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.