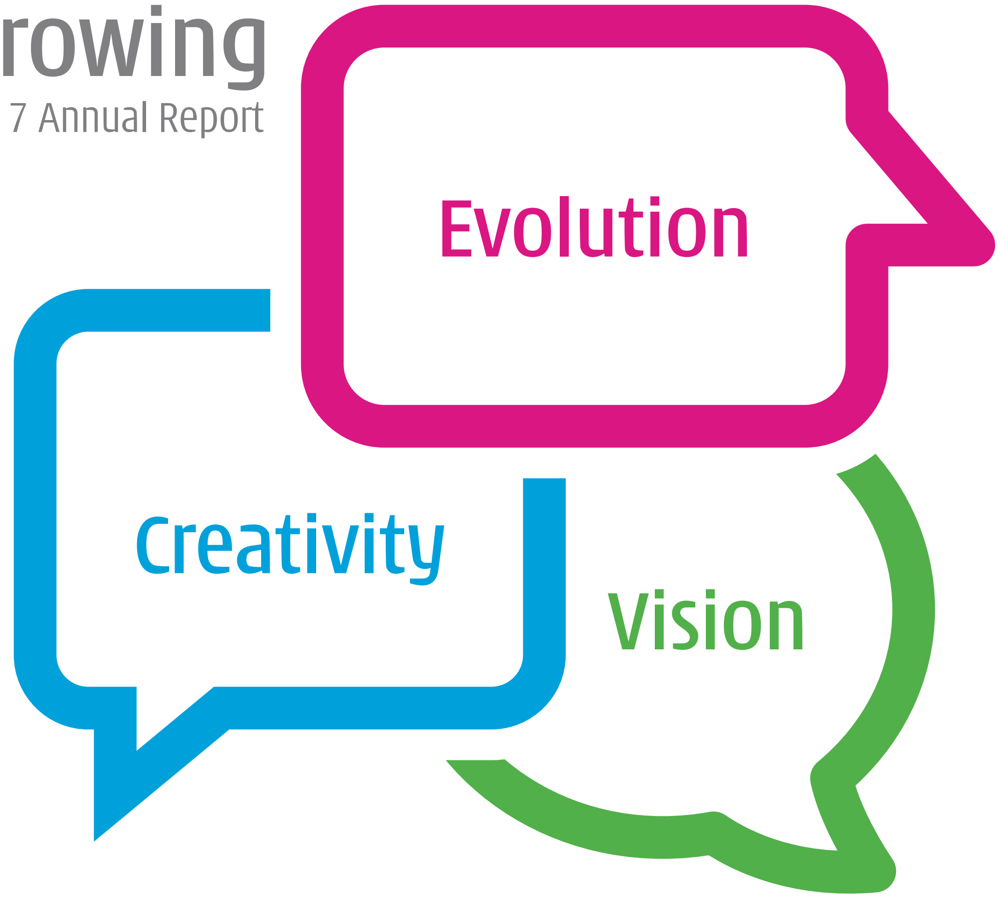
Hutchison Telecom
Hong Kong Holdings

Keep Growing

2017 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, BA, DFM, FCA (ANZ)

Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

Executive Director

WOO Chiu Man, Cliff, BSc
Chief Executive Officer

Non-executive Directors

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

Edith SHIH, 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

Financial Highlights

	For the year ended 31 December 2017 HK$ million	For the year ended 31 December 2016 HK$ million (Restated)[1]	FY 2017 vs FY 2016 Change
Mobile Revenue	***6,752***	*8,332*	*-19%*
Service revenue	***3,853***	*3,946*	*-2%*
Hardware revenue	***2,899***	*4,386*	*-34%*
Mobile EBITDA [2]	***1,339***	*1,397*	*-4%*
Mobile service EBITDA [2]	***1,281***	*1,324*	*-3%*
Profit attributable to shareholders before gain on disposal of subsidiaries and others	***543***	*682*	*-20%*
Gain on disposal of subsidiaries and others	***4,223***	*-*	*N/A*
Profit attributable to shareholders	***4,766***	*682*	*+599%*
Earnings per share excluding one-off items (in HK cents) [3]	**11.27**	14.15	-20%
Earnings per share (in HK cents)	**98.90**	14.15	+599%
Final dividend per share (in HK cents)	**4.55**	6.90	-34%

- Mobile revenue recorded a 19% decrease mainly as a result of 34% reduction in hardware revenue in 2017 from lower demand for new smartphones. Service revenue recorded a 2% decrease in a market with keen competition.

- Mobile service EBITDA recorded a mild 3% decrease due to market challenge partially offset by savings achieved through efficiency initiatives.

- Profit attributable to shareholders before gain on disposal of subsidiaries and others recorded a decrease of 20% because only a nine-month contribution was included from the fixed-line business before its disposal.

- Gain on disposal of subsidiaries and others included a one-off gain on disposal of the fixed-line business of HK$5,614 million and one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau.

- Profit attributable to shareholders amounted to HK$4,766 million, an increase of 599% compared with that in 2016.

- Earnings per share was 98.90 HK cents. Earnings per share excluding one-off items was 11.27 HK cents.

- Final dividend per share is 4.55 HK cents.

Notes:

(1) Annual results for the year ended 31 December 2016 have been restated and accounted for using the principle of merger accounting to reflect acquisition of 50% remaining interest in HGCGC in March 2017, the then joint venture engaged in data centre business under common control of CK Hutchison Holdings Limited and its subsidiaries ("CKHH Group"). The change resulted in a decrease in profit attributable to shareholders of HK$19 million.

(2) Mobile EBITDA/EBIT and mobile service EBITDA/EBIT are defined as EBITDA/EBIT and service EBITDA/EBIT of the mobile business adjusted to include the Group's proportionate share of joint venture's respective items.

(3) Earnings per share excluding one-off items was calculated based on profit attributable to ordinary shareholders before gain on disposal of subsidiaries and others of HK$543 million divided by the weighted average number of ordinary shares issued.

Corporate Profile and Awards

HTHKH sets market trends and steers industry development. The Group works tirelessly to reinforce our leadership in the mobile telecommunications industry.

Corporate Profile

Hutchison Telecommunications Hong Kong Holdings Limited (HTHKH; stock code: 215) and its subsidiaries (together referred to as "the Group") is one of the leading telecommuncations operators in Hong Kong and Macau with over 30 years of operating history. In October 2017, the Group disposed of its fixed-line interests to focus on its mobile business. Proceeds from the transaction will enable HTHKH to continue investing in the mobile business, thereby reinforcing its industry leadership and maintaining a strong financial position. HGC Global Communications Limited, the newly named fixed-line operator after the disposal, will remain a key supplier of fixed-line services to HTHKH, and the two entities will maintain a co-operative commercial relationship.

Listed on the Main Board of the Stock Exchange, HTHKH 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, Low Volatility Index and Global Composite Index.

3 Hong Kong promotes NB-IoT technology to sharpen Hong Kong's competitiveness as an innovative city.

Customers can stay connected with friends and family through **3** Hong Kong's comprehensive network.

3 Hong Kong offers cutting-edge data, voice and roaming services through far-reaching networks.

The Group is now primarily engaged in provision of advanced mobile services in Hong Kong and Macau under the **3** brand. **3** Hong Kong is the only local operator with rights to utilise blocks of spectrum across the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands.

3 Hong Kong offers cutting-edge data, voice and roaming services through far-reaching networks. **3** Hong Kong also works with reputable partners to offer a wealth of innovative mobile devices and value-added services, while providing high-speed Wi-Fi at **3** Hong Kong hotspots in local high-traffic areas.

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

3 Hong Kong works with reputable partners to offer a wealth of innovative mobile devices and value-added services.

Awards

Corporate

15 Years Plus Caring Company
The Hong Kong Council of Social Service

2016 International Customer Relationship Excellence Awards
- Best Customer Experience Management of the Year (Telecommunications - Contact Centre)
- Contact Centre of the Year (Telecommunications - Under 500 Seats)
- Online Customer Service of the Year

Asia Pacific Customer Service Consortium

8th Asia's Best Employer Brand Awards -
Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress & Stars of the Industry Group

Charter on External Lighting - Platinum Award
Environment Bureau

Eco-Healthy Workplace Awards Labelling Scheme
World Green Organisation

FinanceAsia's Achievement Awards 2017
Best Hong Kong Deal:
Sale of Hutchison Global Communications to I Square Capital for US$1.9 billion
FinanceAsia

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

Enviromental Campaign Committee

Stevie Awards - The International Business Awards:
Customer Service Department of the Year - Bronze Award
The Stevies

The Asset Triple A Asian Awards 2017 –
Best Cross-Border M&A: Sale of Hutchison Global Communications
The Asset

United Nations Sustainable Development Goals -
Green Office Awards Labelling Scheme
World Green Organisation

Operations

CAHK STAR Awards - Digital Marketing - Bronze Award
Communications Association of Hong Kong

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

Enterprising Hong Kong Brand Awards -
Best Hong Kong Retail Brand
South China Morning Post

Hong Kong Leaders' Choice - Excellent Brand of Mobile Telecommunications Service
Metro Finance

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

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

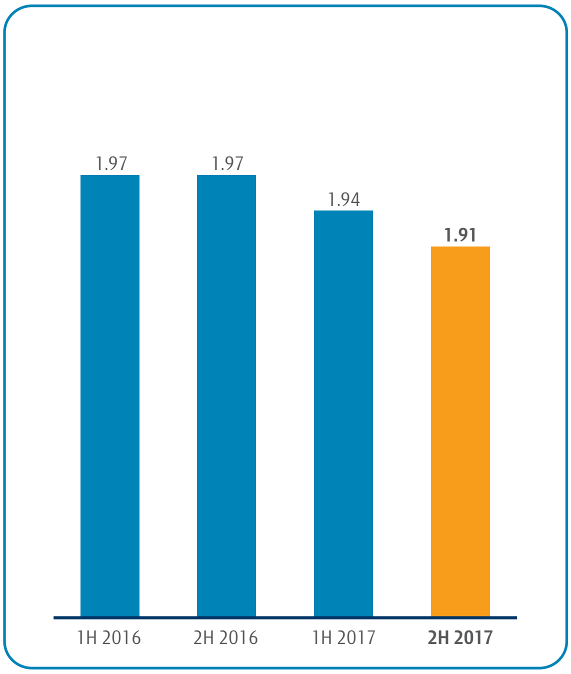
Metro Creative Awards - The Best Creative Ad
Metro Daily

Stevie Awards - The International Business Awards:
- Branded Content Campaign of the Year - Bronze Award
  3 Hong Kong and 100Most "Wednesday Report"
- Communications or PR Campaign of the Year - Marketing - Consumer Services - Silver Award
- Small-Budget Marketing Campaign of the Year (<US$3 million/€5 million) - Bronze Award
- Best New Product or Service of the Year - Telecommunications - Service - Bronze Award
  3 Hong Kong x myTV SUPER Campaign

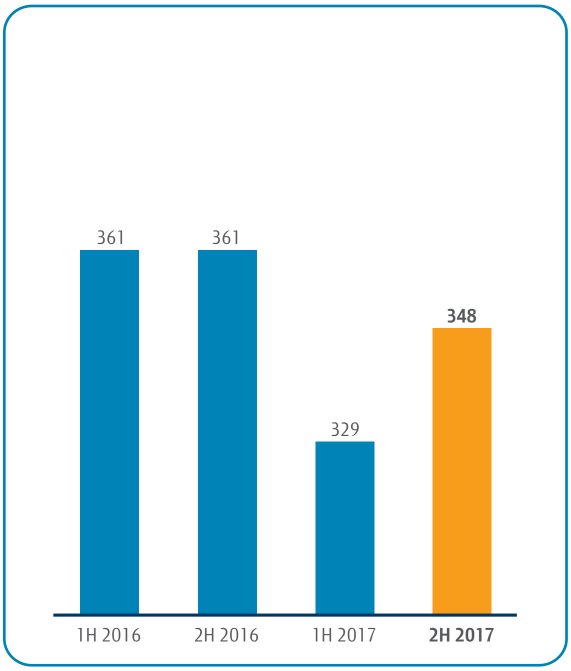
The Stevies

Key Financial Information

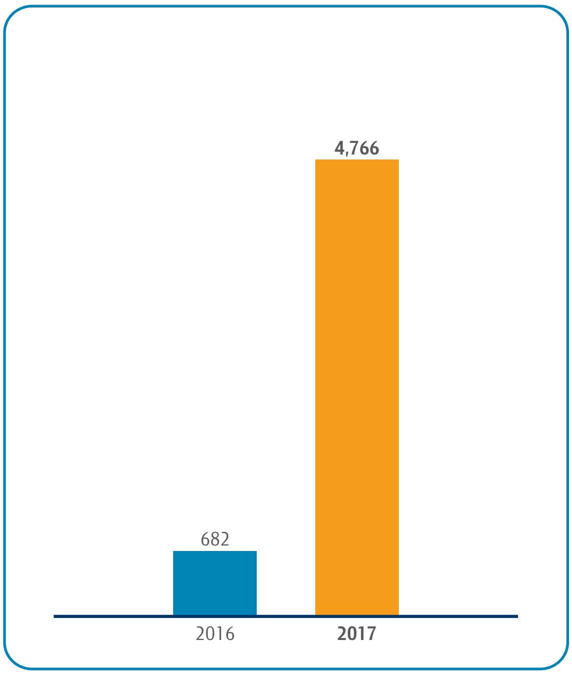
Mobile Service Revenue
(in HK$ billions)



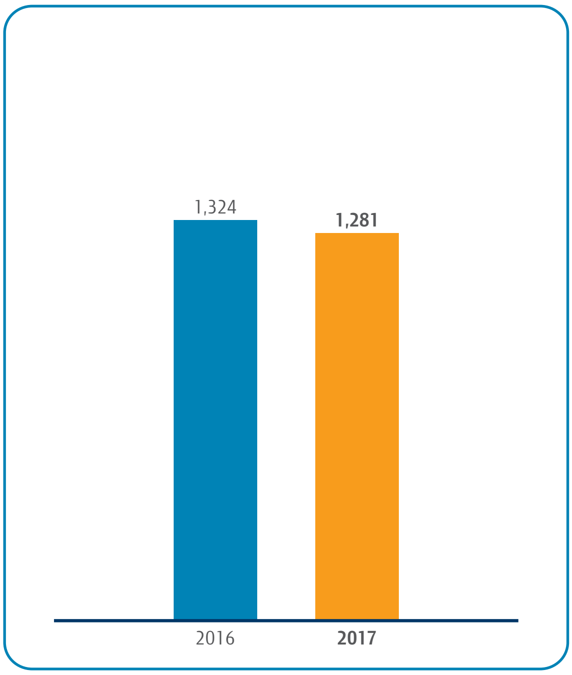
Mobile Roaming Revenue
(in HK$ millions)



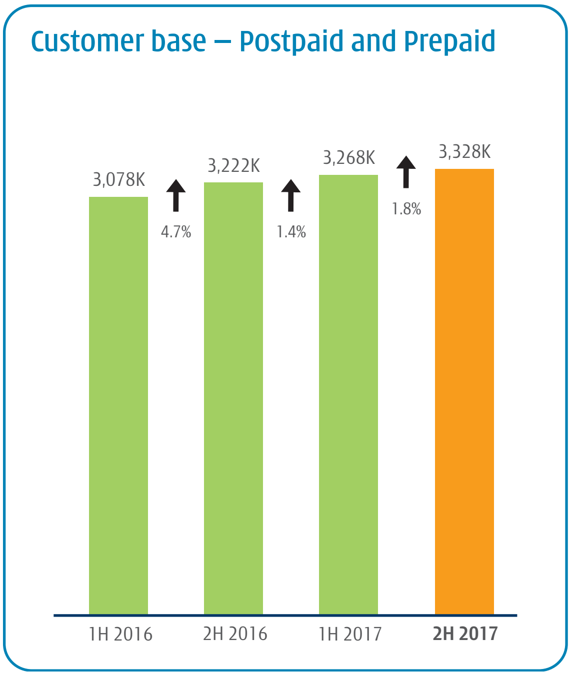
Profit Attributable to Shareholders of the Company
(in HK$ millions)

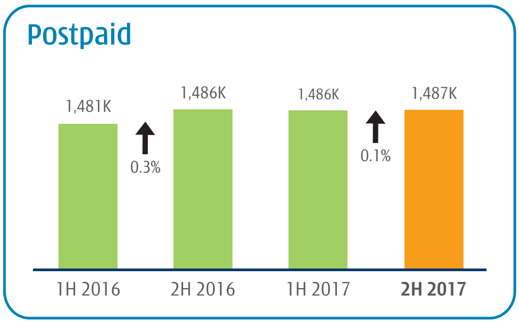


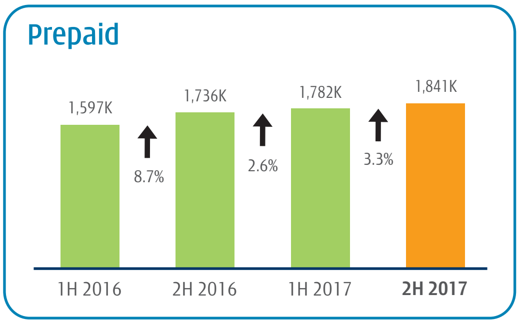
Mobile Service EBITDA
(in HK$ millions)

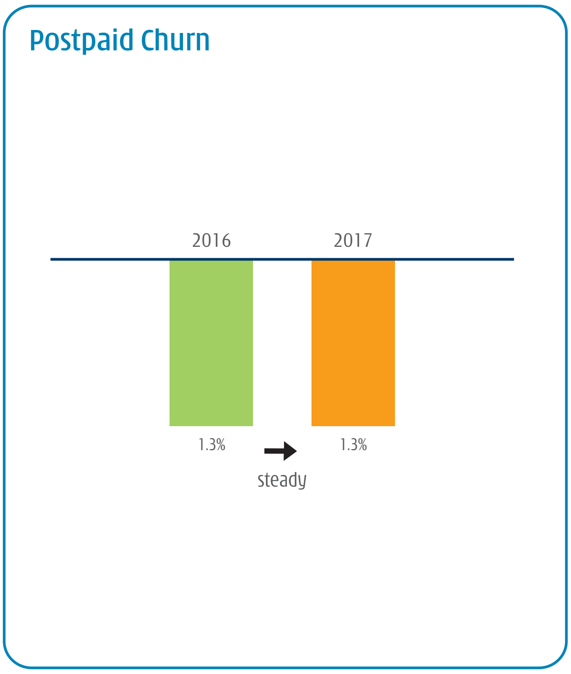


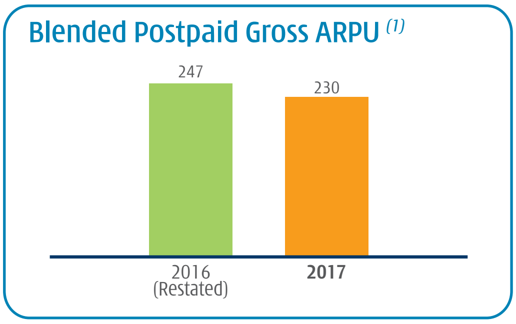
Mobile Key Performance Indicators

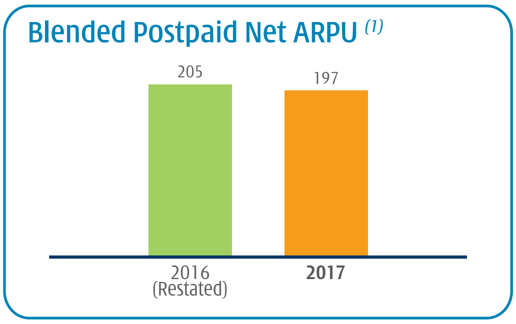












Note:

(1) ARPU information in 2016 was restated to exclude the mobile MVNO revenue.

Chairman's Statement

The year 2017 proved to be a transformational year for Hutchison Telecommunications Hong Kong Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group"). The disposal of the fixed-line business of the Group was completed in October 2017. This disposal significantly strengthened the financial profile of the Group and placed the Group in an excellent position to pursue investment opportunities that would further enhance shareholder value. During the year, the Group also continued to improve the competitiveness of its mobile operations in Hong Kong and Macau, launching various innovative products and services and further enhancing overall customer experience with investment in advanced network infrastructure and IT systems.

Financial Results

Mobile revenue and EBITDA recorded decrease of 19% and 4% respectively in 2017. More than 94% of the decline in mobile revenue was attributable to decrease in hardware revenue as a result of lower demand for new smartphones though related financial impact in recent years was largely reduced.

Profit attributable to shareholders before gain on disposal of subsidiaries and others in 2017 was HK$543 million. This profit included only a nine-month contribution from the fixed-line business of HK$321 million in 2017 (2016: full year of HK$382 million), resulting in a 20% decrease compared with HK$682 million in 2016. Earnings per share excluding the one-off items was 11.27 HK cents for the full year 2017 (2016: 14.15 HK cents).

Gain on disposal of subsidiaries and others included a one-off gain on disposal of the fixed-line business of HK$5,614 million and one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau after the deployment of various network transformational initiatives.

Accordingly, profit attributable to shareholders in 2017 was HK$4,766 million, a significant increase compared with HK$682 million in 2016.

Dividends

The Board recommends payment of a final dividend of 4.55 HK cents (2016: 6.90 HK cents) per share for the year ended 31 December 2017. The proposed final dividend will be payable on Thursday, 24 May 2018, following the approval of shareholders at the Annual General Meeting of the Company, to shareholders whose names appear on the register of members of the Company on Monday, 14 May 2018, being the record date for determining shareholders' entitlement to the proposed final dividend. Taking the interim dividend of 3.90 HK cents per share into account, the full-year dividend amounts to 8.45 HK cents per share. This is equivalent to 75% of profit attributable to shareholders for the year excluding the one-off items as mentioned above, which is in line with the sustainable dividend policy of the Company to enhance shareholder value over the long term.

The Board resolved not to declare any special dividend for the time being and will evaluate various opportunities to utilise the cash proceeds from the disposal of the fixed-line business with the aim to enhance shareholder value. If no such opportunity is identified, special dividend will be considered by the Board for the year ending 31 December 2018.

Mobile Business Review

Mobile revenue in 2017 was HK$6,752 million, a 19% reduction compared with HK$8,332 million in 2016. More than 94% of the decline was attributable to decrease in hardware revenue as a result of lower demand for new smartphones. Hardware revenue showed a decrease of 34% from HK$4,386 million in 2016 to HK$2,899 million in 2017.

Mobile service revenue in 2017 was HK$3,853 million, a mild 2% decrease compared with HK$3,946 million in 2016. Local service revenue in 2017 was generally in line with that of 2016, despite intense market competition. Roaming revenue rallied in the second half of 2017 and improved 6% compared with that of the first half of 2017, following launch of innovative roaming packages during the year. Full year roaming revenue in 2017 showed a decrease of 6% compared with that of 2016 and against the double digit year-on-year decrease recorded in previous years. Net customer service margin remained stable at 93%.

Mobile EBITDA in 2017 was HK$1,339 million, a 4% decrease compared with HK$1,397 million in 2016, reflecting reduction in customer service and handset sales margins, partially offset by savings in customer acquisition costs ("CACs") as well as control over operating expenses. Mobile service EBITDA in 2017 was 3% lower than that of 2016, while the service EBITDA margin was 33.2%.

Mobile EBIT (before one-off charges) in 2017 was HK$470 million, 24% lower than HK$620 million in 2016, mainly the result of the full year effect of higher amortisation charges subsequent to mobile spectrum licence renewal and activation of new spectrum band in the last quarter of 2016.

As of 31 December 2017, the total number of customers recorded an increase of 3% to approximately 3.3 million in Hong Kong and Macau (2016: approximately 3.2 million), of which 45% were postpaid customers. Overall churn rate among postpaid customers remained stable at 1.3% in 2017 (2016: 1.3%). Blended postpaid net ARPU decreased by 4% from HK$205 in 2016 to HK$197 in 2017 as a result of keen market competition in local data packages.

Outlook

The Group enters a new chapter in the year 2018 following disposal of its fixed-line business, and is well positioned to enhance every aspect of its mobile operations. Total cash proceeds of HK$14,527 million from the disposal transaction places the Group in a solid financial position to pursue potential expansion and investment opportunities that further enhance shareholder value.

The Group is undertaking transformational initiatives to digitalise, streamline and automate internal structure and processes, while improving IT and online platforms – all with the aim of enhancing the overall customer experience and improving customer satisfaction as well as promoting efficiency. In addition, the Group is deploying the latest technologies to evolve network infrastructure, paving the way for 5G as well as nurturing an IoT enabled ecosystem. The recent collaborations with innovative scientific research companies and start-ups to promote development of NB-IoT technology will assist in creating long-term revenue streams.

Market conditions continue to be challenging, and competition remains keen. However, continued collaborations with telecommunications operations of the CKHH Group in Europe and Asia and various global telecommunications operators will help create more revenue opportunities and higher returns for shareholders. The ongoing quest to increase shareholders' return is well supported by enhanced financial strengths, digitalised network infrastructure, established procurement capability of the Group as well as relentless pursuit of cost efficiencies.

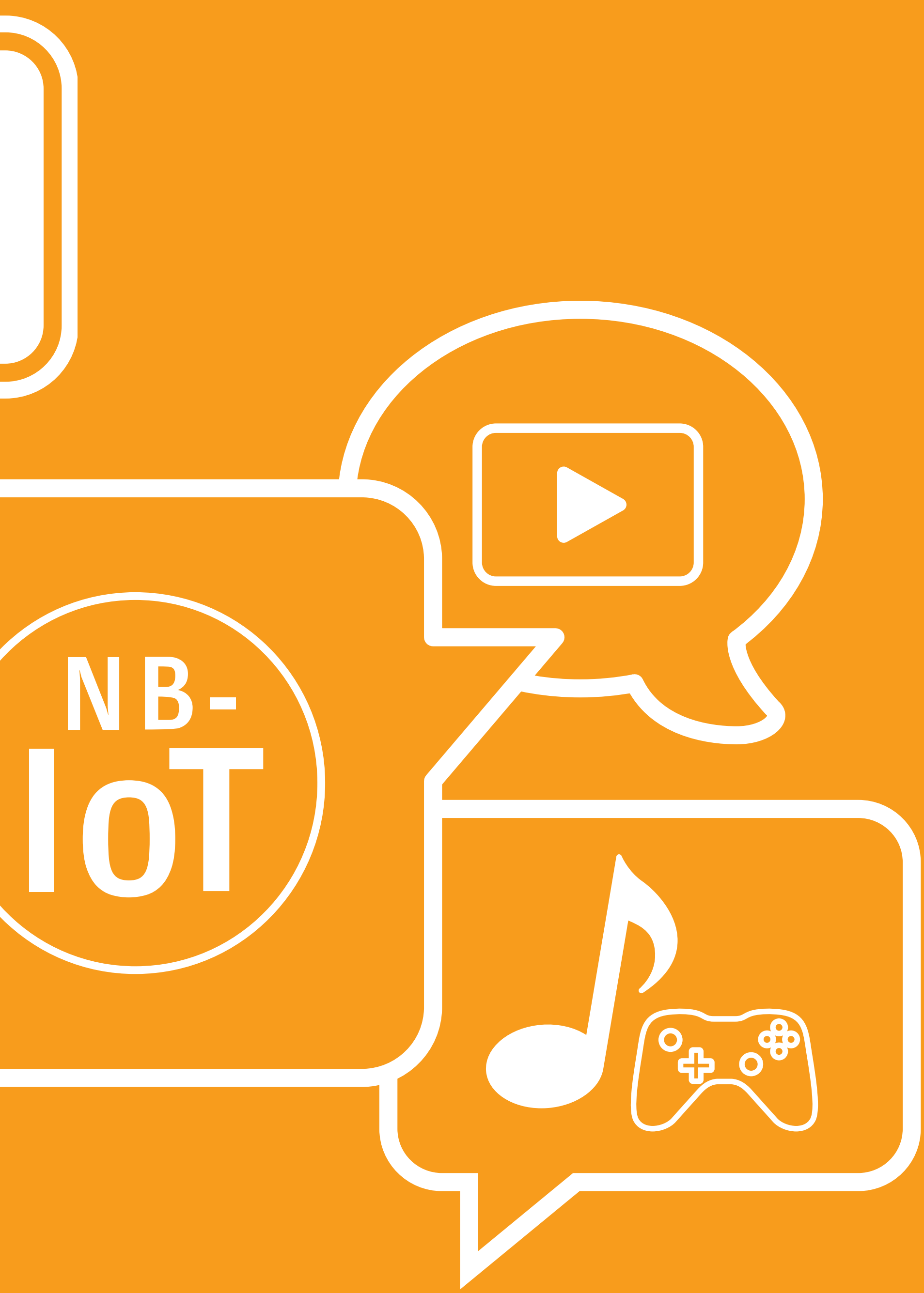
Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and contributions to the Group.

FOK Kin Ning, Canning
Chairman

Hong Kong, 26 February 2018

Operations Review

Our customers benefit from 3 Hong Kong's style of innovation through advanced mobile networks and services delivered in customer-centric fashion.


NB-
IoT

Operations Review

3 serves Hong Kong and Macau by delivering innovative services through advanced mobile networks – all in customer-centric fashion.

Network Excellence is 3 Hong Kong's Primary Focus

3 Hong Kong is the only local operator commanding a wide variety of spectrum in the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands, and has been re-farming spectrum to maximise bandwidth efficiency in response to changing data usage patterns among customers. During 2017, **3** Hong Kong refarmed 2100MHz spectrum. With the completed refarm exercise and network enhancement, all five bands of spectrum are now available for service, enabling **3** Hong Kong to meet rising data demand.

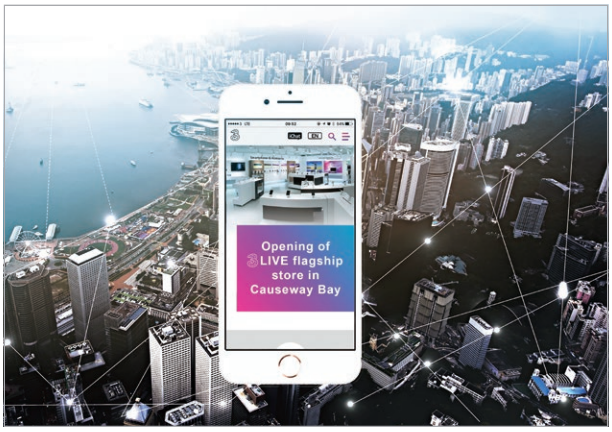
3 Hong Kong provides customers with a seamless mobile experience by combining 1800MHz, 2100MHz, 2300MHz and 2600MHz spectrums with Frequency Division Duplex (FDD) and Time Division Duplex (TDD) five Component Carriers (5CC) Carrier Aggregation (CA) technologies, as well as 4 × 4 Multi-input Multi-output (MIMO) and 256 Quadrature Amplitude Modulation (QAM) technologies.

A two-phase project that monitors network traffic, while deploying the latest technologies and applications, was launched throughout 18 busy MTR station concourses and platforms, as well as tunnels, during 2017. Completion is scheduled for 2019. This will increase capacity such that customers will enjoy an even smoother mobile experience.

Our NB-IoT network now extends throughout Hong Kong and is ready for commercial applications.

3 Hong Kong is transforming itself by utilising the latest technologies to maximise engagement with customers through various digital channels. The idea is to provide a uniquely, personalised and caring service that will promote a better understanding of customers and help to generate new revenue streams.

3 Hong Kong is deploying 5G technology and upgrading existing network architecture as the industry moves steadily towards 5G and the era of IoT. The Group has conducted research and trials using technologies involving small cells, network cloudification, network function virtualisation and Massive MIMO. These efforts will better equip **3** Hong Kong to meet customer demand once the 5G standard and Hong Kong's spectrum plans are confirmed.



3 Hong Kong is deploying 5G technology and upgrading existing network architecture as the industry moves towards the 5G era.

NB-IoT is the future, prompting **3** Hong Kong to construct end-to-end infrastructure featuring NB-IoT modules designed in accordance with the 3rd Generation Partnership Project standard. In this regard, **3** Hong Kong supports start-ups and is establishing a local NB-IoT ecosystem that will provide innovative commercial NB-IoT applications and promote value creation for the business community, while preparing **3** Hong Kong for a new era of massive connectivity through 5G technology.

"3InnoCity" is a free certified NB-IoT specialist programme for the benefit of start-ups.

Innovative Gaming Products and Services

The role of mobile operator changes constantly, especially in the IoT era. For example, **3** Hong Kong has entered the gaming market with Razer – the leading lifestyle brand for gamers – to serve a new generation of customers by combining network service excellence with advanced gaming systems. A range of tariff plans bundled with Razer's gaming devices have been tailored to provide a superior gaming experience.

Launch of the "3Gamer" portal enables customers to play thousands of online games from our business partners through a single portal.

In December 2017, **3** Hong Kong became the first local mobile operator to launch Razer handset devices that enabled gamers to enjoy new functionality designed to maximise mobile entertainment.

After collaborating with Razer to capitalise on the latest eSports trend, **3** Hong Kong continued to search for attractive gaming propositions. Launch of the 3Gamer portal enabled customers to play thousands of online games offered by our business partners through a single portal, while taking advantage of game credit promotions. Customers can top-up mobile plans and buy PC game credits to enjoy bonus privileges.

3 Hong Kong aims to become the preferred mobile operator among gamers, while collaborating with world-class partners in order to offer the hottest gaming products and services. Gamers will then be able to follow trends and take advantage of a succession of offers from **3** Hong Kong.

3 Hong Kong offers a variety of roaming packages to suit frequent travellers.

Tailored Roaming Packages

In order to meet the needs of travellers, **3** Hong Kong has introduced a variety of roaming packages including the Roam-in-Command service which covers 21 popular travelling destinations. Customers can roam hassle-free in Europe, the Americas, Greater China and other parts of Asia Pacific.

Close ties between CKHH Group's **3** Group and relationships with other global carriers are helping **3** Hong Kong develop value-for-money roaming packages offering extensive overseas coverage to meet customer needs. This means customers can stay connected with friends and family with the utmost ease.

In addition, **3** Hong Kong offers a Europe Roaming Pass that allows unlimited data roaming and voice calls at popular European destinations for five or 10-day periods.

3 Hong Kong opens the 3LIVE flagship store in Causeway Bay as a hang-out for digital citizens.

3 Hong Kong also launched the 3RoamLite Pass and WhatsApp Roaming Pass for low-usage customers seeking budget mobile data options when travelling.

Creative Data Packages

During 2017, **3** Hong Kong introduced a new and flexible Cross-Month Top-up data package that allows customers to enjoy peace of mind by buying top-up data which can last up to 12 months.

In the fourth quarter of 2017, the Fun Sharing Monthly Plan was launched to allow data entitlements to be used in mainland China, Hong Kong and Macau with an additional optional Mainland China mobile number.

Passionate Customer Service

A succession of campaigns and initiatives last year promoted the premium mobility experience of **3** Hong Kong. For example, a new 3LIVE flagship store of more than 5,000 square feet was opened in a prime location to promote the brand's attributes of innovation, stylishness and energy – all alongside **3** Hong Kong's customer-centric service.

In 2017, **3** Hong Kong launched the 3Rewards customer loyalty scheme. The Group aims to delight loyal customers with special treats and privileges every year, with a view to strengthening existing relationships and acquiring new customers.

The 3Rewards loyalty scheme delights customers with special treats and privileges.

The same customer-centric philosophy is exemplified by the online and digital support we offer. Online video promotions help strengthen our brand positioning, while other examples include the 24/7 3iChat customer interface under web and application platforms to facilitate a friendly rapport.

In 2017, **3** Hong Kong launched the new My3App to facilitate customer access to various self-help services from an integrated platform. They can connect with **3** Hong Kong periodically to get useful information on topics such as data usage, topping up and tariff plans, while managing their account details and purchasing roaming packages.

Macau

3 Macau continues to launch innovative data offerings, as well as appealing IDD and roaming services, in order to attract yet more of the city's high-value smartphone users. Tri-city tariff plan was launched to allow data sharing in Macau, Hong Kong and mainland China for frequent travellers in these locations.

December 2017 saw continued enhancement of 4G LTE coverage serving all major hotels, casinos, business districts and other busy locations such as the Hong Kong-Zhuhai-Macao Bridge infrastructure project.

3 Macau is committed to continuous improvement of customer service and network quality – preparing the way for subscription growth and higher volumes of local and roaming traffic.

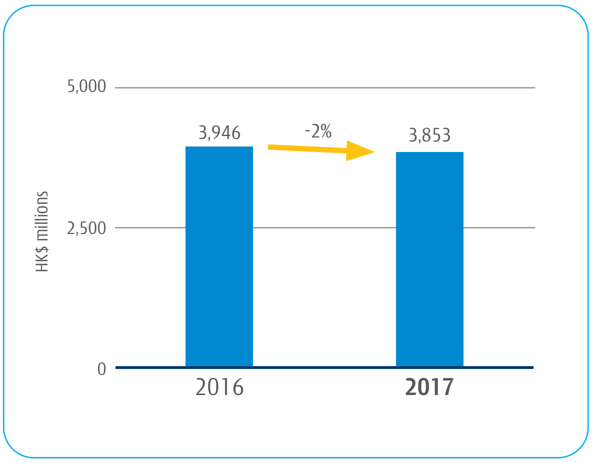
Management Discussion and Analysis

Mobile Business Highlights – Excluding One-off Charges

	For the year ended 31 December 2017 HK$ million	For the year ended 31 December 2016 HK$ million (Restated)	Favourable/ (unfavourable) Change
Total mobile revenue	6,752	8,332	-19%
Net customer service revenue	3,853	3,946	-2%
– Local service revenue	3,176	3,224	-1%
– Roaming service revenue	677	722	-6%
Hardware revenue	2,899	4,386	-34%
– Bundled sales revenue	750	712	+5%
– Standalone handset sales revenue	2,149	3,674	-42%
Net customer service margin	3,573	3,656	-2%
Net customer service margin %	*93%*	*93%*	–
Standalone handset sales margin	58	73	-21%
Total CACs	(1,027)	(1,037)	+1%
Less: Bundled sales revenue	750	712	+5%
Total CACs (net of handset revenue)	(277)	(325)	+15%
Operating expenses and staff costs	(2,081)	(2,071)	–
Operating expenses and staff costs as a % of net customer service margin	*58%*	*57%*	*-1% point*
Mobile EBITDA	1,339	1,397	-4%
Mobile Service EBITDA	1,281	1,324	-3%
Mobile Service EBITDA margin %	*33.2%*	*33.6%*	*-0.4% point*
Depreciation and amortisation	(822)	(733)	-12%
Mobile EBIT	470	620	-24%
Mobile Service EBIT	412	547	-25%
CAPEX (excluding licence)	(533)	(589)	+10%
Mobile EBITDA less CAPEX	806	808	–

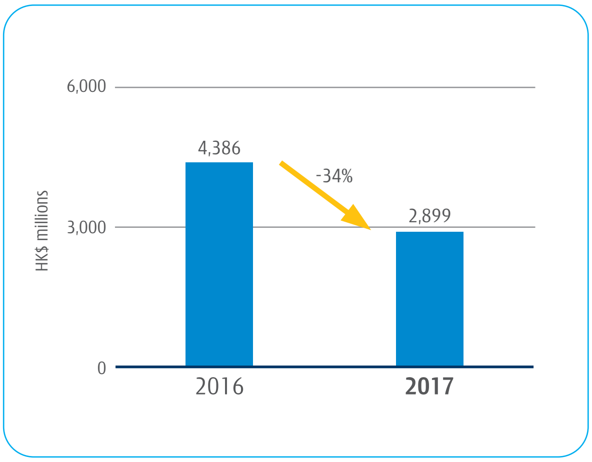
Mobile revenue in 2017 was HK$6,752 million, a 19% reduction compared with HK$8,332 million in 2016. More than 94% of the decline was attributable to lower hardware revenue as a result of lower demand for new smartphones. Service revenue in 2017 was HK$3,853 million, a 2% decrease compared with HK$3,946 million in 2016. Local service revenue in 2017 was generally in line with that of 2016, despite intense market competition. Roaming revenue rallied in the second half of 2017 and improved 6% compared with that of the first half of 2017 following launch of innovative roaming packages in collaborations with global telecommunications carriers. Full year roaming revenue in 2017 showed a decrease of 6% compared with that of 2016 and against the double digit year-on-year decrease recorded in previous years.

Service revenue



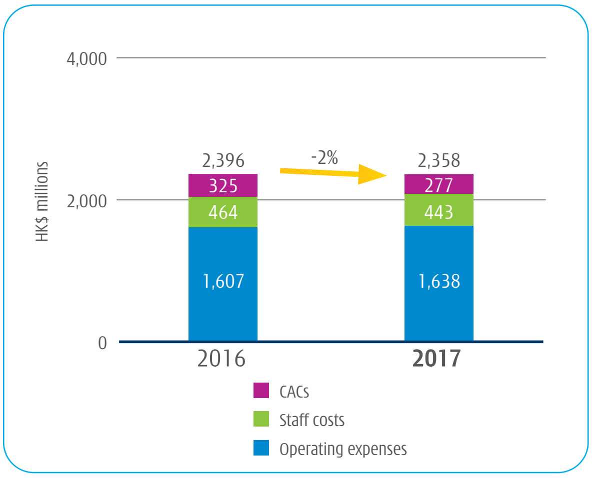
Hardware revenue was HK$2,899 million in 2017, a decrease of 34% from HK$4,386 million in 2016, resulting from lower demand for new smartphones.

Hardware revenue



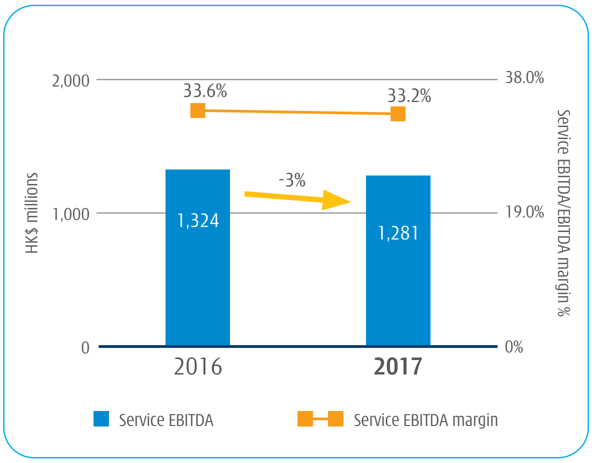
Total CACs, staff costs and operating expenses amounted to HK$2,358 million in 2017, a decrease of 2% from HK$2,396 million in 2016, mainly the result of improvement in retaining valuable customers with newly launched loyalty programmes as well as control of operating expenses.

Key cost items



Mobile service EBITDA in 2017 was HK$1,281 million, a 3% decrease compared with HK$1,324 million in 2016, reflecting keen market competition in local data packages, partially offset by savings from control of operating expenses as mentioned above. Mobile service EBITDA margin was 33.2%.

Service EBITDA



Depreciation and amortisation before one-off charges amounted to HK$822 million in 2017 compared with HK$733 million in 2016. This increase was mainly the result of a higher amortisation charges in respect of spectrum utilisation fee for the 2100MHz band after the licence renewal and the 2300MHz band after activation in the last quarter of 2016.

Mobile EBIT in 2017 was HK$470 million, 24% lower than HK$620 million reported in 2016. This was mainly the full year effect of higher amortisation charges as mentioned above.

Key Performance Indicators

	For the year ended 31 December 2017	For the year ended 31 December 2016 (Restated)	Favourable/ (unfavourable) Change
Number of postpaid customers ('000)	1,487	1,486	-
Number of prepaid customers ('000)	1,841	1,736	+6%
Total customers ('000)	3,328	3,222	+3%
Postpaid customers to the total customer base (%)	45%	46%	-1% point
Postpaid customers' contribution[(1)] to the net customer service revenue (%)	90%	92%	-2% points
Monthly postpaid churn rate (%)	1.3%	1.3%	-
Postpaid gross ARPU[(1)] (HK$)	230	247	-7%
Postpaid net ARPU[(1)] (HK$)	197	205	-4%
Postpaid net AMPU[(1)] (HK$)	181	189	-4%

Note:

(1) The postpaid customers' contribution, ARPU and AMPU information for the year ended 31 December 2016 has been restated to exclude the mobile MVNO revenue.

As of 31 December 2017, the total number of customers recorded an increase of 3% to approximately 3.3 million in Hong Kong and Macau (2016: approximately 3.2 million), of which 45% were postpaid customers. Overall churn rate among postpaid customers remained stable at 1.3% in 2017 (2016: 1.3%). Blended postpaid net ARPU decreased by 4% from HK$205 in 2016 to HK$197 in 2017 as a result of keen market competition in local data packages.

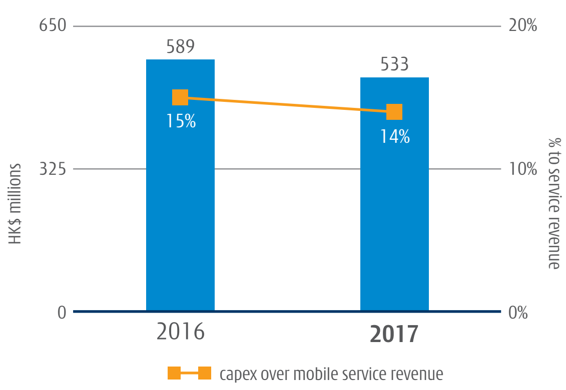
Net interest and other finance costs

Net interest and other finance costs from mobile business amounted to HK$90 million in 2017, an increase of 15% compared with HK$78 million in 2016. The increase in net interest and other finance costs was due to the write-off of bank commitment fee as a result of prepayment of bank borrowings as well as higher interest costs on bank borrowings, partially offset by lower notional finance charge on decreasing spectrum licence fee liabilities. As at 31 December 2017, the Group recorded a net cash position of HK$9,817 million, as a result of the receipt of cash proceeds from the disposal of its fixed-line business (31 December 2016: net debt to net total capital ratio of 25%). In January 2018, all the bank borrowings were repaid.

Capital expenditure

Capital expenditure on property, plant and equipment in 2017 amounted to HK$533 million (2016: HK$589 million), accounting for 14% (2016: 15%) of mobile service revenue. The Group scrutinises capital expenditure with due care to ensure all spending is revenue driven. Spending during the year was concentrated on long-term investment in network enhancement and capacity expansion for 4.5G technology.

Mobile capex



Summary of spectrum investment

as of 31 December 2017

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*

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

Cash management and funding

The Group operates a central cash management system for all of its subsidiaries. In general, financing is 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 debt 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 share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

Capital and Net Debt

As at 31 December 2017, the Group recorded share capital of HK$1,205 million and total equity of HK$15,955 million.

Subsequent to the receipt of cash proceeds of HK$14,527 million from the disposal of subsidiaries in 2017, the Group prepaid the bank loan of HK$1,000 million during the year. The cash and cash equivalents of the Group amounted to HK$13,717 million as at 31 December 2017 (2016 (Restated): HK$357 million), over 99% of which were denominated in Hong Kong dollars, with remaining in various other currencies. The Group's carrying amount of bank borrowings was HK$3,900 million as at 31 December 2017 (2016: HK$4,467 million), all denominated in Hong Kong dollars. The outstanding balance of HK$3,900 million under loan facilities maturing in 2019 was fully prepaid in January 2018.

As at 31 December 2017, the consolidated net cash of the Group was HK$9,817 million (2016 (Restated): net debt of HK$4,110 million).

Charges on Group Assets

As at 31 December 2017, 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 2017 amounted to HK$900 million (2016: HK$1,500 million).

Contingent Liabilities

As at 31 December 2017, the Group provided performance and other guarantees of HK$5 million (2016 (Restated): HK$636 million).

Commitments

As at 31 December 2017, the Group had total capital commitments of property, plant and equipment amounting to HK$444 million (2016 (Restated): HK$799 million).

As at 31 December 2017, the Group had total operating lease commitments for buildings and other assets amounting to HK$335 million (2016 (Restated): HK$369 million).

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

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 mobile telecommunications services. Risk of competition from alternative sources of mobile 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 mobile telecommunications services to a substantial proportion of customer base. In the event that the Group is unable to provide mobile 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 presented in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained within this annual report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise.

Environmental, Social and Governance Report

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

Environmental, Social and Governance Report

About this Report

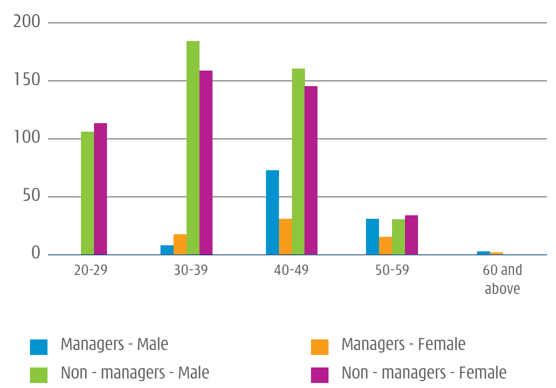
This ESG report provides an annual update of sustainability performance in respect of the mobile business of the Group for the year ended 31 December 2017. It has been updated to reflect the interest of various stakeholders. Additional material quantitative data, detailed ESG requirement as well as policies and programmes have been included to illustrate the main initiatives implemented by the Group. This report is prepared in accordance with Appendix 27 of the Main Board Listing Rules, ESG Reporting Guide, 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 approach to ESG seeks for alignment with the long term strategic development of the Group and enhancement of shareholder value. Key issues are identified, prioritised and addressed in a way that demonstrates transparency and accountability.

As a leading mobile telecommunications operator, the Group acknowledges the importance of sound ESG practices in its daily operations. The Board and the senior management provide strategic direction, establish sustainability policy and objectives, oversee corporate governance matters and monitor progress.

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



All business units and departments formulate and translate policy into action, while facilitating exchange of best practices throughout group companies. They build and incorporate such initiatives into operations and processes. They also collect and analyse data, evaluate performance and report major issues periodically.

Stakeholder engagement and materiality assessment

The Group maintains on-going dialogue with key stakeholders, including employees, shareholders, customers, suppliers, local communities, professional institutions, non-government organisations and authorities. The Group regularly collects views from its stakeholders through a variety of channels, such as meetings, workshops, surveys and feedback programmes.

ESG compliance and how the Group benefits the community are among stakeholders' key interests. Important aspects vary and range from sourcing practices to environmental emissions to employment and operating practices, as well as community involvement. Material aspects identified are reviewed periodically and the Board is updated as and when appropriate.

The six sections set out in this report summarise the Group's commitments to its employees, customers and supply chain, as well as to anti-corruption, the environment and service to the community. Key initiatives and activities have been included in each section to demonstrate and highlight the efforts in enhancing long-term value for stakeholders.

Commitment to Our Employees

Recruiting, engaging and retaining talent

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

As of 31 December 2017, the Group employed 1,099 full-time mobile staff members. It is committed to complying with the employment associated guidelines and regulations, including laws prohibiting child and forced labour. Every aspect of employment is subject to a stringent internal review process involving a well-defined monitoring procedure to verify a candidate's personal information so as to prevent misrepresentation and any form of forced labour. An employment contract comes complete with easily-understood terms and conditions, and each individual is well briefed before being employed. The code of ethics of the Group requires staff to comply with applicable government and regulatory laws, rules, codes and regulations.

Employees take part in sports activities to help maintain a work-life balance.

The Group adopts equal employment opportunity policies and runs programmes to ensure employees are hired, promoted and assigned on the basis of skill and ability. 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 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 manifests itself as a variety of 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 employment candidates and allow those interested to find out more about a career development path.

Educational sponsorship is available to employees in the form of job-related courses provided by external institutions. Employees are encouraged 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 "8th Asia's Best Employer Brand Awards 2017 – Asia's Best Employer Brand", thereby demonstrating commitment to retention of talent and motivating employees to build their career within the 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. Such considerations are an important element of the design, operation and maintenance of office facilities and the way our business is conducted.

Employees are able to access health and safety information posted on the intranet, which also offers hyperlinks to external sites. A list of first aid helpers is maintained in offices, along with information to help employees understand how to handle health and safety issues.

Regulatory compliance

The Group was not aware of any non-compliance with laws and regulations that has a significant impact relating to employment and labour practices, or occupational health and safety during the year. Neither did the Group identify any incidents relating to hire of child or forced labour.

Commitment to Our Customers

Building trust through reliability and quality

The Group won a number of customer service awards in 2017, reflecting the importance it attaches to customer satisfaction. These awards applauded frontline staff for adopting helpful and sincere attitudes when serving customers. 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.

Improving customer experience

The Group maintains a range of customer communications channels such as customer service centres, social networking pages, focus group study and smartphone applications so that feedback can be collected and acted upon. The Group treats customer feedback with due care and in a timely manner. Any 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, and measures are 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 gauged according to performance pledges, then published on the website periodically.

The Group listens intently to customer feedback and acts in a timely manner.

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, as well as access to, and updating, security and retention of personal data received.

Protecting consumers and safeguarding their privacy are top priorities. The Group distributes guidelines and handbooks, and issues periodic reminders to customer-facing employees, while running workshops to emphasise the importance of protecting personal data.

Regulatory compliance

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

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 various 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 being conducted only 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 when carrying out their own operating practices. Procurement teams are trained to apply each and every aspect of these policies and procedures when assessing suppliers, while tendering procedures are always communicated carefully 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 all employees are required to follow. The Group has also established procedures for reporting possible improprieties relating to matters of financial reporting, internal control and other matters. The aim is to encourage employees – 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" they will be protected against any unfair treatment. Relevant cases will be followed up independently by internal auditor and reported to the Audit Committee and senior management.

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

The Group was not aware of any of non-compliance with laws or regulations that has a significant impact concerning bribery, extortion, fraud or money laundering during the year.

Commitment to Our Environment

Optimising use of resources

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

The Group demonstrated a keen sense of community spirit by running the Recycling of Handsets and Accessories Programme and placing recycling boxes at 3Shops to encourage the public to dispose of, and recycle, unwanted phones and handset accessories. The programme launched in 2012, since when old handset and accessory items have been collected and handed to the Environmental Protection Department and voluntary organisations for recycling or reuse.

The Group acknowledges the importance of sound ESG practices in its daily operation

In 2017, the Group contributed to the Computer Recycling Programme run by the Environmental Protection Department. Recyclable equipment such as desktop PCs, laptops, monitors, printers and scanners were amassed as a result of computers and associated equipment being renewed. Items fit for reuse have since been donated to people in need.

In 2017, the Group was awarded Excellence Level for Wastewi$e certificate and Basic Level for EnergyWi$e certificate. This was the fourth year Green Office status had been conferred on the Group under the auspices of the World Green Organisation's Green Office Awards Labelling Scheme.

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

Regulatory compliance

The Group was not aware of any incidents of non-compliance with laws and regulations that has a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the year.

The Group is committed to protecting and enhancing the environment as is evidenced by its well-kept roof garden.

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

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 interests.

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

Cash and in-kind donations benefitting community projects in Hong Kong and Macau during 2017 amounted to approximately HK$5.4 million in which HK$0.7 million was donation made to charitable organisations.

The Group has made in-kind donations to the benefit of a diversity of needy individuals by drawing on the strength of its superior mobile telecommunications network and technology expertise. 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 Packages 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 scheme.

The Group sponsors senior citizens by providing free "e-care Link" packages.

The Group supported launch of The Hong Kong Police Force's Anti-Deception Coordination Centre to combat phone scams by sending SMS to **3** Hong Kong users in July and December 2017, and helped develop a more inclusive and caring society by easing the way people with disabilities and special needs can obtain information and services. The corporate website maintained a gold award in the Web Accessibility Recognition Scheme organised by The Office of the Government Chief Information Officer and the Equal Opportunities Commission.


Our volunteers officiate at a Career Fun Day to help students consider potential career paths.

The Group also plays an important role in imparting knowledge of mobile technologies and telecommunications industry. The Group supported the Digital Marketplace Seminar organised by the Hong Kong Internet Registration Corporation, as well as The Hong Kong General Commerce's 5G Seminar and Business-School Partnership Programme, in which senior executives shared insights and experience during career discussions with students.

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 and the Hong Kong Computer Society FACE Club Charity Walk.

A handset auction at 3LIVE flagship store helps raise funds for charitable organisations.

Staff and families in **3** Macau take part in a community walk to raise funds for the underprivileged.

As a responsible corporate citizen, the Group initiated a food donation programme in 2017 for the third time so staff could donate canned and other foodstuffs, as well as non-refrigerated beverages. Beneficiaries were the SKH St Christopher's Home, St Mary's Home for the Aged and Kwun Tong Methodist Social Service Gleaners Community Foodbank.

Meanwhile, 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.

2017 Environmental Key Performance Indicators

Emissions	
Total greenhouse gas emissions (thousand tonnes CO_2e) (mainly from use of electricity under Scope 2)	**69**
Energy consumption	
Electricity (MWh)	**125,792**
Gasoline and Diesel (MWh)	**158**
Paper consumption	
Paper (tonne)	**50**
Paper recycled (tonne)	**18**
Water consumption	
Water (thousand m^3)	**25**
Waste management	
General office waste (tonne)	**26**

Information on Directors

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 66, 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 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 66, 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 CKHH Group. 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 HWL Group 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 64, 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 64, 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 ("TOM"). In addition, Mr Lai is a director of CKHGI, HTIHL and HTHL, all of 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. 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 66, 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 and Company Secretary of CKHH, a group she has been with since 1989, acting in the capacity of director, head group general counsel and company secretary of its subsidiaries and associated companies. Ms Shih is 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, HTIHL and HTHL, all of 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 Ms Shih acts as director for the purpose of overseeing the management of such businesses. She has over 35 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, past council member and current chairperson of various committees and panels of the Hong Kong Institute of Chartered Secretaries. She is also the Chairman of the Governance Committee and the Remuneration Committee of the Hong Kong Institute of Certified Public Accountants. Ms Shih is a panel member of the Securities and Futures Appeals Tribunal and a member of the Process Review Panel for the Financial Reporting Council. 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 70, 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 CK Asset Holdings Limited ("CK Asset", formerly known as "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. 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 77, 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. 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 Honorary Degree of Doctor of Business Administration by University of the West of England (UWE Bristol), 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 65, 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 currently an independent non-executive director of The Hongkong and Shanghai Hotels, Limited, a director of RJJ Ideas Limited, and a senior advisor of The Hong Kong Federation of Youth Groups. In addition, she is a member of the 13th 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 and the Advisory Committee of The Jockey Club CPS Limited. She also serves as a global advisor to Mars, Incorporated. She was previously the executive director of The Hong Kong Federation of Youth Groups, the non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation and an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. 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 by 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 50, 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 CK Asset. Mr Ma joined the CK Group 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 is also a director of certain subsidiaries of CKHH, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has over 28 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(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2017 Interim Report are set out below:

Directors	Details of changes
Edith Shih	Appointed as: - panel member of the Securities and Futures Appeals Tribunal on 1 April 2017 - member of the Process Review Panel for the Financial Reporting Council on 1 January 2018 - Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants on 1 February 2018 Ceased to act as Vice-Chairman of the Governance Committee of the Hong Kong Institute of Certified Public Accountants on 1 February 2018
Wong Yick Ming, Rosanna	Appointed as: - senior advisor to The Hong Kong Federation of Youth Groups on 15 August 2017 - director of RJJ Ideas Limited on 22 November 2017 - member of the 13th session of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China effective from March 2018 following the expiration of membership in the 12th session of the National Committee Retired from the position as the executive director of The Hong Kong Federation of Youth Groups on 14 August 2017

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

As at 31 December 2017, 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 Model Code for Securities Transactions by Directors adopted by the Company (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

Directors	Capacity	Nature of interests	Number of shares held	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 (Note)	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	0.1888%
Woo Chiu Man, Cliff	Beneficial owner	Personal interest	2,001,333	0.0415%

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

(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 had, as at 31 December 2017, the following interests:

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

(ii) 5,100,000 ordinary shares, representing approximately 0.03% 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; and

(iii) family interests in 26,740 ordinary shares, representing approximately 0.04% of the issued voting shares, in Hutchison China MediTech Limited ("Chi-Med"), held by his spouse.

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

Mr Woo Chiu Man, Cliff had, as at 31 December 2017, 8,892 ordinary shares, representing approximately 0.0002% of the issued voting shares, in CKHH, comprising personal interests in 3,420 ordinary shares held in his capacity as a beneficial owner and family interests in 5,472 ordinary shares held by his spouse.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2017, personal interests in 34,200 ordinary shares, representing approximately 0.0008% of the issued voting shares, in CKHH.

Ms Edith Shih had, as at 31 December 2017, the following interests:

(i) 57,187 ordinary shares, representing approximately 0.0014% of the issued voting shares, in CKHH, comprising personal interests in 52,125 ordinary shares held in her capacity as a beneficial owner and family interests in 5,062 ordinary shares held by her spouse;

(ii) personal interests in 70,000 ordinary shares and 100,000 American depositary shares (each representing 0.5 ordinary share), in aggregate representing approximately 0.18% of the issued voting shares, in Chi-Med held in her capacity as a beneficial owner; and

(iii) personal interests in (a) a nominal amount of US$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; and (b) a nominal amount of US$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited held in her capacity as a beneficial owner.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2017, personal interests in 13,680 ordinary shares, representing approximately 0.0003% of the issued voting shares, in CKHH.

Save as disclosed above, as at 31 December 2017, 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/she 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 2017, the following Directors 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 Lai Kai Ming, Dominic and Ms Edith Shih 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 Woo Chiu Man, Cliff were directors and/or alternate directors of certain subsidiaries of CKHH which are engaged in telecommunications business.

- Mr Woo Chiu Man, Cliff (resigned on 3 October 2017) and Mr Ma Lai Chee, Gerald (resigned on 6 March 2017) were directors of HGCGC (the then joint venture owned as to 50% by each of CKHH and of the Company) and Mr Lai Kai Ming, Dominic and Mr Ma Lai Chee, Gerald were directors of Beijing Net-Infinity Technology Development Company Limited, a wholly owned subsidiary of CKHH, both of which are engaged in data centre business. HGCGC became a wholly owned subsidiary of the Company on 6 March 2017 as a result of the acquisition from CKHH of its 50% interest in HGCGC. The Company ceased to have any interests in HGCGC following the sale of its fixed-line telecommunications business on 3 October 2017.

On 17 April 2009, the Company entered into a non-competition agreement with HWL (the then holding company of 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

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 43, 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 20 years of experience in accounting and finance for corporate and banking sectors.

KOO Sing Fai, Kenny

Chief Commercial Officer

KOO Sing Fai, Kenny, aged 45, has been Chief Commercial Officer of the Group since January 2018. He rejoined the Group in April 2017. Mr Koo is responsible for the sales and marketing. He holds a Bachelor of Science degree in Computer Science and has more than 23 years of experience in sales and marketing.

CHUNG Yiu Man, Daniel

Chief Technology Officer

CHUNG Yiu Man, Daniel, aged 50, has been Chief Technology Officer of the Group since June 2008. Mr Chung is responsible for network engineering, operations and IT development. He holds a Master's degree in Business Administration and has more than 27 years of experience in telecommunications.

HO Wai Ming

Chief Executive Officer - Macau

HO Wai Ming, aged 64, has been Chief Executive Officer - Macau 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 36 years of experience in telecommunications.

HO Wai Wing, Raymond

Brand Management & Digital Marketing Director

HO Wai Wing, Raymond, aged 55, has been Brand Management & Digital Marketing Director of the Group since May 2017. He joined the Group in May 2003. Mr Ho is responsible for the brand management, marketing communications and digital marketing. He holds a Master's degree in Business Administration and has more than 33 years of experience in sales and marketing.

NG May Yuk, Frances

General Manager, Corporate Affairs

NG May Yuk, Frances, aged 57, 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 33 years of experience in public relations.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 53, 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 30 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 54, 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 28 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 2017.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 147.

Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2017, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis", "Group Capital Resources and Liquidity" and "Key Financial Information" on pages 10 to 25.
- "Risk Factors" on pages 26 to 27.
- "Financial Risk Management" in note 3 to the financial statements on pages 102 to 106.
- Discussions on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the "Environmental, Social and Governance Report" on pages 28 to 35.
- "Corporate Governance Report" on pages 58 to 74.

All such discussions form part of this report.

Group Profit

The consolidated income statement is set out on page 80 and shows the profit of the Group for the year ended 31 December 2017.

Dividends

An interim dividend of 3.90 HK cents per share was paid to shareholders on 1 September 2017.

The Directors recommended the declaration of a final dividend at the rate of 4.55 HK cents per share, to be payable on Thursday, 24 May 2018 to those persons registered as shareholders of the Company on Monday, 14 May 2018, 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 27 and 36(a) to the consolidated financial statements respectively.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$0.7 million (2016: HK$0.6 million).

Directors

As at the date of this report, the Board comprises 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 Woo Chiu Man, Cliff (Executive Director and Chief Executive Officer); two Non-executive Directors, namely, Mr Lai Kai Ming, Dominic (Mr Ma Lai Chee, Gerald is Alternate Director to Mr Lai Kai Ming, Dominic) and Ms Edith Shih; 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 2017 and up to the date of this report, the following changes to the Board composition took place 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 accordingly 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 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.

In accordance with Article 84 of the Articles of Association, Mr Lui Dennis Pok Man, Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out in the "Information on Directors" section of this annual report.

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. The relevant provisions in the Articles of Association and the Directors' liability insurance are in force during the financial year ended 31 December 2017 and as of the date of this report.

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) a 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) a 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) a 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 (as the case may be) for a period from 3 June 2015 to 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 (the "2015 Continuing Connected Transactions") for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement (the "2015 Announcement") dated 4 June 2015 was issued by the Company.

As set out in the 2015 Announcement, the caps for the period between 3 June and 31 December 2015, the two years ended 31 December 2016 and 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 annual caps of the 2015 Continuing Connected Transactions in respect of the year ended 31 December 2017 as stated in the 2015 Announcement and the corresponding aggregate transaction amounts for the year are set out below:

	2017 annual cap (HK$ millions)	**Aggregate transaction amount* (HK$ millions)**
Provision of the Group Telecommunications Supplies to the CKHH Group	495	284
Purchase of the CKHH Telecommunications Supplies by the Group	342	91
Purchase of the Business Related Supplies by the Group	144	16

* *Such aggregate transaction amounts exclude the amounts derived in connection with the fixed-line telecommunications products and services after 3 October 2017, i.e. the date of completion of the sale of the fixed-line telecommunications business of the Group.*

The Master Agreements expired on 31 December 2017.

In anticipation of the expiry of the Master Agreements on 31 December 2017, the Company and CKHH had on 14 December 2017 entered into (i) a new master HTHKH telecommunications supplies agreement; (ii) a new master CKHH telecommunications supplies agreement; and (iii) a new master purchase agreement (collectively, the "New Master Agreements"), which set out the framework terms governing the procurement of certain supplies between the Group and the CKHH Group for a period from 1 January 2018 to 31 December 2020. The terms of the New Master Agreements are substantially the same as those of the Master Agreements. An announcement in respect of the New Master Agreements was made by the Company on 14 December 2017 (the "2017 Announcement").

Set out below are the annual caps of transactions under the New Master Agreements in respect of the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 as stated in the 2017 Announcement:

	Financial year ending 31 December		
	2018 (HK$ millions)	2019 (HK$ millions)	2020 (HK$ millions)
Provision of the Group Telecommunications Supplies to the CKHH Group	93	116	140
Purchase of the CKHH Telecommunications Supplies by the Group	17	19	21
Purchase of the Business Related Supplies by the Group	33	43	57

Such annual caps having regard to the sale of the fixed-line telecommunications business of the Group after 3 October 2017.

Details of the transactions under the New Master Agreements will be reported in the next annual report of the Company in accordance with the Listing Rules.

The internal audit of the Group has reviewed the 2015 Continuing Connected Transactions and the internal control procedures, and is of the view that the 2015 Continuing Connected Transactions are conducted in compliance with the Master Agreements governing them and the internal control procedures during the year ended 31 December 2017. All the Independent Non-executive Directors of the Company have reviewed the 2015 Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2017 and the report provided by the internal audit of the Group, 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 respective 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 2015 Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2017 (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 which 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 respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2017 as referred to in the 2015 Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2017 is contained in Note 35 to the consolidated financial statements. All transactions entered into with the CKHH Group and the NTT Group (as defined and described in Note 35 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 the transactions with the CKHH Group contemplated under the 2015 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 2017.

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 40 to 41.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and Chief Executive of the Company are aware, as at 31 December 2017, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", 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

Names	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

Names	Capacity	Number of shares held	Approximate % of shareholding
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 the interests of Mayspin.*

(4) *Mayspin is a company wholly-controlled by Mr Li and is interested in 53,451,546 ordinary shares of the Company which are held through certain of its direct wholly-owned subsidiaries and 350,527,953 ordinary shares of the Company which are held by Yuda. Such interests held by Mayspin are duplicated in the interests 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, as at 31 December 2017, 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 one year 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 paragraph (6)(a) above and without prejudice to 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 paragraph (6)(a) above and without prejudice to 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 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 financial year ended 31 December 2017 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year were as follows:

Category of participant	Date of grant of share options(1)	Number of share options held at 1 January 2017	Granted during 2017	Exercised during 2017	Lapsed/ cancelled during 2017	Number of share options held at 31 December 2017	Exercise period of share options	Exercise price of share options(2) HK$	Price of share of the Company prior to the grant date of share options(3) HK$	Price of share of the Company prior to 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 in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010 respectively, so long as the grantee remained an Eligible Participant (as defined in the Share Option Scheme) on each 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, representing 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 2017.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2017 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 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 26 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

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	39%
Five largest suppliers combined	57%

As at 31 December 2017,

(a) Dr Lan Hong Tsung, David, an Independent Non-executive Director, held 500,000 ordinary shares in PCCW Limited, the ultimate holding company of Hong Kong Telecommunications (HKT) Limited ("HKTL"), 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 ordinary 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 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, the Company has maintained the prescribed public float under the Listing Rules.

Auditor

The financial statements for the year ended 31 December 2017 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2018 annual general meeting.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 26 February 2018

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 an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices 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 2017 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 and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance 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

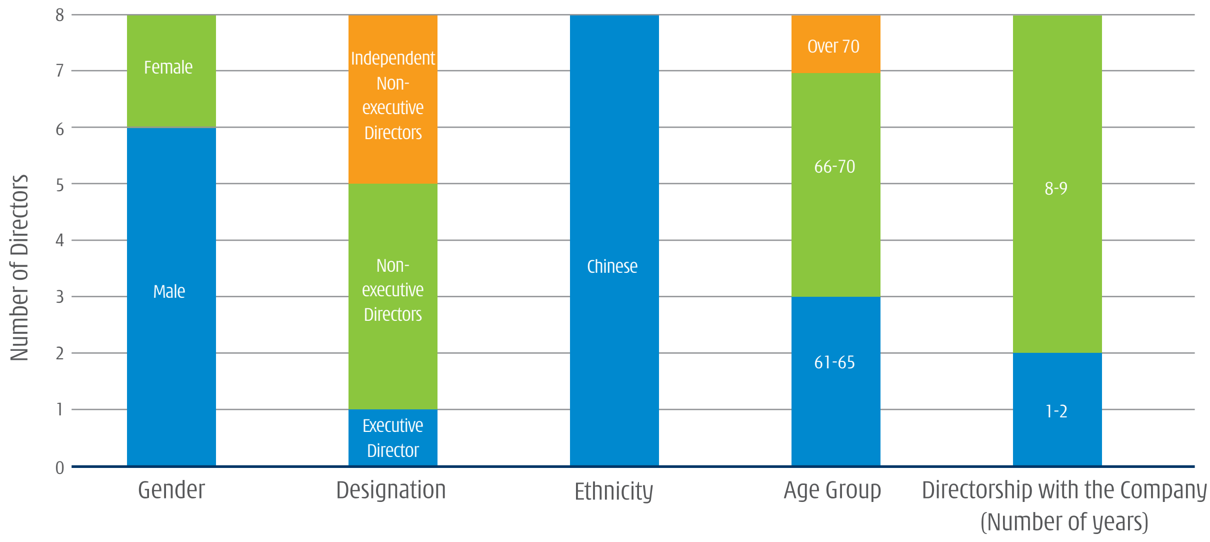
As at 31 December 2017, the Board comprised eight Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer, two Non-executive Directors and three Independent Non-executive Directors.

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 Group.

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 as at 31 December 2017:



Biographical details of the Directors are set out in the "Information on Directors" section on pages 36 to 38 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 day-to-day 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 discussed 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 promote effective communication and ongoing engagement 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 Financial Officer and the executive management team of each business unit, 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 performance 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 management team to support him in his role.

Board process

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 she or any of his or her close associates is materially interested and such Director is not counted for quorum determination purposes.

The Company held four Board meetings in 2017 with overall attendance of 100%. All Directors (including Non-executive and Independent Non-executive Directors) attended the annual general meeting of the Company held on 9 May 2017 (the "2017 AGM"), and an extraordinary general meeting of the Company held on 7 September 2017 (the "EGM") other than one Independent Non-executive Director who was not in a position to attend due to other prior commitment overseas. The attendance record is set out below:

Directors	Board Meetings Attended/ Eligible to Attend	Attendance at 2017 AGM	Attendance at EGM
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			
Woo Chiu Man, Cliff[(1)] *(Chief Executive Officer)*	4/4	√	√
Non-executive Directors			
Lai Kai Ming, Dominic	4/4	√	√
Edith Shih[(1)]	4/4	√	√
Independent Non-executive Directors			
Cheong Ying Chew, Henry	4/4	√	√
Lan Hong Tsung, David	4/4	√	√
Wong Yick Ming, Rosanna	4/4	√	-

Note:

(1) Appointed on 1 January 2017

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 entered into service contracts 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 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, webcasts 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 2017 is summarised as follows, representing an average of approximately 10 hours by each Director in 2017.

	Areas		
Directors	**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			
Woo Chiu Man, Cliff[(1)] *(Chief Executive Officer)*	√	√	√
Non-executive Directors			
Lai Kai Ming, Dominic	√	√	√
Edith Shih[(1)]	√	√	√
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	√	√	√

Note:

(1) Appointed on 1 January 2017

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships 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 during the year ended 31 December 2017.

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 timely preparation of 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, notifiable transactions, price-sensitive/ inside information and Directors' obligation for disclosure of interests and dealings in securities of the Company, to ensure that the standards and disclosures requirements under the Listing Rules and applicable laws, rules and regulations 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 under the Listing Rules in 2017.

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 75 to 79 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 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 four meetings in 2017 with 100% attendance.

Members	Attended/Eligible to Attend
Cheong Ying Chew, Henry *(Chairman)*	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

Throughout 2017, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.

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, develop and review the Company's policies and practices on corporate governance 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.

The Company is committed to achieving and maintaining a high degree of transparency, probity and accountability. In line with this commitment, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters, which 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 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 to ensuring that the consolidated financial statements of the Group are prepared in accordance with IFRS and the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). 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 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 in conjunction with the Group's 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 must be undertaken, or is otherwise 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 engages 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 system 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.

For the year ended 31 December 2017, the total fees to PwC amounted to approximately HK$18 million, in which HK$7 million were incurred for audit services of mobile business. Those for non-audit services amounted to approximately HK$6 million, representing 33% of the total fees (audit and non-audit).

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 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 processes 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 unit.

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 Secretary, 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 as explained above.

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

Based on the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) model, the Company establishes its Enterprise Risk Management (ERM) framework to support the delivery of the Group's business and strategic objectives. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

The Group's risk management is a continuous process integrated seamlessly into the day-to-day activities at all levels of the Group companies. There is ongoing communication between the executive management of the Group and the business units on the current and emerging risks, their plausible impact and mitigation measures so as to institute additional controls and deploy appropriate insurance instruments to minimise or transfer the impact of risks to the Group's business. In addition, the Group's Directors and officers are protected against potential personal legal liabilities through the Directors and Officers Liability Insurance.

In terms of formal risk review and reporting, the Company adopts a "top-down and bottom-up" approach, involving input from each major business unit as well as discussions and reviews by the Executive Director. More specifically, on a half-yearly basis, each major business unit is responsible for formally identifying the significant risks their business faces, measuring them against a defined set of criteria, and considering likelihood of occurrence and potential impact to the business, whilst the Executive Director provides input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite Register, as part of the Risk Management Report, is submitted to the Audit Committee for review on a half-yearly basis. The Committee, on behalf of the Board, reviews the nature and extent of the significant risks facing the Group, and provides input as and where appropriate so as to ensure effective risk management in place.

Pages 26 to 27 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 associated companies 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 unit is accountable for the conduct and performance of their business within the agreed strategies. 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 unit 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 major business unit to review, evaluate and declare the effectiveness of the internal 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 effectiveness of 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 meet 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 and internal controls systems in the business operations of the Group. By applying risk assessment methodology and taking into account the dynamics of the activities of the Group, internal audit devises 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, including reviewing the continuing connected transactions of the Company and whether adequate internal control procedures are in place to monitor such transactions, formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the Executive Director and the executive management teams concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the external auditor so that the parties 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, operations, and regulatory compliance reviews, recurring and surprise audits, fraud investigations, as well as 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 2017 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 under 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 where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2017 with 100% attendance.

Members	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 2018 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 2018 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.

2017 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 2017 are set out below:

Directors	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)	0.09	-	-	-	-	0.09
Lui Dennis Pok Man (1)	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff (5)(7)	0.07	2.93	7.00	0.20	-	10.20
Lai Kai Ming, Dominic (1)(5)	0.07	-	-	-	-	0.07
Edith Shih (1)(5)(7)	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	0.83	2.93	7.00	0.20	-	10.96

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) Appointed on 1 January 2017

The remuneration to the members of senior management by bands in 2017 is set out below:

Remuneration Bands	Number of Individuals
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	2
HK$3,500,001 to HK$4,000,000	2

Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. The Group is committed to enhancing investor engagement and communications. 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 Company held two shareholders' meetings in 2017, being the 2017 AGM on 9 May 2017 at Harbour Grand Kowloon and the EGM on 7 September 2017 at Harbour Grand Kowloon. The 2017 AGM was attended by PwC and all Directors, including the respective chairman of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. The EGM was attended by the majority of the Directors, including the respective chairman of the Board, the Audit Committee and the Remuneration Committee with attendance rate of approximately 90%. 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 the 2017 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 9 May 2017 are set out below:

Resolutions proposed at the 2017 AGM		Percentage of votes
1	Adoption of the audited financial statements together with the report of the Directors and the report of the Independent Auditor for the year ended 31 December 2016	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr FOK Kin Ning, Canning as a Director	97.99%
3(b)	Re-election of Mr WOO Chiu Man, Cliff as a Director	99.93%
3(c)	Re-election of Mr LAI Kai Ming, Dominic as a Director	99.72%
3(d)	Re-election of Ms Edith SHIH as a Director	99.62%
3(e)	Re-election of Mr CHEONG Ying Chew, Henry as a Director	96.10%
3(f)	Authorisation of the board of directors to fix the Directors' remuneration	99.96%
4	Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the board of directors to fix the Auditor's remuneration	99.82%
5	Granting of a general mandate to the directors to issue additional shares of the Company	87.31%
6	Granting of a general mandate to the directors to repurchase the shares of the Company	99.99%
7	Extension of the general mandate to the directors to issue additional shares of the Company	89.41%

One resolution was proposed at the EGM and the percentage of votes cast in favour of such resolution as disclosed in the announcement of the Company dated 7 September 2017 is set out below:

Resolution proposed at the EGM	Percentage of votes
Approval of a sale and purchase agreement dated 29 July 2017 entered into between the Company (as seller) and Asia Cube Global Communications Limited (as purchaser) in relation to the sale and purchase of the entire issued share capital in Hutchison Global Communications Investment Holding Limited together with an associated shareholder loan and all transactions contemplated under the transaction documents, as more particularly set out in the notice of EGM dated 21 August 2017	99.95%

Accordingly, all resolutions put to shareholders at the 2017 AGM and EGM 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 2018 and public float capitalisation as at 31 December 2017.

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 initiatives and activities of the Group and continually enhance the Group's ESG efforts. The ESG Report of the Group is set out on pages 28 to 35 of this annual report.

By Order of the Board

Edith SHIH
Non-executive Director and Company Secretary

Hong Kong, 26 February 2018

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 80 to 147, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2017;
- 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 2017, 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 2017, the Group had goodwill amounted to HK$2,155 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 for revenue generated from continuing operations and note 29(a) to the consolidated financial statements for revenue generated from discontinued operations* The Group recognised revenue of HK$9,685 million from the provision of telecommunications services (mobile and fixed-line) and revenue from hardware sales during the year ended 31 December 2017. 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, 26 February 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 HK$ millions	(Restated) (Note 2(a)) 2016 HK$ millions
Continuing operations			
Revenue	5	**6,752**	8,332
Cost of inventories sold		**(2,841)**	(4,313)
Staff costs	7	**(482)**	(501)
Customer acquisition costs		**(277)**	(325)
Depreciation and amortisation		**(3,004)**	(733)
Other operating expenses	8	**(1,951)**	(1,928)
		(1,803)	532
Interest and other finance income	9	**59**	35
Interest and other finance costs	9	**(119)**	(113)
Share of results of joint ventures	18	**(6)**	(4)
(Loss)/profit before taxation		**(1,869)**	450
Taxation	10	**288**	(78)
(Loss)/profit for the year from continuing operations		**(1,581)**	372
Discontinued operations			
Profit for the year from discontinued operations	29(a)	**5,935**	382
Profit for the year		**4,354**	754
Attributable to:			
Shareholders of the Company		**4,766**	682
Non-controlling interests		**(412)**	72
		4,354	754
Profit/(loss) attributable to shareholders of the Company arises from:			
Continuing operations		**(1,169)**	300
Discontinued operations		**5,935**	382
		4,766	682
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- Basic earnings/(losses) per share arises from	11		
Continuing operations		**(24.26)**	6.22
Discontinued operations		**123.16**	7.93
		98.90	14.15
- Diluted earnings/(losses) per share arises from	11		
Continuing operations		**(24.26)**	6.22
Discontinued operations		**123.16**	7.93
		98.90	14.15

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 2017

	2017 HK$ millions	(Restated) (Note 2(a)) 2016 HK$ millions
Profit for the year	4,354	754
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	106	(18)
Items that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	4	(6)
– Cumulative translation adjustments released upon disposal of subsidiaries	11	–
Total comprehensive income for the year, net of tax	4,475	730
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	4,886	658
Non-controlling interests	(411)	72
	4,475	730
Total comprehensive income/(loss) attributable to shareholders of the Company arises from:		
Continuing operations	(1,064)	281
Discontinued operations	5,950	377
	4,886	658

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

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$ millions	(Restated) (Note 2(a)) 2016 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,017	10,930
Goodwill	14	2,155	4,503
Telecommunications licences	15	2,542	2,796
Other non-current assets	16	214	770
Deferred tax assets	17	338	53
Investments in joint ventures	18	434	460
Total non-current assets		7,700	19,512
Current assets			
Cash and cash equivalents	19	13,717	357
Trade receivables and other current assets	20	950	1,753
Inventories	21	125	127
Total current assets		14,792	2,237
Current liabilities			
Borrowings	22	3,900	-
Trade and other payables	23	2,304	3,542
Current income tax liabilities		3	8
Loan from a fellow subsidiary	24	-	543
Interest payable to a fellow subsidiary	24	-	41
Total current liabilities		6,207	4,134
Non-current liabilities			
Deferred tax liabilities	17	-	573
Borrowings	22	-	4,467
Other non-current liabilities	25	330	514
Total non-current liabilities		330	5,554
Net assets		15,955	12,061

	Note	2017 HK$ millions	(Restated) (Note 2(a)) 2016 HK$ millions
CAPITAL AND RESERVES			
Share capital	26	**1,205**	1,205
Reserves	27	**14,639**	10,273
Total shareholders' funds		**15,844**	11,478
Non-controlling interests		**111**	583
Total equity		**15,955**	12,061

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 2017

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Retained earnings/ (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 2017, previously reported	1,205	11,185	(849)	(13)	28	17	11,573	583	12,156
Effect of merger accounting (Note 2(a))	-	-	(37)	-	-	(58)	(95)	-	(95)
At 1 January 2017, restated	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061
Profit for the year	-	-	4,766	-	-	-	4,766	(412)	4,354
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	105	-	105	1	106
Currency translation differences	-	-	-	4	-	-	4	-	4
Cumulative translation adjustments released upon disposal of subsidiaries (Note 29(c))	-	-	-	11	-	-	11	-	11
Total comprehensive income, net of tax	-	-	4,766	15	105	-	4,886	(411)	4,475
Disposal of subsidiaries	-	-	(50)	-	5	45	-	-	-
Dividend paid (Note 12)	-	-	(520)	-	-	-	(520)	(61)	(581)
At 31 December 2017	1,205	11,185	3,310	2	138	4	15,844	111	15,955
At 1 January 2016, previously reported	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
Effect of merger accounting (Note 2(a))	-	-	(18)	-	-	(58)	(76)	-	(76)
At 1 January 2016, restated	1,205	11,185	(942)	(7)	46	(41)	11,446	569	12,015
Profit for the year, restated	-	-	682	-	-	-	682	72	754
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(18)	-	(18)	-	(18)
Currency translation differences	-	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive income, net of tax	-	-	682	(6)	(18)	-	658	72	730
Dividend paid	-	-	(626)	-	-	-	(626)	(58)	(684)
At 31 December 2016, restated	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$ millions	(Restated) (Note 2(a)) 2016 HK$ millions
Cash flows from operating activities			
Cash generated from operations	28	**2,076**	2,537
Interest and other finance costs paid		**(128)**	(77)
Tax paid		**(5)**	(7)
Net cash generated from operating activities		**1,943**	2,453
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,013)**	(1,127)
Additions to other non-current assets		**(9)**	(40)
Additions to telecommunications licences		**-**	(1,777)
Proceeds from disposals of property, plant and equipment		**2**	6
Interest received		**1**	1
Loan to a joint venture		**(84)**	(71)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	29(c)	**14,244**	-
Net cash generated from/(used in) investing activities		**13,141**	(3,008)
Cash flows from financing activities			
Proceeds from borrowings		**800**	1,995
Repayment of borrowings		**(1,400)**	(1,500)
Repayment of loan from a fellow subsidiary		**(543)**	-
Dividend paid to the shareholders of the Company	12	**(520)**	(626)
Dividend paid to non-controlling interests		**(61)**	(58)
Net cash used in financing activities		**(1,724)**	(189)
Increase/(decrease) in cash and cash equivalents		**13,360**	(744)
Cash and cash equivalents at 1 January		**357**	1,101
Cash and cash equivalents at 31 December	19	**13,717**	357

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. Its registered office address 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") used to be engaged in mobile and fixed-line telecommunications businesses. After the disposal of its fixed-line telecommunications business in October 2017 (Note 29), the Group is now principally engaged in the mobile telecommunications business in Hong Kong and Macau.

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 26 February 2018.

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 (Chapter 622 of the Laws of Hong Kong).

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

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

(i) Business combination under common control

On 6 March 2017, a subsidiary of the Group entered into a sale and purchase agreement with Cosmos Technology Limited, a subsidiary of CK Hutchison Holdings Limited ("CKHH") Group, to acquire the entire issued share capital of Keen Clever Holdings Limited ("Keen Clever"), which owns 50% interest in HGC GlobalCentre Limited ("HGCGC") (which is engaged in the provision of data centre services in Hong Kong), at a consideration of HK$0.9 million (the "Acquisition"), which was completed on the same day. Together with the 50% interest in HGCGC already held by the Group (which was accounted for as an investment in a joint venture prior to the Acquisition), the Group owned 100% interest in HGCGC which was the then wholly-owned subsidiary of the Group.

Given the Group and Cosmos Technology Limited were under the common control of the CKHH Group both before and after the Acquisition, the Acquisition was a business combination under common control and accounted for using the principle of merger accounting.

Accordingly, the assets and liabilities of Keen Clever and HGCGC acquired by the Group are stated at predecessor value, and were included in the Group's financial statements from the beginning of the earliest period presented as if Keen Clever and HGCGC had always been part of the Group. No amount is recognised as consideration for goodwill or excess of Group's interest in the net fair value of Keen Clever and HGCGC's identified assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of CKHH's interest.

The consolidated income statement includes the results of Keen Clever and HGCGC since the date when Keen Clever and HGCGC first came under the control of CKHH Group. Comparative figures in the Group's financial statements for the year ended 31 December 2017 have been restated to include the results for the year ended 31 December 2016 and the assets and liabilities as at 31 December 2016 of Keen Clever and HGCGC.

A uniform set of accounting policies is adopted by Keen Clever and HGCGC. All intra-group transactions, balances and unrealised gains on transactions within the Group are eliminated on consolidation.

(ii) Disposal of subsidiaries

On 3 October 2017, the Group completed its disposal of the entire interests in subsidiaries which operate the fixed-line telecommunications business ("the discontinued operations"), including Keen Clever and HGCGC, to Asia Cube Global Communications Limited, a company wholly-owned by a fund managed by I Squared Capital (the "Disposal"). Since then, the Group is principally engaged in the mobile telecommunications business in Hong Kong and Macau. The accompanying consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued operations separately. Further details of the Disposal and discontinued operations are set out in Note 29.

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 2017:

IFRSs (Amendments)	Annual Improvements 2014 – 2016 Cycle in relation to IFRS 12 Disclosure of Interests in Other Entities
IAS 7 (Amendment)	Disclosure Initiative
IAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses

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, amendments to existing standards and interpretations 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, amendments to existing standards and interpretations have been issued but are not yet effective for the year ended 31 December 2017:

IFRSs (Amendments) *(i)*	Annual Improvements 2014 – 2016 Cycle in relation to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures
IAS 40 (Amendment) *(i)*	Transfers of Investment Property
IFRS 2 (Amendment) *(i)*	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendment) *(i)*	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9 (2014) *(i)*	Financial Instruments
IFRS 10 and IAS 28 *(iii)*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 15 *(i)*	Revenue from Contracts with Customers
IFRS 16 *(ii)*	Leases
IFRIC 22 *(i)*	Foreign Currency Transactions and Advance Consideration
IFRIC 23 *(ii)*	Uncertainty over Income Tax Treatments

(i) Effective for annual periods beginning on or after 1 January 2018
(ii) Effective for annual periods beginning on or after 1 January 2019
(iii) No mandatory effective date yet determined but is available for adoption

2 Summary of Significant Accounting Policies (Continued)

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

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, and the related Interpretations when it becomes effective. IFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group currently plans to adopt this new standard from 1 January 2018.

The new revenue standard requires the transaction price of a contract to be allocated to individual performance obligation (or distinct good or service). Under IFRS 15, the objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

The Group does not expect the new guidance to have a significant impact on the Group's accounting with respect to the allocation of the transaction price to performance obligations identified. Currently, the Group allocates and recognises revenue among the different distinct elements of a contract separately. The Group apportions revenue earned from a contract based on and in proportion to the respective amount of consideration that the Group expects to be entitled in exchanging for transferring the distinct promised goods or services.

The new revenue standard introduces specific criteria for determining whether to capitalise certain costs, distinguishing between those costs associated with obtaining a contract and those costs associated with fulfilling a contract. Currently, these costs are expensed as incurred. The accounting for some of these costs will change upon adoption of IFRS 15. The new standard requires the incremental costs of obtaining contracts to be recognised as an asset when incurred, and expensed over the contract period. Incremental costs of obtaining a contract are those costs that would not have been incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). IFRS 15 also requires some contract fulfillment costs, where they relate to performance obligation which is satisfied overtime, to be recognised as an asset when incurred, and expensed on a systematic basis consistent with the pattern of satisfying the performance obligation.

2 Summary of Significant Accounting Policies (Continued)

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

(i) IFRS 15 Revenue from Contracts with Customers (Continued)

The new revenue standard also introduces expanded disclosure requirements relating to revenue and new guidance on the presentation of contract assets and receivables in the statement of financial position. IFRS 15 distinguishes between a contract asset and a receivable based on whether receipt of the consideration is conditional on something other than passage of time. Upfront unbilled revenues currently included in the consolidated statement of financial position as receivables will be recorded as contract assets if the receipt of the consideration is conditional upon fulfillment of another performance obligation.

IFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group may elect to apply the new standard only to contracts that are not completed contracts at 1 January 2018. If the Group adopts the full retrospective approach, the Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the earliest period presented, will not be restated.

(ii) IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. IFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard from 1 January 2019.

The new standard provides a single, on statement of financial position lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the statement of financial position, as the distinction between operating and finance leases is removed. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. With all other variables remain unchanged, the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in an income statement expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

2 Summary of Significant Accounting Policies (Continued)

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

(ii) IFRS 16 Leases (Continued)

The transition accounting under the full retrospective approach requires entities to retrospectively apply the new standard to each prior reporting period presented. Under this transition approach, an entity will require extensive information about its leasing transactions in order to apply the standard retrospectively. This will include historical information about lease payments and discount rates. It will also include the historical information that the entity would have used in order to make the various judgements and estimates that are necessary to apply the lessee accounting model. The information will be required as at lease commencement, and also as at each date on which an entity would have been required to recalculate lease assets and liabilities on a reassessment or modification of the lease.

In view of the costs and massive complexity involved of applying the full retrospective approach, the Group is considering to adopt the modified retrospective approach. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of IFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of IFRS 16, i.e. 1 January 2019; and (iii) the Group recognises the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2019.

The new standard will affect primarily the accounting for the Group's operating leases. The Group has not yet quantified to what extent these changes will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows on adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into.

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

2 Summary of Significant Accounting Policies (Continued)

(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.

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.

2 Summary of Significant Accounting Policies (Continued)

(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.

(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.

2 Summary of Significant Accounting Policies (Continued)

(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.

(z) Discontinued operations

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

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

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$.

	2017 HK$ millions	2016 HK$ millions
US$	**(241)**	(16)
EURO	**(34)**	154
GBP	**(27)**	(2)
Total net exposure: net (liabilities)/assets	**(302)**	136

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.

	2017 HK$ millions	2016 HK$ millions
US$	**(10)**	(1)
EURO	**(2)**	7
GBP	**(1)**	-
	(13)	6

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, loan from and interest payable to a fellow subsidiary, 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:

	2017 HK$ millions	(Restated) 2016 HK$ millions
Borrowings at floating rates (Note 22)	**(3,900)**	(4,467)
Loan from a fellow subsidiary (Note 24)	**-**	(543)
Interest payable to a fellow subsidiary (Note 24)	**-**	(41)
Cash at banks and short-term bank deposits	**13,591**	126
Loan to a joint venture (Note 18)	**466**	484
	10,157	(4,441)

The interest rate profile of the Group's borrowings is disclosed in Note 22. 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 2017 and 2016 (Restated) would have increased by approximately HK$85 million and decreased by HK$37 million, respectively, mainly as a result of higher interest income from cash at banks and bank deposits, interest bearing balance with a joint venture, interest expenses on floating rate borrowings and interest bearing balances with a fellow subsidiary; 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:

	2017 HK$ millions	(Restated) 2016 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**13,717**	357
Trade and other receivables (Note 20)	**826**	1,578
Loan to a joint venture (Note 18)	**466**	484
	15,009	2,419

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
At 31 December 2017							
Borrowings (Note 22)	3,900	3,900	-	3,900	-	3,900	-
Trade payables (Note 23)	406	406	-	406	406	-	-
Other payables, accruals and deferred revenue (Note 23)	1,842	291	1,551	291	291	-	-
Licence fees liabilities (Notes 23 and 25)	191	191	-	206	57	58	91
	6,339	4,788	1,551	4,803	754	3,958	91

	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
At 31 December 2016, restated							
Borrowings (Note 22)	4,467	4,467	-	4,500	-	-	4,500
Trade payables (Note 23)	731	731	-	731	731	-	-
Other payables, accruals and deferred revenue (Note 23)	2,755	868	1,887	868	868	-	-
Licence fees liabilities (Notes 23 and 25)	239	239	-	264	58	57	149
Loan from a fellow subsidiary (Note 24)	543	543	-	543	543	-	-
Interest payable to a fellow subsidiary (Note 24)	41	41	-	41	41	-	-
	8,776	6,889	1,887	6,947	2,241	57	4,649

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 telecommunications infrastructure and network equipment. As at 31 December 2017, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK$1,374 million (2016 (Restated): HK$9,730 million for both mobile and fixed-line). 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.

During the year, estimated useful lives for certain items of mobile telecommunications infrastructure and network equipment were revised. The after tax and non-controlling interests net effect of the changes in depreciation expense in the current financial year was an increase of HK$1,391 million for certain 2G and 3G mobile telecommunications infrastructure and network equipment in Hong Kong and Macau after the deployment of various network transformational initiatives. These items were fully depreciated as at 31 December 2017.

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 2017 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, inter alia, the 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 the 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 2017, the Group had recognised deferred tax assets of approximately HK$338 million (2016: HK$53 million).

5 Revenue

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

	2017 HK$ millions	(Restated) 2016 HK$ millions
Mobile telecommunications services and others	3,853	3,946
Telecommunications hardware	2,899	4,386
	6,752	8,332

6 Segment Information

Prior to the Disposal, the Group was organised into two operating segments: mobile telecommunications business and fixed-line telecommunications 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 measures the performance of the segments based on EBITDA/(LBITDA)[(a)]. Revenue from external customers is after elimination of inter-segment revenue. The segment information on revenue, total assets and total liabilities agreed with the aggregate information in the consolidated financial statements. A reconciliation of EBITDA between the segment information and the aggregate information in the consolidated financial statements is presented.

Save as disclosed in Note 29, subsequent to the Disposal, the results of fixed-line telecommunications business, together with the related gain on disposal have been presented as discontinued operations in the consolidated financial statements for the years ended 31 December 2017 and 2016.

6 Segment Information (Continued)

	At and for the year ended 31 December 2017				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue – service					
– Continuing operations	3,853	-	-	-	3,853
– Discontinued operations	-	3,258	-	(325)	2,933
Revenue – hardware					
– Continuing operations	2,899	-	-	-	2,899
	6,752	3,258	-	(325)	9,685
Operating costs					
– Continuing operations	(5,479)	-	(72)	-	(5,551)
– Discontinued operations	-	(2,231)	(38)	325	(1,944)
Net gain on disposal of subsidiaries					
– Discontinued operations	-	5,614	-	-	5,614
EBITDA/(LBITDA)					
– Continuing operations	1,339	-	(72)	-	1,267
– Discontinued operations	-	1,027	(38)	-	989
Total assets before investment in a joint venture					
– Continuing operations	8,496	-	22,311	(8,749)	22,058
Investment in a joint venture					
– Continuing operations	434	-	-	-	434
Total assets					
– Continuing operations	8,930	-	22,311	(8,749)	22,492
Total liabilities					
– Continuing operations	(10,994)	-	(4,292)	8,749	(6,537)
Other information:					
Additions to property, plant and equipment					
– Continuing operations	533	-	-	-	533
– Discontinued operations	-	490	-	-	490

6 Segment Information (Continued)

	At and for the year ended 31 December 2016 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service					
- Continuing operations	3,946	-	-	-	3,946
- Discontinued operations	-	4,236	-	(433)	3,803
Revenue - hardware					
- Continuing operations	4,386	-	-	-	4,386
- Discontinued operations	-	-	-	(2)	(2)
	8,332	4,236	-	(435)	12,133
Operating costs					
- Continuing operations	(6,999)	-	(68)	-	(7,067)
- Discontinued operations	-	(2,923)	(52)	435	(2,540)
EBITDA/(LBITDA)					
- Continuing operations	1,397	-	(68)	-	1,329
- Discontinued operations	-	1,313	(52)	-	1,261
Total assets before investments in joint ventures					
- Continuing operations	10,529	-	8,771	(8,793)	10,507
- Discontinued operations	26	10,872	8,576	(8,692)	10,782
Investments in joint ventures					
- Continuing operations	460	-	-	-	460
Total assets					
- Continuing operations	10,989	-	8,771	(8,793)	10,967
- Discontinued operations	26	10,872	8,576	(8,692)	10,782
Total liabilities					
- Continuing operations	(11,238)	-	(4,504)	8,793	(6,949)
- Discontinued operations	(83)	(7,383)	(94)	4,821	(2,739)
Other information:					
Additions to property, plant and equipment					
- Continuing operations	589	-	-	-	589
- Discontinued operations	-	548	-	-	548
Additions to telecommunications licences					
- Continuing operations	1,779	-	-	-	1,779

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation adjusted to include the Group's proportionate share of joint ventures' EBITDA/(LBITDA).

6 Segment Information (Continued)

A reconciliation of EBITDA between segment information and the aggregate information in the consolidated financial statements is provided as follows:

	Continuing operations		Discontinued operations	
	2017 HK$ millions	2016 HK$ millions	**2017 HK$ millions**	2016 HK$ millions
EBITDA	**1,267**	1,329	**989**	1,261
Less:				
Share of joint ventures' EBITDA	**(66)**	(64)	**-**	-
Depreciation and amortisation	**(3,004)**	(733)	**(579)**	(775)
	(1,803)	532	**410**	486

The total revenue from external customers in Hong Kong for the year ended 31 December 2017 amounted to approximately HK$9,174 million (2016 (Restated): HK$11,487 million) and the total revenue from external customers in Macau for the year ended 31 December 2017 amounted to approximately HK$511 million (2016: HK$646 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2017 amounted to approximately HK$6,979 million (2016 (Restated): HK$18,879 million) and the total of these non-current assets located in Macau as at 31 December 2017 amounted to approximately HK$383 million (2016: HK$580 million).

7 Staff Costs

	2017 HK$ millions	(Restated) 2016 HK$ millions
Wages and salaries	**528**	528
Pension costs		
– defined benefit plans	**20**	22
– defined contribution plans	**9**	11
Termination benefits	**3**	–
Less: Amounts capitalised as non-current assets	**(78)**	(60)
	482	501

(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 2017 and 2016 are as follows:

	2017					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind (viii) HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning	0.09	-	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff (i) (ii) (iii)	0.07	2.93	7.00	0.20	-	10.20
Lai Kai Ming, Dominic (i)	0.07	-	-	-	-	0.07
Edith Shih (i) (ii)	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	0.83	2.93	7.00	0.20	-	10.96

7 Staff Costs (Continued)

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

	2016					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind [(viii)] 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) (iv) (v)]	0.07	3.75	6.05	0.27	-	10.14
Chow Woo Mo Fong, Susan [(i) (vi)]	0.04	-	-	-	-	0.04
Frank John Sixt [(i) (vii)]	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

(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) Appointed on 1 January 2017.

(iii) Mr Woo Chiu Man, Cliff was the chief executive for the year ended 31 December 2017 whose emoluments have been shown in directors' emoluments above.

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

(v) Retired on 1 January 2017.

(vi) Retired on 1 August 2016.

(vii) Resigned on 1 January 2017.

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

(b) Directors' retirement benefits

There was no retirement benefits paid to or receivable by the directors during the year ended 31 December 2017.

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 were amounted to HK$7 million. 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 during the year ended 31 December 2016.

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:

	2017 Number of individual	2016 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:

	2017 HK$ millions	2016 HK$ millions
Basic salaries, allowances and benefits-in-kind	**11**	13
Bonuses	**14**	13
Provident fund contributions	**1**	1
	26	27

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

	2017 Number of individual	2016 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	**2**	–
HK$4,500,001 – HK$5,000,000	**-**	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**	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 2017 (2016: Nil).

8 Other Operating Expenses

	2017 HK$ millions	(Restated) 2016 HK$ millions
Cost of services provided	**1,351**	1,301
General administrative and distribution costs	**131**	125
Operating leases in respect of:		
– Buildings	**441**	439
– Hire of plant and machinery	**2**	40
Loss on disposals of property, plant and equipment	**1**	2
Auditor's remuneration	**7**	7
Provision for doubtful debts	**18**	14
Total	**1,951**	1,928

9 Interest and Other Finance Costs, Net

	2017 HK$ millions	(Restated) 2016 HK$ millions
Interest and other finance income:		
Interest income from a joint venture	**17**	17
Interest and other finance income from discontinued operations	**12**	17
Bank interest income	**30**	1
	59	35
Interest and other finance costs:		
Bank loans	**(71)**	(62)
Notional non-cash interest accretion [(a)]	**(13)**	(31)
Guarantee and other finance fees	**(39)**	(25)
	(123)	(118)
Less: Amounts capitalised on qualifying assets	**4**	5
	(119)	(113)
Interest and other finance costs, net	**(60)**	(78)

(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

	2017		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	(272)	(272)
Outside Hong Kong	-	(16)	(16)
	-	(288)	(288)

	2016 (Restated)		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	75	75
Outside Hong Kong	2	1	3
	2	76	78

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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:

	2017 HK$ millions	(Restated) 2016 HK$ millions
Tax calculated at domestic rates	(304)	70
Income not subject to tax	(6)	-
Expenses not deductible for taxation purposes	38	18
Utilisation of previously unrecognised tax losses	(16)	(13)
Utilisation of previously unrecognised temporary differences	-	(1)
Temporary differences not recognised	-	1
(Over)/under provision in prior years	(1)	3
Tax losses not recognised	1	-
Total taxation (credit)/charge	(288)	78

11 Earnings per Share

	2017 **HK$ millions**	(Restated) 2016 HK$ millions
Profit/(loss) attributable to shareholders of the Company arises from:		
– Continuing operations	**(1,169)**	300
– Discontinued operations	**5,935**	382
	4,766	682

The calculation of basic earnings/(losses) per share is based on profit/(loss) attributable to shareholders of the Company and on the weighted average number of ordinary shares in issue during the year as follows:

	2017	(Restated) 2016
Weighted average number of ordinary shares in issue	**4,818,896,208**	4,818,896,208
Basic earnings/(losses) per share (HK cents):		
– Continuing operations	**(24.26)**	6.22
– Discontinued operations	**123.16**	7.93
	98.90	14.15

The diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares in issue with the weighted average number of ordinary shares deemed to be issued assuming the exercise of the share options as follows:

	2017	(Restated) 2016
Weighted average number of ordinary shares in issue	**4,818,896,208**	4,818,896,208
Adjustments on share options	**125,094**	124,242
	4,819,021,302	4,819,020,450
Diluted earnings/(losses) per share (HK cents):		
– Continuing operations	**(24.26)**	6.22
– Discontinued operations	**123.16**	7.93
	98.90	14.15

12 Dividends

	2017 HK$ millions	2016 HK$ millions
Interim, paid of 3.90 HK cents per share (2016: 4.00 HK cents per share)	188	193
Final, proposed of 4.55 HK cents per share (2016: 6.90 HK cents per share)	219	332
	407	525

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2017 and 2016 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 2017, previously reported	152	21,871	3,653	651	26,327
Effect of merger accounting	-	573	16	1	590
At 1 January 2017, restated	152	22,444	3,669	652	26,917
Additions	-	588	142	293	1,023
Disposals	-	(2,152)	(48)	-	(2,200)
Disposal of subsidiaries (Note 29(c))	(65)	(13,976)	(787)	(278)	(15,106)
Transfer between categories	-	300	95	(395)	-
Currency translation differences	-	3	1	-	4
At 31 December 2017	87	7,207	3,072	272	10,638
Accumulated depreciation and impairment losses					
At 1 January 2017, previously reported	46	12,428	3,222	-	15,696
Effect of merger accounting	-	286	5	-	291
At 1 January 2017, restated	46	12,714	3,227	-	15,987
Charge for the year	4	3,034	216	-	3,254
Disposals	-	(2,151)	(46)	-	(2,197)
Disposal of subsidiaries (Note 29(c))	(35)	(7,765)	(625)	-	(8,425)
Currency translation differences	-	1	1	-	2
At 31 December 2017	15	5,833	2,773	-	8,621
Net book value					
At 31 December 2017	72	1,374	299	272	2,017

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 2016, previously reported	152	21,020	3,573	605	25,350
Effect of merger accounting	-	537	12	2	551
At 1 January 2016, restated	152	21,557	3,585	607	25,901
Additions, restated	-	641	116	380	1,137
Disposals	-	(36)	(80)	-	(116)
Transfer between categories, restated	-	286	49	(335)	-
Currency translation differences	-	(4)	(1)	-	(5)
At 31 December 2016, restated	152	22,444	3,669	652	26,917
Accumulated depreciation and impairment losses					
At 1 January 2016, previously reported	42	11,539	3,113	-	14,694
Effect of merger accounting	-	202	2	-	204
At 1 January 2016, restated	42	11,741	3,115	-	14,898
Charge for the year, restated	4	1,004	191	-	1,199
Disposals	-	(30)	(78)	-	(108)
Currency translation differences	-	(1)	(1)	-	(2)
At 31 December 2016, restated	46	12,714	3,227	-	15,987
Net book value					
At 31 December 2016, restated	106	9,730	442	652	10,930

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$5 million (2016: HK$4 million) capitalised at a rate of 1.9% per annum (2016: 1.7%).

14 Goodwill

	2017 **HK$ millions**	2016 HK$ millions
Gross carrying amount and net book value at 1 January	**4,503**	4,503
Disposal of subsidiaries	**(2,348)**	-
Gross carrying amount and net book value at 31 December	**2,155**	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:

	2017 **HK$ millions**	2016 HK$ millions
Mobile telecommunications business	**2,155**	2,155
Fixed-line telecommunications business	**-**	2,348
	2,155	4,503

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2022.

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.

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

	2017	2016
Mobile telecommunications business	**3.4%**	3.0%
Fixed-line telecommunications business	**N/A**	3.1%

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 2017 indicated no impairment charge was necessary (2016: Same).

15 Telecommunications Licences

	HK$ millions
At 1 January 2016	
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
Year ended 31 December 2017	
Opening net book value	**2,796**
Amortisation for the year	**(254)**
Closing net book value	**2,542**
At 31 December 2017	
Cost	**3,473**
Accumulated amortisation	**(931)**
Net book value	**2,542**

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, the Group acquired telecommunications licences amounted HK$1,777 million during the year ended 31 December 2016.

Additions of telecommunications licences included interest of HK$2 million capitalised at a rate of 1.6% per annum for the year ended 31 December 2016.

16 Other Non-Current Assets

	2017 HK$ millions	(Restated) 2016 HK$ millions
Prepayments	**162**	721
Non-current deposits	**37**	49
Pension assets (Note 32(a))	**15**	–
	214	770

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:

	2017 HK$ millions	2016 HK$ millions
Deferred tax assets	**338**	53
Deferred tax liabilities	**-**	(573)
Net deferred tax assets/(liabilities)	**338**	(520)

17 Deferred Tax Assets and Liabilities (Continued)

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 2016	(1,061)	692	(369)
Net credit/(charge) to consolidated income statement for the year			
– Continuing operations (Note 10)	11	(87)	(76)
– Discontinued operations	(4)	(71)	(75)
At 31 December 2016	(1,054)	534	(520)
At 1 January 2017	**(1,054)**	**534**	**(520)**
Net credit/(charge) to consolidated income statement for the year			
– Continuing operations (Note 10)	**348**	**(60)**	**288**
– Discontinued operations	**1**	**(68)**	**(67)**
Disposal of subsidiaries (Note 29(c))	**729**	**(92)**	**637**
At 31 December 2017	**24**	**314**	**338**

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

	2017 HK$ millions	(Restated) 2016 HK$ millions
Arising from unused tax losses	**8**	46
Arising from depreciation allowances	**1**	16
	9	62

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 2017, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$46 million (2016 (Restated): HK$276 million) could be carried forward indefinitely.

18 Investments in Joint Ventures

	2017 HK$ millions	2016 HK$ millions
Loans to joint ventures	**466**	515
Share of undistributed post acquisition reserves	**(32)**	(55)
	434	460

As at 31 December 2017, the loan to a joint venture of HK$466 million (2016: HK$484 million) was unsecured, had no fixed term of repayment and bore interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2016: Same).

Except for the loan disclosed above, a loan to a joint venture of HK$31 million as at 31 December 2016 was unsecured, had no fixed term of repayment and non-interest bearing.

Particulars of the principal joint venture are summarised as follows:

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

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

	2017 HK$ millions	(Restated) 2016 HK$ millions
Net loss and total comprehensive loss for the year	**(6)**	(4)
Proportionate interests in joint ventures' capital commitments		
Contracted but not provided for	**37**	56

As at 31 December 2017, there were no contingent liabilities related to the Group's interest in joint ventures (2016: Nil) and no contingent liabilities of joint ventures themselves (2016 (Restated): Nil).

As at 31 December 2017, 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 (2016: Same).

19 Cash and Cash Equivalents

	2017 HK$ millions	(Restated) 2016 HK$ millions
Cash at banks and in hand	**134**	334
Short-term bank deposits	**13,583**	23
	13,717	357

The effective interest rates on short-term bank deposits ranged from 0.04% to 0.88% per annum (2016: 0.01% to 0.39%). These deposits have an average maturity of 1 to 92 days (2016: 1 to 31 days).

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

20 Trade Receivables and Other Current Assets

	2017 HK$ millions	(Restated) 2016 HK$ millions
Trade receivables	**620**	1,471
Less: Provision for doubtful debts	**(47)**	(106)
Trade receivables, net of provision [(a)]	**573**	1,365
Other receivables [(b)]	**253**	213
Prepayments and deposits [(b)]	**124**	175
	950	1,753

(a) Trade receivables, net of provision

	2017 HK$ millions	(Restated) 2016 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 – 30 days	**480**	861
31 – 60 days	**35**	196
61 – 90 days	**10**	99
Over 90 days	**48**	209
	573	1,365

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.

20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2017, trade receivables of approximately HK$202 million (2016 (Restated): HK$647 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:

	2017 HK$ millions	(Restated) 2016 HK$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1 – 30 days	**131**	298
Past due 31 – 60 days	**19**	120
Past due 61 – 90 days	**13**	84
Past due over 90 days	**39**	145
	202	647

As at 31 December 2017, provision for doubtful debts of approximately HK$47 million (2016: HK$106 million) was recognised for trade receivables of approximately HK$398 million (2016: HK$664 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:

	2017 HK$ millions	2016 HK$ millions
At 1 January	**106**	110
Increase in provision recognised in the consolidated income statement	**92**	111
Amounts recovered in respect of brought forward balance	**(65)**	(87)
Write-off during the year	**(24)**	(28)
Disposal of subsidiaries	**(62)**	–
At 31 December	**47**	106

The creation and release of provision for doubtful debts for continuing operations 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.

20 Trade Receivables and Other Current Assets (Continued)

(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 2017, the amount of inventories carried at net realisable value was approximately HK$4 million (2016: HK$7 million).

22 Borrowings

	Maturity year	**2017 HK$ millions**	2016 HK$ millions
Unsecured bank loans	2019		
Repayable between 1 and 2 years		**3,900**	–
Repayable between 2 and 5 years		**-**	4,467
		3,900	4,467

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2017 and 2016 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.5% per annum (2016: 2.1%) and are within level 2 of the fair value hierarchy.

As at 31 December 2017, the Group's total borrowings of HK$3,900 million were reclassified as current liabilities based on the intended plan of the Group to fully repay the borrowings in January 2018. These borrowings were fully repaid on 5 January 2018.

23 Trade and Other Payables

	2017 HK$ millions	(Restated) 2016 HK$ millions
Trade payables [(a)]	**406**	731
Other payables and accruals	**1,537**	2,047
Deferred revenue	**305**	708
Current portion of licence fees liabilities (Note 25)	**56**	56
	2,304	3,542

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

(a) Trade payables

	2017 HK$ millions	(Restated) 2016 HK$ millions
The ageing analysis of trade payables is as follows:		
0 – 30 days	**374**	411
31 – 60 days	**5**	99
61 – 90 days	**3**	35
Over 90 days	**24**	186
	406	731

24 Loan from and Interest Payable to a Fellow Subsidiary

As at 31 December 2016, the loan from a fellow subsidiary and interest payable were unsecured, bore interest at 1-month HIBOR plus 1.38% per annum and repayable on demand. On 23 June 2017, the loan and interest payable were fully repaid.

The balances were denominated in HK$.

25 Other Non-Current Liabilities

	2017 HK$ millions	(Restated) 2016 HK$ millions
Non-current licence fees liabilities [(a)]	135	183
Pension obligations (Note 32(a))	-	112
Accrued expenses	195	219
	330	514

(a) Licence fees liabilities

	2017 HK$ millions	2016 HK$ millions
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	57	58
After 1 year, but within 5 years	149	206
	206	264
Future finance charges on licence fees liabilities	(15)	(25)
Carrying amount of licence fees liabilities	191	239
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 23)	56	56
Non-current licence fees liabilities:		
After 1 year, but within 5 years	135	183
Total licence fees liabilities	191	239

26 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 (2016: 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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**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 input 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 2017, 200,000 (2016: Same) share options were exercisable.

27 Reserves

	Share premium HK$ millions	Retained earnings/ (accumulated losses) HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
At 1 January 2016, previously reported	11,185	(924)	(7)	46	17	10,317
Effect of merger accounting (Note 2(a))	-	(18)	-	-	(58)	(76)
At 1 January 2016, restated	11,185	(942)	(7)	46	(41)	10,241
Profit for the year, restated	-	682	-	-	-	682
Remeasurements of defined benefit plans	-	-	-	(18)	-	(18)
Currency translation differences	-	-	(6)	-	-	(6)
Dividend paid	-	(626)	-	-	-	(626)
At 31 December 2016, restated	11,185	(886)	(13)	28	(41)	10,273
At 1 January 2017, restated	11,185	(886)	(13)	28	(41)	10,273
Profit for the year	-	4,766	-	-	-	4,766
Remeasurements of defined benefit plans	-	-	-	105	-	105
Currency translation differences	-	-	4	-	-	4
Cumulative translation adjustments released upon disposal of subsidiaries (Note 29(c))	-	-	11	-	-	11
Disposal of subsidiaries	-	(50)	-	5	45	-
Dividend paid (Note 12)	-	(520)	-	-	-	(520)
At 31 December 2017	11,185	3,310	2	138	4	14,639

28 Cash Generated from Operations

	2017 HK$ millions	(Restated) 2016 HK$ millions
Cash flows from operating activities		
Profit before taxation including discontinued operations	4,137	909
Adjustments for:		
– Interest income	(47)	(18)
– Interest and other finance costs	125	123
– Depreciation and amortisation	3,583	1,508
– Loss on disposals of property, plant and equipment	1	2
– Share of results of joint ventures (Note 18)	6	4
– Net gain on disposal of subsidiaries (Note 29(c))	(5,614)	–
Changes in working capital		
– (Increase)/decrease in trade receivables and other assets	(167)	95
– Decrease in inventories	2	464
– Increase/(decrease) in trade and other payables	71	(564)
– Changes in retirement benefits	(21)	14
Cash generated from operations	2,076	2,537

Non-cash transactions from investing activities

The principal non-cash transaction was the settlement of network access fee payable to a joint venture of HK$121 million (2016: HK$118 million) which was recorded as a decrease in investment in a joint venture, and others of HK$19 million (2016: HK$18 million) which was recorded as an increase in investment in a joint venture.

Non-cash transactions from financial activities

The principal non-cash transaction was the other finance cost of HK$33 million (2016: HK$10 million), which was recorded as an increase in borrowings.

29 Discontinued Operations

Upon the completion of the Disposal, the Group continues to be engaged in the mobile telecommunications business in Hong Kong and Macau. As the business disposed of was considered as a separate major line of business, the corresponding operations had been presented as discontinued operations as a result of the completion of such disposal.

(a) Analysis of the results of discontinued operations is as follows:

	2017 HK$ millions	2016 HK$ millions
Discontinued operations		
Revenue	2,933	3,801
Staff costs	(298)	(395)
Customer acquisition costs	(77)	(112)
Depreciation and amortisation	(579)	(775)
Other operating expenses	(1,569)	(2,033)
	410	486
Interest and other finance costs, net	(18)	(27)
Profit before taxation of discontinued operations	392	459
Taxation	(71)	(77)
Profit after taxation of discontinued operations	321	382
Net gain on disposal of subsidiaries [(c)]	5,614	–
Profit for the year from discontinued operations	5,935	382

(b) Analysis of the cash flows of discontinued operations is as follows:

	2017 HK$ millions	2016 HK$ millions
Net cash inflow from operating activities	854	1,178
Net cash outflow from investing activities	(498)	(581)
Net cash outflow from financing activities	(332)	(625)
Net cash inflow/(outflow) from discontinued operations	24	(28)

29 Discontinued Operations (Continued)

(c) Assets and liabilities disposed of are as follows:

	HK$ millions
Cash consideration	14,527
Net assets disposed of:	
Property, plant and equipment	(6,681)
Goodwill	(2,348)
Other non-current assets	(529)
Cash and cash equivalents	(283)
Trade receivables and other current assets	(1,118)
Amount due from the immediate holding company	(28)
Amounts due from fellow subsidiaries	(25)
Deferred tax liabilities	637
Loan from the immediate holding company – non-current	1,058
Other non-current liabilities	34
Trade and other payables	1,719
Current income tax liabilities	4
Loan from the immediate holding company – current	3,599
Amount due to the immediate holding company	136
Amounts due to fellow subsidiaries	18
Total net assets disposed of	(3,807)
Transfer of shareholder loan	(4,793)
Release of cumulative translation adjustments	(11)
Transaction costs	(302)
Net gain on disposal of subsidiaries	5,614

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$ millions
Cash consideration	14,527
Cash and cash equivalents disposed of	(283)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	14,244

30 Contingent Liabilities

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

	2017 HK$ millions	(Restated) 2016 HK$ millions
Performance guarantees	4	620
Financial guarantees	-	11
Others	1	5
	5	636

31 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:

	2017 HK$ millions	(Restated) 2016 HK$ millions
Property, plant and equipment	444	799

(b) Operating lease commitments

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

	Buildings	
	2017 HK$ millions	(Restated) 2016 HK$ millions
Not later than one year	200	208
Later than one year but not later than five years	134	90
Later than five years	-	26
	334	324

31 Commitments (Continued)

(b) Operating lease commitments (Continued)

	Other assets	
	2017 HK$ millions	2016 HK$ millions
Not later than one year	**1**	27
Later than one year but not later than five years	**-**	14
Later than five years	**-**	4
	1	45

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

	Buildings	
	2017 HK$ millions	2016 HK$ millions
Not later than one year	**1**	2

(c) Telecommunications licence fees

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

32 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 2017, 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 (2016: Same).

	2017 HK$ millions	2016 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	**(256)**	(428)
Less: Fair value of plan assets	**271**	316
Pension assets/(obligations) recognised in the consolidated statement of financial position (Note 16 and 25)	**15**	(112)

32 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 2017	(428)	316	(112)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
– Current service cost	(37)	-	(37)
– Net interest (expense)/income	(4)	3	(1)
– Past service cost – curtailments	5	-	5
	(36)	3	(33)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Gain on plan assets, excluding amounts included in interest income	-	73	73
– Loss from change in demographic assumptions	(2)	-	(2)
– Gain from change in financial assumptions	28	-	28
– Experience gains	7	-	7
	33	73	106
Contributions:			
– Employers	-	22	22
– Employees	(1)	1	-
Actual benefits paid	148	(148)	-
Transfer to other liabilities	28	4	32
At 31 December 2017	(256)	271	15

32 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 2016	(385)	305	(80)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs:			
– 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)

32 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2017 HK$ millions	2016 HK$ millions
Equity instruments	**191**	206
Debt instruments	**71**	85
Other assets	**9**	25
	271	316

The principal actuarial assumptions and the sensitivity of the defined benefit obligations to changes in the principal assumptions are:

	2017		
	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	**1.6% to 1.8%**	**-2.1%**	**+2.1%**
Future salary rate	**4.0%**	**+0.6%**	**-0.6%**

	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%

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.

32 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2017	2016
Weighted average duration of defined benefit obligations	**8 years**	9 years

Expected contributions to defined benefit plans for the year ending 31 December 2018 are approximately HK$17 million.

Forfeited contributions totalling HK$5 million (2016: HK$4 million) were used to reduce the current year's level of contributions during the year and HK$0.4 million was available as at 31 December 2017 (2016: HK$0.2 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 pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2017 reported a funding level of 125% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2017, vested benefits under this plan were 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$0.4 million (2016: HK$0.1 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2017 (2016: Same) to reduce future years' contributions.

33 Subsidiaries

Particulars of principal subsidiaries are set out on page 147.

The financial information for the subsidiary that has non-controlling interests that is material to the Group is as follows:

	Hutchison Telephone Company Limited	
	2017 HK$ millions	2016 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**9,351**	11,555
Current assets	**1,693**	1,495
	11,044	13,050
Liabilities		
Non-current liabilities	**(8,753)**	(9,067)
Current liabilities	**(1,916)**	(1,828)
	(10,669)	(10,895)
Net assets	**375**	2,155
Summarised income statement		
Revenue	**6,347**	7,918
(Loss)/profit for the year	**(1,784)**	252
Total (loss)/profit for the year attributable to non-controlling interests	**(430)**	61
Total comprehensive (loss)/income	**(1,780)**	252
Summarised cash flows		
Net cash generated from operating activities	**512**	1,032
Net cash used in investing activities	**(429)**	(2,234)
Net cash (used in)/generated from financing activities	**(20)**	720
Net increase/(decrease) in cash and cash equivalents	**63**	(482)
Cash and cash equivalents at 1 January	**20**	502
Cash and cash equivalents at 31 December	**83**	20

The amounts disclosed above are before inter-company eliminations.

34 Ultimate Holding Company

As at 31 December 2017 and 2016, approximately 66% of the issued share capital of the Company was owned by CKHH. The directors regarded CKHH as the Company's ultimate holding company.

35 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:

(1) CKHH Group – CKHH together with its direct and indirect subsidiaries and joint ventures

(2) Other shareholders of subsidiaries of the Group: NTT Group – Nippon Telegraph and Telephone Corporation together with its direct and indirect subsidiaries and joint ventures

(3) Joint venture 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.

35 Related Party Transactions (Continued)

(b) Transactions with related parties

	2017 HK$ millions	(Restated) 2016 HK$ millions
CKHH Group		
Provision of mobile telecommunications services	20	16
Provision of fixed-line telecommunications services	265	305
Sharing of services arrangement income	1	2
Purchase of telecommunications services	(79)	(98)
Rental expenses on lease arrangements	(5)	(4)
Dealership service expenses	(1)	(5)
Billing collection service expenses	(7)	(8)
Purchase of office supplies	(10)	(10)
Purchase of air tickets and hotel accommodation	(3)	(3)
Advertising and promotion expenses	(3)	(2)
Global procurement service arrangement expenses	(6)	(7)
Sharing of services arrangement expenses	(46)	(45)
Equipment maintenance expenses	(1)	(3)
Corporate guarantee expenses	(8)	(8)
Interest expenses	(5)	(10)
NTT Group		
Provision of mobile telecommunications services	13	7
Purchase of telecommunications services	(7)	-
Joint Venture of the Group		
Interest income	17	17
Sharing of services arrangement income	1	1
Purchase of telecommunications services	(122)	(119)

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.

36 Statement of Financial Position of the Company

At 31 December 2017	**2017 HK$ millions**	2016 HK$ millions
ASSETS		
Non-current assets		
Investments in subsidiaries, at costs	**-**	3,871
Total non-current assets	**-**	3,871
Current assets		
Receivables from subsidiaries	**4,848**	8,973
Other current assets	**30**	1
Cash and cash equivalents	**13,532**	2
Total current assets	**18,410**	8,976
Current liabilities		
Other payables	**228**	2
Payables to subsidiaries	**162**	96
Total current liabilities	**390**	98
Net assets	**18,020**	12,749
CAPITAL AND RESERVES		
Share capital	**1,205**	1,205
Reserves [(a)]	**16,815**	11,544
Total equity	**18,020**	12,749

LUI Dennis Pok Man
Director

WOO Chiu Man, Cliff
Director

36 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 2016	11,185	463	11,648
Profit for the year	-	522	522
Dividend paid	-	(626)	(626)
At 31 December 2016	11,185	359	11,544
At 1 January 2017	**11,185**	**359**	**11,544**
Profit for the year	**-**	**5,791**	**5,791**
Dividend paid (Note 12)	**-**	**(520)**	**(520)**
At 31 December 2017	**11,185**	**5,630**	**16,815**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2017 amounted to HK$16,815 million (2016: HK$11,544 million).

37 Subsequent event

Save as disclosed in the notes to the consolidated financial statements, there was no other material subsequent event.

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Telecommunications (HK) Holdings Limited	The British Virgin Islands, 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 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 People's Republic of China (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%

* *Wholly owned foreign enterprise (WOFE) registered under the PRC law.*

Financial Summary

	2017 HK$ millions	(Restated) 2016 HK$ millions	(Restated) 2015 HK$ millions	2014 HK$ millions	2013 HK$ millions
RESULTS					
Revenue – continuing operations	6,752	8,332	18,477	12,632	9,359
Profit for the year	4,354	754	1,059	963	1,090
Non-controlling interests	412	(72)	(162)	(130)	(174)
Net profit attributable to shareholders of the Company	4,766	682	897	833	916
ASSETS					
Total non-current assets	7,700	19,512	18,194	18,305	18,744
Cash and cash equivalents	13,717	357	1,101	359	209
Other current assets	1,075	1,880	2,428	2,034	2,052
Total assets	22,492	21,749	21,723	20,698	21,005
LIABILITIES					
Short-term borrowings	3,900	-	-	-	-
Other current liabilities	2,307	4,134	4,731	3,974	3,995
Long-term borrowings	-	4,467	3,962	3,952	4,571
Other non-current liabilities	330	1,087	1,015	1,063	1,103
Total liabilities	6,537	9,688	9,708	8,989	9,669
Net assets	15,955	12,061	12,015	11,709	11,336
CAPITAL AND RESERVES					
Share capital	1,205	1,205	1,205	1,205	1,205
Reserves	14,639	10,273	10,241	10,088	9,836
Total shareholders' funds	15,844	11,478	11,446	11,293	11,041
Non-controlling interests	111	583	569	416	295
Total equity	15,955	12,061	12,015	11,709	11,336

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
"Articles of Association"	the Articles of Association of the Company as amended from time to time
"Board"	the Board of Directors of the Company
"CACs"	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"	CK Infrastructure Holdings Limited (formerly known as "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 share(s) are eligible for trading in the United States of America only in the over-the-counter market
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation adjusted to include the Group's proportionate share of joint venture's EBIT but exclude one-off charges
"EBITDA/LBITDA"	Earnings/(losses) before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA/LBITDA
"ESG"	Environmental, Social and Governance
"Fixed-line"	Fixed-line telecommunications business
"Group"	the Company and its subsidiaries
"HGCGC"	HGC GlobalCentre Limited, a company incorporated in Hong Kong with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

Terms	Definition
"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
"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
"Mobile"	Mobile telecommunications business
"MVNO"	Mobile Virtual Network Operator
"NB-IoT"	Narrowband Internet-of-Things
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model

Terms	Definition
"PwC"	PricewaterhouseCoopers
"one-off charges"	one-off accelerated depreciation charges
"one-off items"	one-off gain on disposal of subsidiaries and one-off charges
"service EBITDA"	EBITDA excluding standalone handset sales margin
"service EBITDA margin percentage"	EBITDA excluding standalone handset sales margin as a percentage of net customer service revenue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SFO"	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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

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Public Float Capitalisation

As at 31 December 2017:
Approximately HK$3,812 million (approximately 25.19% of the issued share capital of the Company)

Financial Calendar

Payment of 2017 Interim Dividend:	1 September 2017
2017 Final Results Announcement:	26 February 2018
Closure of Register of Members:	3 May 2018 to 8 May 2018
Annual General Meeting:	8 May 2018
Record Date for 2017 Final Dividend:	14 May 2018
Payment of 2017 Final Dividend:	24 May 2018
2018 Interim Results Announcement:	July 2018

Registered Office

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Principal Executive Office

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Cayman Islands Share Registrar and Transfer Office

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Telephone: +1 345 949 9107
Facsimile: +1 345 949 5777

Hong Kong Share Registrar and Transfer Office

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Rooms 1712-1716, 17th Floor, Hopewell Centre,
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ADS Depositary

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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

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