長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

	2017 **HK$ million**	2016 (1) HK$ million	Change	Local currency change
Total Revenue (2)	**414,837**	382,323	+9%	+8%
Total EBITDA (2)	**104,354**	94,525	+10%	+10%
Total EBIT (2)	**67,592**	63,119	+7%	+7%
Profit attributable to ordinary shareholders	**35,100**	33,008	+6%	+5%
Earnings per share	**HK$9.10**	HK$8.55	+6%	
Final dividend per share	**HK$2.070**	HK$1.945	+6%	
Full year dividend per share	**HK$2.850**	HK$2.680	+6%	

(1) The 2016 comparative has been reclassified to enable a better comparison of performance. The items in "profit on disposal of investments & others" in 2016 have been reclassified to the respective lines under revenue, EBITDA and EBIT to conform with 2017 presentation.

(2) Total revenue, EBITDA and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items.

CHAIRMAN'S STATEMENT

Growth in the global economy picked up in the second half of 2017 leading to commodity price recoveries as well as moderate interest rate rises. However, uncertainty as to the direction of U.S. Dollar exchange rates, the pace of central bank tightening and the international trading environment have resulted in continued significant currency volatility. Global bond and equity markets were strong through 2017 but have also shown increasing volatility. Overall financial market conditions remain difficult to predict. However, operating conditions including consumer confidence and consumer spending have remained solid in most of the markets in which the Group operates. As a result, the Group continued to deliver steady underlying earnings growth in all core businesses with the only significant exception being telecommunication operations in Asia, which experienced intense market competition and reported reduced contributions to the Group in 2017. The nominal contribution of Husky Energy to the Group's results also declined due to the effect of disposal gains recognised in 2016. Overall, Husky Energy's operating performance made significant progress in 2017.

EBITDA and EBIT of the Group increased by 10% and 7% against last year respectively. Accretive contributions from the Wind Tre joint venture and various acquisitions made by the Infrastructure division during 2016 and 2017 contributed the year on year growth. EBITDA growth was also attributable to the disposal gain of the Hong Kong fixed-line telecommunication business during 2017. This gain was fully offset at the EBIT level by accelerated depreciation charges. EBITDA and EBIT also include a disposal gain of HK$1,922 million relating to a manufacturing plant in Mainland China. These higher year on year contributions were partly offset by lower contribution from telecommunication operations in Asia and Husky Energy as mentioned above. With the recovery of major currencies against Hong Kong dollars in the second half of 2017, foreign currency translation effect in the second half did not have a material impact on the Group's reported results.

Profit attributable to ordinary shareholders for the year ended 31 December 2017 increased 6% to HK$35,100 million from HK$33,008 million in 2016, reflecting EBITDA and EBIT improvements but partly offset by higher financing costs from the Group's share of interest expense and one-time major refinancing costs in the Wind Tre joint venture, as well as interest expense associated with the new acquisitions in the Infrastructure division.

Earnings per share were HK$9.10 for the full year.

Dividend

The Board of Directors ("the Board") recommends the payment of a final dividend of HK$2.07 per share (2016 final dividend – HK$1.945 per share), payable on 31 May 2018, to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 May 2018, being the record date for determining shareholders' entitlement to the proposed final dividend. Combined with the interim dividend of HK$0.78 per share, the full year dividend amounts to HK$2.85 per share (2016 full year dividend – HK$2.68 per share).

Ports and Related Services

The ports and related services division handled throughput of 84.7 million twenty-foot equivalent units (“TEU”) through 287 operating berths, a 4% increase compared to 2016. There was a steady volume pick up in the Mainland and Hong Kong, Barcelona, Pakistan and Panama partly offset by lower volume in Klang, Jakarta, Dammam and Freeport. Total revenue, EBITDA and EBIT of HK$34,146 million, HK$12,563 million and HK$8,219 million increased 6%, 8% and 9% against last year respectively driven primarily by higher throughput.

This division will continue to pursue cost saving initiatives as well as strengthening strategic alliances with customers in order to maximise profits from an expected modest growth in global trade in 2018.

Retail

The retail division had over 14,100 stores across 24 markets as at 31 December 2017, a net addition of 793 stores in the year, representing 6% increase compared to 2016. Total revenue and EBITDA of HK$156,163 million and HK$14,798 million increased by 3% and 2% respectively, while EBIT of HK$12,089 million was flat compared to last year.

Overall, the Health and Beauty segment reported solid total sales growth of 6% from a 6% increase in store numbers and 1.6% growth in comparable store sales. EBITDA and EBIT growth were 3% and 2% respectively.

Health and Beauty Asia and Europe subdivisions reported higher growth with year on year EBITDA increases of 17% and 5% respectively in 2017.

Although the Health and Beauty China subdivision reported a 4% growth in revenue, EBITDA declined 7% year on year. An increase in store numbers of 12% was more than offset by comparable store sales declines and higher operating costs, resulting in lower but still healthy EBITDA margins. Encouragingly, trading conditions in the Mainland improved over the year. Comparable store sales declines reduced from the negative 10.1% reported in 2016 to negative 4.3% for the full year in 2017 and returned to positive growth in the fourth quarter.

Retail operations in Hong Kong continue to underperform. These businesses faced continuing challenges during the first half of the year from rising operating costs and stagnant visitor consumption. Encouragingly, however Health and Beauty and Fortress operations returned to growth in the second half as visitor arrivals showed an improving trend. These businesses are expected to continue to perform well going forward.

The retail division plans a net opening of over 1,000 stores in 2018, of which 67% will be in the Mainland and Asia. The Group is also investing in e-commerce and digital platforms for future growth, as well as advanced analytics capabilities. Combined with the Group’s very large base of loyalty customers, these initiatives look promising.

Infrastructure

The Infrastructure division comprises a 75.67%[1] interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on the Stock Exchange of Hong Kong ("SEHK") and the Group's interests in six co-owned infrastructure investments with CKI. An aircraft leasing business previously reported under this division was sold in December 2016.

Total reported revenue, EBITDA and EBIT of this division of HK$57,369 million, HK$33,033 million and HK$23,449 million respectively were 8%, 6% and 6% higher than last year. As a major part of the earnings contribution of this division came from the UK, the growth in reported currency was affected by the depreciation of Sterling in 2017. In local currencies, total revenue, EBITDA and EBIT growth were 9%, 8% and 7% respectively. Growth was mainly attributable to accretive contributions from newly acquired businesses, partly offset by the sale of the aircraft leasing business at the end of 2016.

CKI

CKI announced profit attributable to shareholders of HK$10,256 million, 6% higher than HK$9,636 million reported for last year, which included new contributions from the acquisitions of DUET Group, Reliance and ista during the year.

Husky Energy

Husky Energy ("Husky"), our associated company listed in Canada, announced net earnings of C$786 million in 2017, 15% lower than 2016 due to the after-tax disposal gain[2] of C$1,456 million reported in 2016. Underlying operations recovered strongly, particularly in the second half, due to higher commodity prices and increasing contributions from higher margin thermal developments in Western Canada and the Liwan Gas Project in Asia Pacific. Husky also recognised a one-time deferred tax credit of C$436 million associated with the U.S. tax reform announced in December 2017.

Average production in 2017 was 322,900 barrels of oil equivalent per day, a 1% increase when compared to last year, mainly due to increased production from thermal developments including production ramp up at the Sunrise Energy Project, new production from Edam West, Vawn and Edam East thermal developments and strong production performance from the Tucker Thermal Project, as well as increased natural gas and natural gas liquids production from the Liwan Gas Project in Asia Pacific. Healthy production increases in 2017 were offset by the sale of selected low margin legacy crude oil and natural gas assets during 2016 which together contributed 31,900 barrels of oil equivalent per day production in 2016.

---

[1] Based on the Group's profit sharing ratio in CKI.

[2] As the Group rebased Husky's assets to their fair values in the 2015 Reorganisation, the Group's share of after-tax gain on disposals in 2016 was approximately HK$3,646 million.

In the second half, Husky acquired Superior Refinery in Wisconsin, U.S. This facility is expected to increase Husky's Downstream processing capacity for its own heavy crudes and will contribute accretive earnings and cashflow. Since 2015, Husky's management has been focused on transforming its resource base to achieve lower operating and sustaining capital costs. This program progressed well in 2017 and will continue. Concurrently, Husky's balance sheet, which was substantially restructured in 2016, has continued to improve with net debt to funds from operations currently below 0.9x compared to 1.8x in 2016. Husky also announced a quarterly dividend of C$0.075 per common share for the three-month period ended 31 December 2017.

3 Group Europe

As at 31 December 2017, **3** Group Europe's active customer base stands at 44.8 million, a 3% drop against last year due to alignment of inactive customer definitions following the merger and intense competition during the year for lower value customers in Wind Tre's base.

The full year contribution of the Wind Tre joint venture was of course highly accretive to the Group. **3** Group Europe's revenue, EBITDA and EBIT of HK$70,734 million, HK$24,337 million and HK$16,567 million were 13%, 28% and 29% higher respectively. **3** Group Europe was the largest growth contributor to the Group's earnings in the year and continued to report healthy growth in EBITDA margin to 41%, primarily through improvements in customer service margins and disciplined spending. **3** Group Europe also continued to improve its networks and service offerings and accelerated investment in advanced digitalisation solutions to achieve a more agile, flexible, sustainable and lower cost operating model going forward. All **3** Group Europe operations continued to deliver positive EBITDA less capital expenditure in 2017.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and Macau, announced profit attributable to shareholders of HK$4,766 million and earnings per share of 98.90 HK cents. The reported results included a gain on disposal of its fixed-line telecommunication business in October 2017, partly offset by accelerated depreciation charges on its mobile telecommunication fixed assets.

As the Group had rebased HTHKH's assets to their fair values in the 2015 Reorganisation, the EBIT contribution of HTHKH to the Group of HK$707 million in 2017 includes a small loss in relation to the disposal and accelerated depreciation charges referred to above. As of 31 December 2017, HTHKH had approximately 3.3 million active mobile customers in Hong Kong and Macau.

Hutchison Asia Telecommunications

As of 31 December 2017, Hutchison Asia Telecommunications ("HAT") had an active customer base of approximately 75.0 million, with Indonesia representing 85% of the base. Total revenue decreased 6% to HK$7,695 million, as the Indonesian operation was not able to offer competitive LTE price offerings until the launch of its LTE network in May 2017, while other incumbents offered aggressively-priced LTE services from the beginning of 2017. EBITDA and EBIT decreased to HK$558 million and HK$226 million respectively, 76% and 89% below 2016. The decline reflects both reduced service margin contribution and higher operating costs in Indonesia and Vietnam recognised after completion of the major network rollout and expansion initiatives in late 2016 and 2017 respectively.

Finance & Investments and Others

The contribution from this segment mainly represents returns earned on the Group's holdings of cash and liquid investments and the operating results of certain unlisted entities, as well as listed companies, namely listed subsidiary Hutchison China MediTech, listed associate TOM Group, listed associate CK Life Sciences Group and listed subsidiary, Hutchison Telecommunications (Australia), which has a 50% interest in Vodafone Hutchison Australia.

As at 31 December 2017, the Group's consolidated cash and liquid investments totalled HK$168,283 million and consolidated gross debt amounted to HK$333,155 million, resulting in consolidated net debt of HK$164,872 million and a healthy net debt to net total capital ratio of 21.7%, a moderate increase compared to 20.5% as at 31 December 2016, mainly due to the acquisition of DUET Group and ista by the Infrastructure division in 2017.

Outlook

Healthy and synchronised growth in major economies gathered pace in 2017. Provided this trend continues and inflation remains benign, the environment in 2018 should remain supportive for global trade and for our businesses. Volatility in currency and financial markets remains as a key variable to this outlook. Global trade competition is unavoidable but ultimately, the outlook remains optimistic. After the 19th Congress, the Central Government has reiterated that deepening economic and financial reforms is a priority and rolled out the blueprint on "One Belt, One Road" and the "Greater Bay Area." These initiatives should create ample opportunities for Hong Kong and for many of our regional businesses.

The Group is built on strong foundations of business diversification and resilience and will continue to pursue these fundamental objectives and exercise prudent capital management on all investment activities and strict financial discipline in managing its businesses. The Group will also maintain a healthy liquidity and debt profile consistent with its current investment grade ratings.

Barring any further unforeseen material adverse external developments, the Group's businesses in 2018 should be better than 2017.

I have decided to step down as Chairman of the Group and retire from the position of Executive Director at the forthcoming Annual General Meeting of the Company.

Looking back at the past 68 years since the founding of my business in 1950 and the listing of Cheung Kong (Holdings) Limited in 1972, I have led the Group on a steady path of diversification and globalisation through organic growth, mergers and acquisitions, and timely strategic reviews and reorganisations at appropriate junctures to maximise value and returns for shareholders. I would like to express my heart-felt appreciation to our shareholders for their unfailing confidence and support in the past years.

Going forward, the Board has requested and I have agreed to serve as Senior Advisor of the Company, and in that capacity to continue to contribute to the Group on significant matters.

The Board has also proposed and elected Mr Li Tzar Kuoi, Victor, who has worked side-by-side with me at the CK Group for 33 years, to succeed as Chairman of the Company and continue in the present role as Group Co-Managing Director. The senior management will continue to work with Mr Victor Li in leading the Group towards the next new horizon of growth. I sincerely hope that all shareholders would give the same full support to Mr Victor Li as they have always given to me. I am confident in the prospects of the Group.

Finally, I would like to thank the Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism and contributions to the Group.

Li Ka-shing
Chairman
Hong Kong, 16 March 2018

Financial Performance Summary

	2017		2016 (2)		
	HK$ millions	**%**	HK$ millions	%	Change %
Revenue (1)					
Ports and Related Services (1)	**34,146**	**8%**	32,184	9%	6%
Retail	**156,163**	**38%**	151,502	40%	3%
Infrastructure	**57,369**	**14%**	53,211	14%	8%
Husky Energy	**44,948**	**11%**	30,467	8%	48%
3 Group Europe	**70,734**	**17%**	62,415	16%	13%
Hutchison Telecommunications Hong Kong Holdings	**9,685**	**2%**	12,133	3%	-20%
Hutchison Asia Telecommunications	**7,695**	**2%**	8,200	2%	-6%
Finance & Investments and Others	**34,097**	**8%**	32,211	8%	6%
Total Revenue	**414,837**	**100%**	382,323	100%	9%
EBITDA (1)					
Ports and Related Services (1)	**12,563**	**12%**	11,639	12%	8%
Retail	**14,798**	**14%**	14,567	16%	2%
Infrastructure	**33,033**	**32%**	31,128	33%	6%
Husky Energy	**8,992**	**9%**	9,284	10%	-3%
3 Group Europe	**24,337**	**23%**	18,944	20%	28%
Hutchison Telecommunications Hong Kong Holdings	**4,337**	**4%**	2,607	3%	66%
Hutchison Asia Telecommunications	**558**	**1%**	2,298	2%	-76%
Finance & Investments and Others	**5,736**	**5%**	4,058	4%	41%
Total EBITDA	**104,354**	**100%**	94,525	100%	10%
EBIT (1)					
Ports and Related Services (1)	**8,219**	**12%**	7,567	12%	9%
Retail	**12,089**	**18%**	12,059	19%	–
Infrastructure	**23,449**	**35%**	22,162	35%	6%
Husky Energy	**2,703**	**4%**	3,429	6%	-21%
3 Group Europe	**16,567**	**25%**	12,838	20%	29%
Hutchison Telecommunications Hong Kong Holdings	**707**	**1%**	1,055	2%	-33%
Hutchison Asia Telecommunications	**226**	**–**	2,130	3%	-89%
Finance & Investments and Others	**3,632**	**5%**	1,879	3%	93%
Total EBIT	**67,592**	**100%**	63,119	100%	7%
Interest expenses and other finance costs (1)	**(18,024)**		(13,278)		-36%
Profit Before Tax	**49,568**		49,841		-1%
Tax (1)					
Current tax	**(7,898)**		(6,247)		-26%
Deferred tax	**1,843**		(1,769)		204%
	(6,055)		(8,016)		24%
Profit after tax	**43,513**		41,825		4%
Non-controlling interests and perpetual capital securities holders' interests	**(8,413)**		(8,817)		5%
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ("NPAT")	**35,100**		33,008		6%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of associated companies and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note 2: The 2016 comparative has been reclassified to enable a better comparison of performance. The items in "profits on disposal of investments & others" in 2016 have been reclassified to the respective lines under revenue, EBITDA and EBIT to conform with 2017 presentation.

Independent Auditor's Report

To the Shareholders of CK Hutchison Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 97, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017, and of its consolidated profit and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Goodwill and brand names with an indefinite useful life; and
- Investments in associated companies and joint ventures.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Goodwill and brand names with an indefinite useful life *Refer to notes 3, 16 and 17 to the consolidated financial statements* The Group has a significant amount of goodwill and brand names arising primarily from the acquisition of Hutchison Whampoa Limited's businesses in 2015. As at 31 December 2017, goodwill amounted to approximately HK$255 billion and brand names with an indefinite useful life amounted to approximately HK$63 billion. Goodwill and brand names with an indefinite useful life are subject to impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the future cash flows of the respective business units and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values. Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of goodwill and brand names with an indefinite useful life. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the book amount of the respective business units including goodwill, brand names with an indefinite useful life and operating assets. The significant assumptions are disclosed in notes 3, 16 and 17 to the consolidated financial statements.	The procedures to evaluate the Group's assessments of goodwill and brand names with an indefinite useful life included: • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuations specialists; • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive; and • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets. We found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Investments in associated companies and joint ventures *Refer to notes 3, 18 and 19 to the consolidated financial statements* The Group has significant investments in associated companies and joint ventures, which are accounted for under the equity method. As at 31 December 2017, investments in associated companies and joint ventures amounted to approximately HK$307 billion. Investments in associated companies and joint ventures are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessments, significant judgements are required to estimate the Group's share of the associated companies' and the joint ventures' future cash flows and to determine the assumptions, such as the growth rates used to prepare the associated companies' and the joint ventures' cash flow projections, and the discount rates applied to bring the future cash flows back to their present values. Based on the results of these impairment assessments conducted by the Group, it is believed that there is no impairment of the Group's investments in associated companies and joint ventures. This conclusion is based on recoverable amounts, being the higher of the fair value less costs of disposal and value in use, exceeding the respective book amounts.	The procedures to evaluate the Group's assessments of investments in associated companies and joint ventures included: • Testing the Group's assessments as to whether any indication of impairment exist by reference to the available information in the relevant markets and industries; • Assessing the appropriateness of the valuation methodologies used; • Checking information used to determine the key assumptions, including growth rates and discount rates, to available market data; • Performing sensitivity analyses on the key assumptions as stated above; and • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets. In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to these impairment assessments to be supportable and reasonable based on available evidence.

Other Information

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Luk Lai Yin.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 16 March 2018

CK Hutchison Holdings Limited
Consolidated Income Statement
for the year ended 31 December 2017

2017 **US$ million**		Note	**2017** **HK$ million**	2016 HK$ million
31,861	Revenue	4, 5	**248,515**	259,842
(12,991)	Cost of inventories sold		**(101,328)**	(101,943)
(4,304)	Staff costs		**(33,572)**	(32,792)
(2,121)	Telecommunications customer acquisition costs		**(16,545)**	(19,170)
(2,193)	Depreciation and amortisation	5	**(17,105)**	(16,014)
(5,714)	Other operating expenses	2 (af)	**(44,570)**	(52,955)
	Share of profits less losses of:			
871	Associated companies		**6,797**	6,362
1,603	Joint ventures		**12,500**	10,251
7,012			**54,692**	53,581
(1,061)	Interest expenses and other finance costs	7	**(8,274)**	(7,118)
5,951	**Profit before tax**		**46,418**	46,463
(694)	Current tax	8	**(5,415)**	(3,334)
333	Deferred tax	8	**2,599**	(1,217)
5,590	**Profit after tax**		**43,602**	41,912
(1,090)	**Profit attributable to non-controlling interests and holders of perpetual capital securities**		**(8,502)**	(8,904)
4,500	**Profit attributable to ordinary shareholders**		**35,100**	33,008
US$ 1.17	**Earnings per share for profit attributable to ordinary shareholders**		**HK$ 9.10**	HK$ 8.55

Details of distribution paid to the holders of perpetual capital securities, interim dividend paid and proposed final dividend payable to the ordinary shareholders are set out in note 10.

CK Hutchison Holdings Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

2017 **US$ million**		Note	**2017** **HK$ million**	2016 HK$ million
5,590	**Profit after tax**		**43,602**	41,912
	Other comprehensive income (losses)			
	Items that will not be reclassified to profit or loss:			
222	Remeasurement of defined benefit obligations recognised directly in reserves		**1,730**	(2,239)
9	Share of other comprehensive income (losses) of associated companies		**68**	(563)
25	Share of other comprehensive income (losses) of joint ventures		**199**	(1,423)
(27)	Tax relating to items that will not be reclassified to profit or loss	11	**(213)**	328
229			**1,784**	(3,897)
	Items that have been reclassified or may be subsequently reclassified to profit or loss:			
	Available-for-sale investments			
19	Valuation gains (losses) recognised directly in reserves		**149**	(537)
(5)	Valuation losses (gains) previously in reserves recognised in income statement		**(36)**	541
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
(15)	Losses recognised directly in reserves		**(114)**	(1,411)
-	Losses (gains) previously in reserves recognised in initial cost of non-financial items		**1**	(13)
(600)	Gains (losses) on net investment hedges (forward foreign currency contracts) recognised directly in reserves		**(4,683)**	6,112
593	Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		**4,625**	(18,423)
5	Losses (gains) previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement		**40**	(209)
397	Share of other comprehensive income of associated companies		**3,099**	22
1,297	Share of other comprehensive income (losses) of joint ventures		**10,116**	(10,240)
(6)	Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	11	**(50)**	190
1,685			**13,147**	(23,968)
1,914	Other comprehensive income (losses), net of tax		**14,931**	(27,865)
7,504	**Total comprehensive income**		**58,533**	14,047
(1,502)	**Total comprehensive income attributable to non-controlling interests and holders of perpetual capital securities**		**(11,718)**	(3,467)
6,002	**Total comprehensive income attributable to ordinary shareholders**		**46,815**	10,580

CK Hutchison Holdings Limited
Consolidated Statement of Financial Position
at 31 December 2017

2017 US$ million		Note	**2017 HK$ million**	2016 HK$ million
	Non-current assets			
20,358	Fixed assets	12	**158,789**	145,598
46	Investment properties	13	**360**	344
1,065	Leasehold land	14	**8,305**	8,155
3,496	Telecommunications licences	15	**27,271**	23,936
9,742	Brand names and other rights	16	**75,985**	73,625
32,735	Goodwill	17	**255,334**	254,748
18,634	Associated companies	18	**145,343**	150,406
20,786	Interests in joint ventures	19	**162,134**	106,253
2,589	Deferred tax assets	20	**20,195**	15,856
664	Other non-current assets	21	**5,180**	5,096
1,002	Liquid funds and other listed investments	22	**7,813**	5,954
111,117			**866,709**	789,971
	Current assets			
20,573	Cash and cash equivalents	23	**160,470**	156,270
6,585	Trade and other receivables	24	**51,368**	48,372
2,783	Inventories		**21,708**	18,852
29,941			**233,546**	223,494
	Current liabilities			
11,568	Trade and other payables	25	**90,228**	83,098
2,783	Bank and other debts	27	**21,712**	71,880
378	Current tax liabilities		**2,948**	2,334
14,729			**114,888**	157,312
15,212	Net current assets		**118,658**	66,182
126,329	Total assets less current liabilities		**985,367**	856,153
	Non-current liabilities			
39,779	Bank and other debts	27	**310,276**	231,260
403	Interest bearing loans from non-controlling shareholders	28	**3,143**	4,283
3,280	Deferred tax liabilities	20	**25,583**	23,692
483	Pension obligations	29	**3,770**	5,369
6,545	Other non-current liabilities	30	**51,048**	47,359
50,490			**393,820**	311,963
75,839	**Net assets**		**591,547**	544,190
	Capital and reserves			
495	Share capital	31 (a)	**3,858**	3,858
31,347	Share premium	31 (a)	**244,505**	244,505
3,779	Perpetual capital securities	31 (b)	**29,481**	30,510
23,294	Reserves	32	**181,693**	145,806
58,915	Total ordinary shareholders' funds and perpetual capital securities		**459,537**	424,679
16,924	Non-controlling interests		**132,010**	119,511
75,839	**Total equity**		**591,547**	544,190

CK Hutchison Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

		Attributable to						
		Ordinary shareholders						
Total equity US$ million		Share capital and share premium (a) HK$ million	Reserves (b) HK$ million	Sub-total HK$ million	Holders of perpetual capital securities HK$ million	Total ordinary shareholders' funds and perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
69,768	At 1 January 2017	248,363	145,806	394,169	30,510	424,679	119,511	544,190
5,590	Profit for the year	-	35,100	35,100	1,163	36,263	7,339	43,602
	Other comprehensive income (losses)							
	Available-for-sale investments							
19	Valuation gains recognised directly in reserves	-	145	145	-	145	4	149
(5)	Valuation gains previously in reserves recognised in income statement	-	(36)	(36)	-	(36)	-	(36)
222	Remeasurement of defined benefit obligations recognised directly in reserves	-	1,268	1,268	-	1,268	462	1,730
	Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)							
(15)	Losses recognised directly in reserves	-	(134)	(134)	-	(134)	20	(114)
-	Losses previously in reserves recognised in initial cost of non-financial items	-	1	1	-	1	-	1
(600)	Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	-	(3,847)	(3,847)	-	(3,847)	(836)	(4,683)
593	Gains on translating overseas subsidiaries' net assets recognised directly in reserves	-	2,551	2,551	-	2,551	2,074	4,625
5	Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	-	22	22	-	22	18	40
406	Share of other comprehensive income of associated companies	-	2,950	2,950	-	2,950	217	3,167
1,322	Share of other comprehensive income of joint ventures	-	8,989	8,989	-	8,989	1,326	10,315
(33)	Tax relating to components of other comprehensive income (losses)	-	(194)	(194)	-	(194)	(69)	(263)
1,914	Other comprehensive income, net of tax	-	11,715	11,715	-	11,715	3,216	14,931
7,504	Total comprehensive income	-	46,815	46,815	1,163	47,978	10,555	58,533
(962)	Dividends paid relating to 2016	-	(7,503)	(7,503)	-	(7,503)	-	(7,503)
(386)	Dividends paid relating to 2017	-	(3,009)	(3,009)	-	(3,009)	-	(3,009)
(614)	Dividends paid to non-controlling interests	-	-	-	-	-	(4,790)	(4,790)
(153)	Distribution paid on perpetual capital securities	-	-	-	(1,192)	(1,192)	-	(1,192)
859	Equity contribution from non-controlling interests	-	-	-	-	-	6,700	6,700
(1,128)	Redemption of perpetual capital securities (see note 31(b))	-	-	-	(8,800)	(8,800)	-	(8,800)
1,000	Issuance of perpetual capital securities (see note 31(b))	-	-	-	7,800	7,800	-	7,800
(8)	Transaction costs in relation to issuance of perpetual capital securities	-	(62)	(62)	-	(62)	-	(62)
(9)	Transaction costs in relation to issuance of shares of a subsidiary	-	(41)	(41)	-	(41)	(27)	(68)
(2)	Transaction costs in relation to equity contribution from non-controlling interests	-	(14)	(14)	-	(14)	(4)	(18)
2	Share option schemes and long term incentive plans of subsidiary companies	-	9	9	-	9	6	15
1	Unclaimed dividends write back of a subsidiary	-	6	6	-	6	-	6
13	Relating to acquisition of subsidiary companies	-	-	-	-	-	106	106
(46)	Relating to purchase of non-controlling interests	-	(342)	(342)	-	(342)	(19)	(361)
-	Relating to partial disposal of subsidiary companies	-	28	28	-	28	(28)	-
(1,433)		-	(10,928)	(10,928)	(2,192)	(13,120)	1,944	(11,176)
75,839	At 31 December 2017	248,363	181,693	430,056	29,481	459,537	132,010	591,547

CK Hutchison Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

		Attributable to						
		Ordinary shareholders						
Total equity US$ million		Share capital and share premium (a) HK$ million	Reserves (b) HK$ million	Sub-total HK$ million	Holders of perpetual capital securities HK$ million	Total ordinary shareholders' funds and perpetual capital securities HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
70,399	At 1 January 2016	248,551	144,884	393,435	35,153	428,588	120,523	549,111
5,373	Profit for the year	-	33,008	33,008	1,421	34,429	7,483	41,912
	Other comprehensive income (losses)							
	Available-for-sale investments							
(69)	Valuation losses recognised directly in reserves	-	(506)	(506)	-	(506)	(31)	(537)
69	Valuation losses previously in reserves recognised in income statement	-	462	462	-	462	79	541
(287)	Remeasurement of defined benefit obligations recognised directly in reserves	-	(1,590)	(1,590)	-	(1,590)	(649)	(2,239)
	Cash flow hedges (forward foreign currency contracts and interest rate swap contracts)							
(181)	Losses recognised directly in reserves	-	(1,180)	(1,180)	-	(1,180)	(231)	(1,411)
(2)	Gains previously in reserves recognised in initial cost of non-financial items	-	(12)	(12)	-	(12)	(1)	(13)
784	Gains on net investment hedges (forward foreign currency contracts) recognised directly in reserves	-	5,128	5,128	-	5,128	984	6,112
(2,362)	Losses on translating overseas subsidiaries' net assets recognised directly in reserves	-	(15,590)	(15,590)	-	(15,590)	(2,833)	(18,423)
(27)	Gains previously in exchange and other reserves related to subsidiaries disposed during the year recognised in income statement	-	(153)	(153)	-	(153)	(56)	(209)
(69)	Share of other comprehensive income (losses) of associated companies	-	31	31	-	31	(572)	(541)
(1,495)	Share of other comprehensive income (losses) of joint ventures	-	(9,403)	(9,403)	-	(9,403)	(2,260)	(11,663)
67	Tax relating to components of other comprehensive income (losses)	-	385	385	-	385	133	518
(3,572)	Other comprehensive income (losses), net of tax	-	(22,428)	(22,428)	-	(22,428)	(5,437)	(27,865)
1,801	Total comprehensive income	-	10,580	10,580	1,421	12,001	2,046	14,047
(915)	Dividends paid relating to 2015	-	(7,140)	(7,140)	-	(7,140)	-	(7,140)
(364)	Dividends paid relating to 2016	-	(2,837)	(2,837)	-	(2,837)	-	(2,837)
(610)	Dividends paid to non-controlling interests	-	-	-	-	-	(4,756)	(4,756)
(190)	Distribution paid on perpetual capital securities	-	-	-	(1,486)	(1,486)	-	(1,486)
1,340	Equity contribution from non-controlling interests	-	-	-	-	-	10,453	10,453
(1,000)	Redemption of perpetual capital securities by a subsidiary	-	-	-	-	-	(7,800)	(7,800)
(15)	Transaction costs in relation to equity contribution from non-controlling interests	-	(87)	(87)	-	(87)	(28)	(115)
(24)	Buy-back and cancellation of issued shares (see note 31(a)(i))	(188)	(1)	(189)	-	(189)	-	(189)
(587)	Redemption of perpetual capital securities (see note 31(b))	-	-	-	(4,578)	(4,578)	-	(4,578)
1	Share option schemes and long term incentive plans of subsidiary companies	-	5	5	-	5	2	7
1	Unclaimed dividends write back of a subsidiary	-	5	5	-	5	-	5
68	Relating to acquisition of subsidiary companies	-	-	-	-	-	531	531
(182)	Relating to purchase of non-controlling interests	-	(1,065)	(1,065)	-	(1,065)	(351)	(1,416)
45	Relating to partial disposal of subsidiary companies	-	1,462	1,462	-	1,462	(1,109)	353
(2,432)		(188)	(9,658)	(9,846)	(6,064)	(15,910)	(3,058)	(18,968)
69,768	At 31 December 2016	248,363	145,806	394,169	30,510	424,679	119,511	544,190

(a) See note 31(a) for further details on share capital and share premium.

(b) See note 32 for further details on reserves.

CK Hutchison Holdings Limited

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

2017 US$ million		Note	**2017 HK$ million**	2016 HK$ million
	Operating activities			
8,735	Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	33 (a)	**68,137**	62,051
(1,202)	Interest expenses and other finance costs paid (net of capitalisation)		**(9,375)**	(9,499)
(624)	Tax paid		**(4,870)**	(3,364)
6,909	**Funds from operations**		**53,892**	49,188
(38)	Changes in working capital	33 (b)	**(296)**	(8,850)
6,871	**Net cash from operating activities**		**53,596**	40,338
	Investing activities			
(3,015)	Purchase of fixed assets		**(23,521)**	(20,046)
(19)	Additions to leasehold land		**(149)**	-
(28)	Additions to telecommunications licences		**(216)**	(4,013)
(4)	Additions to brand names and other rights		**(29)**	(487)
(477)	Purchase of subsidiary companies	33 (c)	**(3,724)**	(333)
(17)	Additions to other unlisted investments		**(130)**	(87)
103	Repayments from associated companies and joint ventures		**804**	2,024
(4,846)	Purchase of and advances to associated companies and joint ventures		**(37,798)**	(2,066)
286	Proceeds on disposal of fixed assets		**2,231**	393
1,821	Proceeds on disposal of subsidiary companies	33 (d)	**14,201**	2,847
173	Proceeds on partial disposal / disposal of associated companies and joint ventures		**1,348**	-
2	Proceeds on disposal of other unlisted investments		**19**	107
(6,021)	Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments		**(46,964)**	(21,661)
36	Disposal of liquid funds and other listed investments		**278**	4,446
(256)	Additions to liquid funds and other listed investments		**(1,997)**	(812)
(6,241)	**Cash flows used in investing activities**		**(48,683)**	(18,027)
630	**Net cash inflow before financing activities**		**4,913**	22,311
	Financing activities			
12,883	New borrowings	33 (e)	**100,488**	76,306
(11,240)	Repayment of borrowings	33 (e)	**(87,674)**	(45,365)
(274)	Net loans from (to) non-controlling shareholders	33 (e)	**(2,139)**	59
203	Issue of equity securities by subsidiary companies to non-controlling shareholders		**1,584**	1,093
649	Proceeds on issue of perpetual capital securities by a subsidiary, net of transaction costs		**5,063**	9,245
-	Redemption of perpetual capital securities by a subsidiary		**-**	(7,800)
(9)	Transaction costs in relation to issuance of shares by a subsidiary		**(68)**	-
(46)	Payments to acquire additional interests in subsidiary companies		**(356)**	(339)
-	Proceeds on partial disposal of subsidiary companies		**-**	353
992	Proceeds on issue of perpetual capital securities, net of transaction costs		**7,738**	-
(1,128)	Redemption of perpetual capital securities		**(8,800)**	(4,210)
-	Payments for buy-back and cancellation of issued shares		**-**	(189)
(1,348)	Dividends paid to ordinary shareholders		**(10,512)**	(9,977)
(621)	Dividends paid to non-controlling interests		**(4,845)**	(4,902)
(153)	Distribution paid on perpetual capital securities		**(1,192)**	(1,486)
(92)	**Cash flows from (used in) financing activities**		**(713)**	12,788
538	Increase in cash and cash equivalents		**4,200**	35,099
20,035	Cash and cash equivalents at 1 January		**156,270**	121,171
20,573	**Cash and cash equivalents at 31 December**		**160,470**	156,270

CK Hutchison Holdings Limited
Consolidated Statement of Cash Flows
for the year ended 31 December 2017

2017 **US$ million**		Note	**2017** **HK$ million**	2016 HK$ million
	Analysis of cash, liquid funds and other listed investments			
20,573	Cash and cash equivalents, as above	23	**160,470**	156,270
1,002	Liquid funds and other listed investments	22	**7,813**	5,954
21,575	**Total cash, liquid funds and other listed investments**		**168,283**	162,224
42,712	Total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions	27	**333,155**	304,030
403	Interest bearing loans from non-controlling shareholders	28	**3,143**	4,283
21,540	**Net debt**		**168,015**	146,089
(403)	Interest bearing loans from non-controlling shareholders		**(3,143)**	(4,283)
21,137	**Net debt (excluding interest bearing loans from non-controlling shareholders)**		**164,872**	141,806

Notes to the Financial Statements

1 Basis of preparation

The consolidated financial statements of CK Hutchison Holdings Limited (the "Company" or "CK Hutchison") and its subsidiaries (the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These financial statements have been prepared under the historical cost convention except for defined benefit plans plan assets, certain properties and financial instruments which are measured at fair values, as explained in the significant accounting policies set out in note 2.

2 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2017. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

(a) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its direct and indirect subsidiary companies and also incorporate the Group's interests in associated companies and joint arrangements on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and joint arrangements acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2017 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the acquisition method.

(b) Subsidiary companies

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the consolidated financial statements, subsidiary companies are accounted for as described in note 2(a) above.

(c) Associated companies

An associate is an entity, other than a subsidiary or a joint venture, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

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

(d) Joint arrangements

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

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

2 Significant accounting policies (continued)

(e) Fixed assets

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

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

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

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

(f) Investment properties

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

(g) Leasehold land

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

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

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

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

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

(i) Telecommunications customer acquisition costs

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

(j) Goodwill

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

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

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

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

2 Significant accounting policies (continued)

(k) Contractual customer relationships

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

(l) Deferred tax

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

(n) Derivative financial instruments and hedging activities

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

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

2 Significant accounting policies (continued)

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

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

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

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

(o) Trade and other receivables

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

(p) Inventories

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

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(r) Borrowings and borrowing costs

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

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

(s) Trade and other payables

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

(t) Customer loyalty credits

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

(u) Share capital

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

2 Significant accounting policies (continued)

(v) Provisions

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

(w) Leased assets

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

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

(x) Asset impairment

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

(y) Pension plans

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

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

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

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

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

(z) Share-based payments

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

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

2 Significant accounting policies (continued)

(aa) Foreign exchange

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

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

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

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

All other exchange differences are recognised in the income statement.

(ab) Business combinations

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

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

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

2 Significant accounting policies (continued)

(ac) Revenue recognition

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

Ports and Related Services

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

Retail

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

Infrastructure

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

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

Energy

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

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

Telecommunications services

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

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

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

Other service income is recognised when the service is rendered.

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

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

Finance and investments

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

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

(ad) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Hong Kong dollars unless otherwise stated.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted

At the date these financial statements are authorised for issue, the following standards, amendments and interpretations were in issue, and applicable to the Group's financial statements for annual accounting periods beginning on or after 1 January 2018, but not yet effective and have not been early adopted by the Group:

Annual Improvements 2014-2016 Cycle (i)	Improvements to HKFRSs in relation to HKAS 28 "Investments in Associates and Joint Ventures"
Annual Improvements 2015-2017 Cycle (ii)	Improvements to HKFRSs
HKAS 28 (Amendments) (ii)	Long-term Interests in Associates and Joint Ventures
HKAS 40 (Amendments) (i)	Transfers of Investment Property
HKFRS 2 (Amendments) (i)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9 (i)	Financial Instruments
HKFRS 9 (Amendments) (ii)	Prepayment Features with Negative Compensation
HKFRS 15 (i)	Revenue from Contracts with Customers
HKFRS 15 (Amendments) (i)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKFRS 16 (ii)	Leases
HKFRS 10 and HKAS 28 (Amendments) (iii)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) Interpretation 22 (i)	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) Interpretation 23 (ii)	Uncertainty over Income Tax Treatments

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

The Group is continuing to assess the implications of the adoption of these standards.

(i) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group will adopt this new standard from 1 January 2018.

HKFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The new financial instruments standard eliminates the existing HKAS 39 Financial Instruments: Recognition and Measurement categories of held to maturity, loans and receivables and available-for-sale ("AFS").

Certain financial assets that are currently classified as loans and receivables and measured at amortised cost will be classified and measured as FVOCI or as FVPL under the new standard and certain financial assets that are currently classified as AFS equity securities will be classified and measured as FVPL under the new standard. Other than these changes, the Group does not expect the new guidance to result in any significant change on the classification and measurement of its financial assets for these reasons: (i) debt securities currently classified as AFS financial assets will satisfy the conditions for classification as FVOCI and hence there will be no change to the accounting for these assets; (ii) a FVOCI election is available for the equity securities which are currently classified as AFS financial assets. Whilst this election has no impact on the measurement of these assets, once the election is made the fair value gains or losses accumulated in the investment revaluation reserve account will not be reclassified to profit or loss following the derecognition of the particular investment, which is different from the current accounting treatment; (iii) equity securities currently measured at FVPL will continue to be measured on the same basis under HKFRS 9; and (iv) other loans and receivables financial assets currently measured at amortised cost will meet the conditions for classification at amortised cost under HKFRS 9.

There will not be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

(i) HKFRS 9 Financial Instruments (continued)

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model will apply to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects to apply the simplified approach to recognise lifetime expected losses for amounts due from customers. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are currently presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence expects to recognise 12-month expected credit losses for such items. The Group is continuing to assess the implications of applying the new impairment model. While the application of this new guidance represents a change in accounting, this is not expected to have a material impact on the Group's financial position and / or financial performance as, based on assessment today, the credit losses calculated pursuant to the new requirements for a number of the Group's operations are not expected to be significantly different from the amount recognised under their current credit loss provision practices.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's financial risk management practices. Generally, more hedge relationships might be eligible for hedge accounting under HKFRS 9, as the standard introduces a more principles-based approach. At this stage the Group does not expect to identify any new hedging relationships. The Group's current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9. As a consequence, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments when this new financial instruments standard is adopted in 2018.

Apart from providing more extensive disclosures on the Group's financial instruments transactions and introducing changes in the classification and measurement (including impairment) for financial assets, the Group does not expect the application of HKFRS 9 will have a significant impact on its financial position and / or financial performance.

Changes in accounting policies resulting from the adoption of HKFRS 9 will generally be applied retrospectively, except for hedge accounting and where the standard provides transition exemptions. The Group will elect to apply the transition exemptions, and comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will generally be recognised 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.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts, and the related Interpretations when it becomes effective. HKFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group will 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 HKFRS 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 as its current pricing practices are broadly consistent with this requirement. 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. On this basis, the revenue attributed to the respective distinct elements arising from the application of the new guidance is not expected to be significantly different from the amount recognised under the Group's current pricing practices.

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, the costs associated with obtaining a contract are expensed as incurred. The accounting for some of these costs will change upon adoption of HKFRS 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 incurred if the contract had not been obtained (for example, sales commissions payable on obtaining a contract). HKFRS 15 also requires some contract fulfillment costs, where they relate to performance obligation which is satisfied over time, to be recognised as an asset when incurred, and expensed on a systematic basis consistent with the pattern of satisfying the performance obligation.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

(ii) HKFRS 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. HKFRS 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.

Apart from providing more extensive disclosures on the Group's revenue transactions and introducing changes in accounting for the costs associated with obtaining a contract, the Group does not expect the application of HKFRS 15 will have a significant impact on its financial position and / or financial performance.

HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group will elect to apply 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 HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 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 will elect to apply the new standard only to contracts that are not completed contracts at 1 January 2018.

(iii) HKFRS 16 Leases

HKFRS 16 specifies how an entity will recognise, measure, present and disclose leases. HKFRS 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 balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 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 HKFRS 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 constant 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.

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 elect 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 HKFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 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 HKFRS 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.

2 Significant accounting policies (continued)

(ae) New standards and interpretations not yet adopted (continued)

The impact on adoption of these standards will be disclosed in the first set of consolidated financial statements issued by the Group following the initial application of the respective standard.

There are no other standards that have been issued but are not yet effective and upon their initial application that would be expected to have a material impact on the financial position and / or financial performance of the Group.

(af) Presentation of consolidated income statement line items

In connection with the reorganisation completed in 2015, the Group recognised in its 2015 consolidated income statement a net gain of HK$14,260 million on remeasurement of its previously held equity interest in former associated company Hutchison Whampoa Limited (“HWL”) and certain interests in co-owned assets. The Group presented this material profit and loss item separately as “Profits on disposal of investments” and reported it under an additional line item titled “Profits on disposal of investments and others” for an aggregate amount of HK$13,613 million in its 2015 consolidated income statement. The 2016 balance for the same consolidated income statement line item was a net loss of HK$344 million. Irrespective that the 2016 balance was not sufficiently material to warrant a separate presentation, the Group maintained the same presentation as 2015 in its 2016 consolidated financial statements in order to assist users of the financial statements to understand the Group’s 2015 financial performance.

If the same additional line item presentation is maintained, the current year consolidated income statement will show a net loss of HK$11 million for this item, compared to 2016’s balance of a net loss of HK$344 million. As the amounts for both the current year and the comparative 2016 year are insignificant, an insertion of the same additional income statement line item as 2015 and 2016 in the current year financial statements is considered unnecessary. Accordingly, the Group has reclassified the 2016 balance (which is a loss of HK$344 million) to “Other operating expenses” to conform to the current year presentation. While this reclassification impacted previously reported “Other operating expenses”, there was no impact on profit before tax and profit after tax in the consolidated income statement, and any of the other primary financial statements.

3 Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

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

(a) Basis of consolidation

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

(b) Long-lived assets

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

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

(c) Depreciation and amortisation

(i) Fixed assets

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

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

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

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

3 Critical accounting estimates and judgements (continued)

(c) Depreciation and amortisation (continued)

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

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

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

(iii) Telecommunications customer acquisition costs

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

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

(d) Goodwill

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

(e) Tax

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

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

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

(f) Business combinations and goodwill

As disclosed in note 2(ab), the Group applies the provisions of HKFRS 3 to transactions and other events that meet the definition of a business combination within the scope of HKFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

3 Critical accounting estimates and judgements (continued)

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

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

(h) Pension costs

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

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

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

(i) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(w). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(w). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

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

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

4 Revenue

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

	2017 **HK$ million**	2016 HK$ million
Sale of goods	**152,235**	152,606
Revenue from services	**92,035**	104,124
Interest	**4,135**	2,979
Dividend income	**110**	133
	248,515	259,842

5 Operating segment information

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

Ports and Related Services:
This division had 287 operational berths as at 31 December 2017.

Retail:
The Retail division had 14,124 stores across 24 markets as at 31 December 2017.

Infrastructure:
The Infrastructure division comprises a 75.67% interest in CK Infrastructure Holdings Limited ("CKI"), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), interests in certain co-owned infrastructure investments, and aircraft leasing business (which was disposed during 2016) are reported under this division.

Husky Energy:
This comprises the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange in Canada.

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

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

HTAL's share of VHA's results is presented within the line item titled "Finance & Investments and Others". See note 5(t).

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

Revenue from external customers is after elimination of inter-segment revenue. The amounts eliminated mainly attributable to Retail of HK$70 million (2016 - HK$52 million), Hutchison Telecommunications Hong Kong Holdings of HK$222 million (2016 - HK$297 million) and Hutchison Asia Telecommunications of HK$9 million (2016 - HK$11 million).

5 Operating segment information (continued)

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

	Revenue							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Ports and Related Services [#]	25,762	8,384	34,146	8%	24,027	8,157	32,184	9%
Retail	123,834	32,329	156,163	38%	121,969	29,533	151,502	40%
Infrastructure	18,599	38,770	57,369	14%	19,569	33,642	53,211	14%
Husky Energy	-	44,948	44,948	11%	-	30,467	30,467	8%
3 Group Europe	46,548	24,186	70,734	17%	58,417	3,998	62,415	16%
Hutchison Telecommunications Hong Kong Holdings	9,685	-	9,685	2%	12,133	-	12,133	3%
Hutchison Asia Telecommunications	7,695	-	7,695	2%	8,200	-	8,200	2%
Finance & Investments and Others	16,392	17,705	34,097	8%	15,527	16,684	32,211	8%
	248,515	166,322	414,837	100%	259,842	122,481	382,323	100%
Non-controlling interests' share of HPH Trust's revenue	-	1,069	1,069		-	1,017	1,017	
	248,515	167,391	415,906		259,842	123,498	383,340	

[#] includes the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2017. Revenue reduced by HK$1,069 million for 2017 (2016 - HK$1,017 million), being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

(b) The Group uses two measures of segment results, EBITDA (see note 5(m)) and EBIT (see note 5(n)). The following is an analysis of the Group's results by operating segments by EBITDA:

	EBITDA (m)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Ports and Related Services [#]	8,921	3,642	12,563	12%	7,705	3,934	11,639	12%
Retail	11,911	2,887	14,798	14%	11,949	2,618	14,567	16%
Infrastructure	10,451	22,582	33,033	32%	11,358	19,770	31,128	33%
Husky Energy	-	8,992	8,992	9%	-	9,284	9,284	10%
3 Group Europe	14,546	9,791	24,337	23%	17,242	1,702	18,944	20%
Hutchison Telecommunications Hong Kong Holdings (o)	4,272	65	4,337	4%	2,543	64	2,607	3%
Hutchison Asia Telecommunications	558	-	558	1%	2,298	-	2,298	2%
Finance & Investments and Others (p)	1,852	3,884	5,736	5%	258	3,800	4,058	4%
EBITDA	52,511	51,843	104,354	100%	53,353	41,172	94,525	100%
Non-controlling interests' share of HPH Trust's EBITDA	-	741	741		-	711	711	
EBITDA (see note 33(a))	52,511	52,584	105,095		53,353	41,883	95,236	
Depreciation and amortisation	(17,105)	(19,921)	(37,026)		(16,014)	(15,646)	(31,660)	
Interest expenses and other finance costs	(8,274)	(9,750)	(18,024)		(7,118)	(6,160)	(13,278)	
Current tax	(5,415)	(2,483)	(7,898)		(3,334)	(2,913)	(6,247)	
Deferred tax	2,599	(756)	1,843		(1,217)	(552)	(1,769)	
Non-controlling interests	(8,502)	(388)	(8,890)		(8,904)	(370)	(9,274)	
	15,814	19,286	35,100		16,766	16,242	33,008	

[#] includes the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2017. EBITDA reduced by HK$741 million for 2017 (2016 - HK$711 million), being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

5 Operating segment information (continued)

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

	EBIT [n]							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Ports and Related Services #	**6,008**	**2,211**	**8,219**	**12%**	5,019	2,548	7,567	12%
Retail	**9,821**	**2,268**	**12,089**	**18%**	10,028	2,031	12,059	19%
Infrastructure	**7,535**	**15,914**	**23,449**	**35%**	7,547	14,615	22,162	35%
Husky Energy	**-**	**2,703**	**2,703**	**4%**	-	3,429	3,429	6%
3 Group Europe								
EBITDA before the following non-cash items:	**14,546**	**9,791**	**24,337**		17,242	1,702	18,944	
Depreciation	**(3,968)**	**(1,103)**	**(5,071)**		(4,208)	(161)	(4,369)	
Amortisation of licence fees and other rights	**(1,164)**	**(1,535)**	**(2,699)**		(1,567)	(170)	(1,737)	
EBIT - **3** Group Europe	**9,414**	**7,153**	**16,567**	**25%**	11,467	1,371	12,838	20%
Hutchison Telecommunications Hong Kong Holdings (o)	**688**	**19**	**707**	**1%**	1,036	19	1,055	2%
Hutchison Asia Telecommunications	**226**	**-**	**226**	**-**	2,130	-	2,130	3%
Finance & Investments and Others (p)	**1,714**	**1,918**	**3,632**	**5%**	112	1,767	1,879	3%
EBIT	**35,406**	**32,186**	**67,592**	**100%**	37,339	25,780	63,119	100%
Non-controlling interests' share of HPH Trust's EBIT	**-**	**477**	**477**		-	457	457	
Interest expenses and other finance costs	**(8,274)**	**(9,750)**	**(18,024)**		(7,118)	(6,160)	(13,278)	
Current tax	**(5,415)**	**(2,483)**	**(7,898)**		(3,334)	(2,913)	(6,247)	
Deferred tax	**2,599**	**(756)**	**1,843**		(1,217)	(552)	(1,769)	
Non-controlling interests	**(8,502)**	**(388)**	**(8,890)**		(8,904)	(370)	(9,274)	
	15,814	**19,286**	**35,100**		16,766	16,242	33,008	

\# includes the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2017. EBIT reduced by HK$477 million for 2017 (2016 - HK$457 million), being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

5 Operating segment information (continued)

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

	Depreciation and amortisation					
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million
Ports and Related Services [#]	**2,913**	**1,431**	**4,344**	2,686	1,386	4,072
Retail	**2,090**	**619**	**2,709**	1,921	587	2,508
Infrastructure	**2,916**	**6,668**	**9,584**	3,811	5,155	8,966
Husky Energy	**-**	**6,289**	**6,289**	-	5,855	5,855
3 Group Europe	**5,132**	**2,638**	**7,770**	5,775	331	6,106
Hutchison Telecommunications Hong Kong Holdings (o)	**3,584**	**46**	**3,630**	1,507	45	1,552
Hutchison Asia Telecommunications	**332**	**-**	**332**	168	-	168
Finance & Investments and Others	**138**	**1,966**	**2,104**	146	2,033	2,179
	17,105	**19,657**	**36,762**	16,014	15,392	31,406
Non-controlling interests' share of HPH Trust's depreciation and amortisation	**-**	**264**	**264**	-	254	254
	17,105	**19,921**	**37,026**	16,014	15,646	31,660

[#] includes the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2017. Depreciation and amortisation reduced by HK$264 million for 2017 (2016 - HK$254 million), being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land HK$ million	**Telecom-munications licences HK$ million**	**Brand names and other rights HK$ million**	**2017 Total HK$ million**	Fixed assets, investment properties and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2016 Total HK$ million
Ports and Related Services	**3,700**	**-**	**3**	**3,703**	2,858	-	26	2,884
Retail	**3,148**	**-**	**-**	**3,148**	2,403	-	-	2,403
Infrastructure	**5,543**	**-**	**6**	**5,549**	5,532	-	18	5,550
Husky Energy	**-**	**-**	**-**	**-**	-	-	-	-
3 Group Europe	**7,880**	**197**	**3**	**8,080**	7,449	427	376	8,252
Hutchison Telecommunications Hong Kong Holdings	**1,018**	**-**	**9**	**1,027**	1,131	1,779	40	2,950
Hutchison Asia Telecommunications	**2,103**	**19**	**-**	**2,122**	439	1,807	-	2,246
Finance & Investments and Others	**278**	**-**	**8**	**286**	234	-	27	261
	23,670	**216**	**29**	**23,915**	20,046	4,013	487	24,546

5 Operating segment information (continued)

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

	Total assets							
	Company and Subsidiaries		**Investments in associated**		Company and Subsidiaries		Investments in associated	
	Segment assets [q] HK\$ million	**Deferred tax assets HK\$ million**	**companies and interests in joint ventures HK\$ million**	**2017 Total assets HK\$ million**	Segment assets [q] HK\$ million	Deferred tax assets HK\$ million	companies and interests in joint ventures HK\$ million	2016 Total assets HK\$ million
Ports and Related Services	**75,531**	**184**	**26,242**	**101,957**	72,286	151	25,982	98,419
Retail	**196,903**	**1,140**	**13,707**	**211,750**	191,458	871	11,181	203,510
Infrastructure	**172,958**	**489**	**157,420**	**330,867**	161,567	482	122,900	284,949
Husky Energy	**-**	**-**	**62,976**	**62,976**	-	-	58,709	58,709
3 Group Europe	**114,415**	**18,015**	**32,723**	**165,153**	93,493	14,270	24,365	132,128
Hutchison Telecommunications Hong Kong Holdings	**23,500**	**338**	**434**	**24,272**	26,628	53	459	27,140
Hutchison Asia Telecommunications	**7,973**	**-**	**-**	**7,973**	5,111	-	-	5,111
Finance & Investments and Others	**181,303**	**29**	**13,975**	**195,307**	190,407	29	13,063	203,499
	772,583	**20,195**	**307,477**	**1,100,255**	740,950	15,856	256,659	1,013,465

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

	Total liabilities							
	Segment liabilities [r] HK\$ million	**Current & non-current borrowings and other non-current liabilities HK\$ million**	**Current & deferred tax liabilities HK\$ million**	**2017 Total liabilities HK\$ million**	Segment liabilities [r] HK\$ million	Current & non-current borrowings and other non-current liabilities HK\$ million	Current & deferred tax liabilities HK\$ million	2016 Total liabilities HK\$ million
Ports and Related Services	**13,746**	**16,652**	**4,624**	**35,022**	15,888	15,212	4,485	35,585
Retail	**25,813**	**13,768**	**10,523**	**50,104**	23,929	12,428	10,322	46,679
Infrastructure	**15,305**	**102,354**	**7,165**	**124,824**	14,448	72,881	6,120	93,449
Husky Energy	**-**	**-**	**-**	**-**	-	-	-	-
3 Group Europe	**23,866**	**14,759**	**460**	**39,085**	17,954	12,223	32	30,209
Hutchison Telecommunications Hong Kong Holdings	**2,229**	**4,286**	**3**	**6,518**	3,615	4,926	579	9,120
Hutchison Asia Telecommunications	**5,219**	**17,010**	**3**	**22,232**	4,616	16,990	2	21,608
Finance & Investments and Others	**7,820**	**217,350**	**5,753**	**230,923**	8,017	220,122	4,486	232,625
	93,998	**386,179**	**28,531**	**508,708**	88,467	354,782	26,026	469,275

5 Operating segment information (continued)

Additional information in respect of geographical locations

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

	Revenue							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Hong Kong	**40,302**	**4,963**	**45,265**	**11%**	44,859	5,107	49,966	13%
Mainland China	**29,446**	**7,234**	**36,680**	**9%**	29,178	6,585	35,763	9%
Europe	**117,303**	**77,602**	**194,905**	**47%**	127,743	52,906	180,649	48%
Canada (s)	**469**	**43,852**	**44,321**	**11%**	478	29,514	29,992	8%
Asia, Australia and Others	**44,603**	**14,966**	**59,569**	**14%**	42,057	11,685	53,742	14%
Finance & Investments and Others	**16,392**	**17,705**	**34,097**	**8%**	15,527	16,684	32,211	8%
	248,515	**166,322**	**414,837** (1)	**100%**	259,842	122,481	382,323 (1)	100%

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

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

	EBITDA (m)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Hong Kong	**3,864**	**2,506**	**6,370**	**6%**	2,766	2,034	4,800	5%
Mainland China	**4,873**	**4,806**	**9,679**	**9%**	5,802	4,165	9,967	11%
Europe	**31,424**	**24,867**	**56,291**	**54%**	34,113	16,789	50,902	54%
Canada (s)	**299**	**7,598**	**7,897**	**8%**	347	8,200	8,547	9%
Asia, Australia and Others	**10,199**	**8,182**	**18,381**	**18%**	10,067	6,184	16,251	17%
Finance & Investments and Others (p)	**1,852**	**3,884**	**5,736**	**5%**	258	3,800	4,058	4%
EBITDA	**52,511**	**51,843**	**104,354** (2)	**100%**	53,353	41,172	94,525 (2)	100%

(2) see note 5(b) for reconciliation to total EBITDA included in the Group’s income statement.

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

	EBIT (n)							
	Company and Subsidiaries HK$ million	**Associates and JV HK$ million**	**2017 Total HK$ million**	**%**	Company and Subsidiaries HK$ million	Associates and JV HK$ million	2016 Total HK$ million	%
Hong Kong	**110**	**1,472**	**1,582**	**2%**	927	991	1,918	3%
Mainland China	**3,836**	**3,221**	**7,057**	**10%**	4,831	2,662	7,493	12%
Europe	**21,978**	**18,335**	**40,313**	**60%**	23,669	13,094	36,763	58%
Canada (s)	**276**	**1,932**	**2,208**	**4%**	249	3,120	3,369	5%
Asia, Australia and Others	**7,492**	**5,308**	**12,800**	**19%**	7,551	4,146	11,697	19%
Finance & Investments and Others (p)	**1,714**	**1,918**	**3,632**	**5%**	112	1,767	1,879	3%
EBIT	**35,406**	**32,186**	**67,592** (3)	**100%**	37,339	25,780	63,119 (3)	100%

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

5 Operating segment information (continued)

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

	Capital expenditure							
	Fixed assets, investment properties and leasehold land HK$ million	**Telecom-munications licences HK$ million**	**Brand names and other rights HK$ million**	**2017 Total HK$ million**	Fixed assets, investment properties and leasehold land HK$ million	Telecom-munications licences HK$ million	Brand names and other rights HK$ million	2016 Total HK$ million
Hong Kong	**1,569**	**-**	**9**	**1,578**	1,575	1,779	40	3,394
Mainland China	**1,239**	**-**	**-**	**1,239**	952	-	-	952
Europe	**14,545**	**197**	**3**	**14,745**	13,876	427	376	14,679
Canada	**182**	**-**	**-**	**182**	27	-	-	27
Asia, Australia and Others	**5,857**	**19**	**9**	**5,885**	3,382	1,807	44	5,233
Finance & Investments and Others	**278**	**-**	**8**	**286**	234	-	27	261
	23,670	**216**	**29**	**23,915**	20,046	4,013	487	24,546

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

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets [(q)] **HK$ million**	**Deferred tax assets HK$ million**	**Investments in associated companies and interests in joint ventures HK$ million**	**2017 Total assets HK$ million**	Segment assets [(q)] HK$ million	Deferred tax assets HK$ million	Investments in associated companies and interests in joint ventures HK$ million	2016 Total assets HK$ million
Hong Kong	**55,423**	**366**	**22,521**	**78,310**	66,608	94	38,123	104,825
Mainland China	**48,697**	**726**	**27,190**	**76,613**	48,818	479	29,014	78,311
Europe	**370,864**	**18,830**	**120,642**	**510,336**	335,587	15,022	87,365	437,974
Canada [(s)]	**6,249**	**3**	**63,977**	**70,229**	4,732	8	53,543	58,283
Asia, Australia and Others	**110,047**	**241**	**59,172**	**169,460**	94,798	224	35,551	130,573
Finance & Investments and Others	**181,303**	**29**	**13,975**	**195,307**	190,407	29	13,063	203,499
	772,583	**20,195**	**307,477**	**1,100,255**	740,950	15,856	256,659	1,013,465

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

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

5 Operating segment information (continued)

(o) During the year, HTHKH disposed of its fixed-line telecommunications business and reported a one-off gain of HK$5,614 million. HTHKH also reported a one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau. The Group's share of this disposal gain is approximately HK$2,034 million at the EBITDA (included in Other operating expenses) level and EBIT level. The Group's share of these accelerated depreciation charges is approximately HK$2,182 million at the EBIT level (included in Depreciation and amortisation).

(p) EBITDA and EBIT (included in Other operating expenses) of Finance & Investments and Others include a disposal gain of a manufacturing plant in Mainland China amounting to approximately HK$1,922 million and hedging losses of approximately HK$1,173 million on settlement of forward contracts against the Group's earnings in British Pounds, Euro and Renminbi.

(q) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, brand names and other rights, goodwill, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and Others amounted to HK$81,118 million (2016 - HK$116,283 million), HK$84,307 million (2016 - HK$85,976 million), HK$443,138 million (2016 - HK$383,148 million), HK$68,789 million (2016 - HK$58,432 million) and HK$156,169 million (2016 - HK$119,226 million) respectively.

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

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

(t) In this Operating segment information note, HTAL's share of VHA's results is presented within the line item titled "Finance & Investments and Others". Previously, this item was presented within the line item titled "Profits on disposal of investments and others". This change in presentation is to reflect the effect of the change in consolidated income statement line items presentation disclosed under note 2(af). Accordingly, certain comparative figures in this Operating segment information note have been reclassified to conform to the presentation adopted for the current year. This reclassification impacted certain previously reported figures in the Operating segment information note for "Finance & Investments and Others", and also impacted certain previously reported figures under the columns headed "Associates and JV" and "Total" in respect of the sub-total and total figures for Revenue and Depreciation and amortisation, sub-total figures for EBITDA and EBIT, and Interest expenses and other finance costs.

6 Directors' emoluments

	2017 **HK$ million**	2016 HK$ million
Directors' emoluments	**512**	488

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments exclude amounts received from the Company's listed subsidiaries and paid to the Company. The amounts disclosed above are the amounts recognised as directors' emolument expenses in the Group's income statement for 2017 and 2016.

Further details of the directors' emoluments of HK$511.95 million (2016 - HK$487.61 million) are set out in note 6(a).

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2016 - nil).

In 2017, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind - HK$4.73 million; provident fund contribution - HK$0.3 million and discretionary bonus - HK$28.34 million.

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

6 Directors' emoluments (continued)

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

	2017					
Name of directors	**Director's fees HK$ million**	**Basic salaries, allowances and benefits-in-kind HK$ million**	**Discretionary bonuses HK$ million**	**Provident fund contributions HK$ million**	**Inducement or compensation fees HK$ million**	**Total emoluments HK$ million**
LI Ka-shing (1) (7)	**0.01**	-	-	-	-	**0.01**
LI Tzar Kuoi, Victor						
Paid by the Company	**0.22**	**4.89**	**63.87**	-	-	**68.98**
Paid by CKI	**0.08**	-	**32.27**	-	-	**32.35**
	0.30	**4.89**	**96.14**	-	-	**101.33**
FOK Kin Ning, Canning (2)	**0.22**	**11.59**	**197.68**	**1.04**	-	**210.53**
Frank John SIXT (2)	**0.22**	**8.64**	**52.58**	**0.75**	-	**62.19**
IP Tak Chuen, Edmond						
Paid by the Company	**0.22**	**1.62**	**10.07**	-	-	**11.91**
Paid by CKI	**0.08**	**1.80**	**11.35**	-	-	**13.23**
	0.30	**3.42**	**21.42**	-	-	**25.14**
KAM Hing Lam						
Paid by the Company	**0.22**	**2.42**	**9.88**	-	-	**12.52**
Paid by CKI	**0.08**	**4.20**	**11.35**	-	-	**15.63**
	0.30	**6.62**	**21.23**	-	-	**28.15**
LAI Kai Ming, Dominic (2)	**0.22**	**5.84**	**52.01**	**1.10**	-	**59.17**
Edith SHIH (3)	**0.22**	**4.30**	**17.13**	**0.36**	-	**22.01**
CHOW Kun Chee, Roland (4)	**0.22**	-	-	-	-	**0.22**
CHOW WOO Mo Fong, Susan (3) (4)	**0.22**	-	-	-	-	**0.22**
LEE Yeh Kwong, Charles (4)	**0.22**	-	-	-	-	**0.22**
LEUNG Siu Hon (4)	**0.22**	-	-	-	-	**0.22**
George Colin MAGNUS (4)						
Paid by the Company	**0.22**	-	-	-	-	**0.22**
Paid by CKI	**0.08**	-	-	-	-	**0.08**
	0.30	-	-	-	-	**0.30**
KWOK Tun-li, Stanley (5) (6)	**0.35**	-	-	-	-	**0.35**
CHENG Hoi Chuen, Vincent (5) (6) (7)	**0.41**	-	-	-	-	**0.41**
Michael David KADOORIE (5)	**0.22**	-	-	-	-	**0.22**
LEE Wai Mun, Rose (5)	**0.22**	-	-	-	-	**0.22**
William SHURNIAK (5) (6)	**0.35**	-	-	-	-	**0.35**
WONG Chung Hin (5) (6) (7)	**0.41**	-	-	-	-	**0.41**
WONG Yick-ming, Rosanna (5) (7)	**0.28**	-	-	-	-	**0.28**
Total	**5.21**	**45.30**	**458.19**	**3.25**	-	**511.95**

6 Directors' emoluments (continued)

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

	2016					
Name of directors	Director's fees HK$ million	Basic salaries, allowances and benefits-in-kind HK$ million	Discretionary bonuses HK$ million	Provident fund contributions HK$ million	Inducement or compensation fees HK$ million	Total emoluments HK$ million
LI Ka-shing (1) (7)	0.01	-	-	-	-	0.01
LI Tzar Kuoi, Victor						
Paid by the Company	0.22	4.89	53.87	-	-	58.98
Paid by CKI	0.08	-	30.44	-	-	30.52
	0.30	4.89	84.31	-	-	89.50
FOK Kin Ning, Canning (2)	0.22	11.60	186.99	1.95	-	200.76
CHOW WOO Mo Fong, Susan (2) (8)	0.13	5.08	34.83	1.00	-	41.04
Frank John SIXT (2)	0.22	8.55	42.58	0.75	-	52.10
IP Tak Chuen, Edmond						
Paid by the Company	0.22	1.62	9.59	-	-	11.43
Paid by CKI	0.08	1.80	11.02	-	-	12.90
	0.30	3.42	20.61	-	-	24.33
KAM Hing Lam						
Paid by the Company	0.22	2.42	9.59	-	-	12.23
Paid by CKI	0.08	4.20	11.02	-	-	15.30
	0.30	6.62	20.61	-	-	27.53
LAI Kai Ming, Dominic (2)	0.22	5.82	42.00	1.10	-	49.14
CHOW Kun Chee, Roland (4)	0.22	-	-	-	-	0.22
LEE Yeh Kwong, Charles (4)	0.22	-	-	-	-	0.22
LEUNG Siu Hon (4)	0.22	-	-	-	-	0.22
George Colin MAGNUS (4)						
Paid by the Company	0.22	-	-	-	-	0.22
Paid by CKI	0.08	-	-	-	-	0.08
	0.30	-	-	-	-	0.30
KWOK Tun-li, Stanley (5) (6)	0.35	-	-	-	-	0.35
CHENG Hoi Chuen, Vincent (5) (6) (7)	0.41	-	-	-	-	0.41
Michael David KADOORIE (5)	0.22	-	-	-	-	0.22
LEE Wai Mun, Rose (5)	0.22	-	-	-	-	0.22
William SHURNIAK (5) (6)	0.35	-	-	-	-	0.35
WONG Chung Hin (5) (6) (7)	0.41	-	-	-	-	0.41
WONG Yick-ming, Rosanna (5) (7)	0.28	-	-	-	-	0.28
Total	4.90	45.98	431.93	4.80	-	487.61

(1) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$5,000 (2016 - HK$5,000). The amount of director's fee shown above is a result of rounding.

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

(3) Appointed on 1 January 2017.

(4) Non-executive director.

(5) Independent non-executive director. The total emoluments of the independent non-executive directors of the Company are HK$2.24 million (2016 - HK$2.24 million).

(6) Member of the Audit Committee.

(7) Member of the Remuneration Committee.

(8) Retired on 1 August 2016.

7 Interest expenses and other finance costs

	2017 **HK$ million**	2016 HK$ million
Bank loans and overdrafts	**1,556**	1,588
Other loans	**264**	200
Notes and bonds	**7,605**	7,759
Interest bearing loans from non-controlling shareholders	**260**	274
Other finance costs	**60**	4
	9,745	9,825
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**210**	99
Other non-cash interest adjustments (a)	**(1,311)**	(2,480)
	8,644	7,444
Less: interest capitalised (b)	**(370)**	(326)
	8,274	7,118

(a) Other non-cash interest adjustments represent amortisation of bank and other debts' fair value adjustments arising from acquisitions of HK$1,725 million (2016 - HK$2,741 million) net with notional adjustments to the carrying amount of certain obligations recognised in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future of HK$414 million (2016 - HK$261 million).

(b) Borrowing costs have been capitalised at various applicable rates ranging from 4.6% to 6.2% per annum (2016 - 0.4% to 6.2% per annum).

8 Tax

	2017 **HK$ million**	2016 HK$ million
Current tax charge		
Hong Kong	**598**	382
Outside Hong Kong	**4,817**	2,952
	5,415	3,334
Deferred tax charge (credit)		
Hong Kong	**(255)**	72
Outside Hong Kong	**(2,344)**	1,145
	(2,599)	1,217
	2,816	4,551

Hong Kong profits tax has been provided for at the rate of 16.5% (2016 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

8 Tax (continued)

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

	2017 **HK$ million**	2016 HK$ million
Tax calculated at the domestic rates applicable in the country concerned	**7,101**	6,950
Tax effect of:		
Tax losses not recognised	**1,474**	585
Income not subject to tax	**(1,847)**	(1,077)
Expenses not deductible for tax purposes	**1,535**	1,413
Recognition of previously unrecognised tax losses	**(2,010)**	(1,812)
Utilisation of previously unrecognised tax losses	**(926)**	(988)
Under provision in prior years	**33**	72
Other temporary differences	**(2,456)**	(454)
Effect of change in tax rate	**(88)**	(138)
Total tax for the year	**2,816**	4,551

9 Earnings per share for profit attributable to ordinary shareholders

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company of HK$35,100 million (2016 - HK$33,008 million) and on 3,857,678,500 shares in issue during 2017 (2016 - weighted average number of shares outstanding during 2016 - 3,859,441,388 shares).

The Company does not have a share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2017 and 2016. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2017 and 2016 did not have a dilutive effect on earnings per share.

10 Distributions and dividends

(a) Distribution paid on perpetual capital securities

	2017 **HK$ million**	2016 HK$ million
Distribution paid on perpetual capital securities	**1,192**	1,486

(b) Dividends

	2017 **HK$ million**	2016 HK$ million
Interim dividend, paid of HK$0.78 per share (2016 - HK$0.735 per share)	**3,009**	2,837
Final dividend, proposed of HK$2.07 per share (2016 - HK$1.945 per share)	**7,985**	7,503
	10,994	10,340

In 2017, the calculation of the interim dividend and final dividend is based on 3,857,678,500 shares (2016 - 3,859,678,500 shares for interim dividend and 3,857,678,500 shares for final dividend) in issue.

11 Other comprehensive income (losses)

	2017 **Before-tax amount HK$ million**	**Tax effect HK$ million**	**Net-of-tax amount HK$ million**
Available-for-sale investments			
Valuation gains recognised directly in reserves	**149**	**-**	**149**
Valuation gains previously in reserves recognised in income statement	**(36)**	**-**	**(36)**
Remeasurement of defined benefit obligations recognised directly in reserves	**1,730**	**(213)**	**1,517**
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)			
Losses recognised directly in reserves	**(114)**	**(50)**	**(164)**
Losses previously in reserves recognised in initial cost of non-financial items	**1**	**-**	**1**
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	**(4,683)**	**-**	**(4,683)**
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	**4,625**	**-**	**4,625**
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	**40**	**-**	**40**
Share of other comprehensive income of associated companies	**3,167**	**-**	**3,167**
Share of other comprehensive income of joint ventures	**10,315**	**-**	**10,315**
	15,194	**(263)**	**14,931**

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

12 Fixed assets

	Land and buildings HK$ million	Telecom-munications network assets HK$ million	Aircraft HK$ million	Other assets [(a)] HK$ million	Total HK$ million
Cost					
At 1 January 2016	26,294	30,091	14,274	117,203	187,862
Additions	1,125	1,113	1	17,807	20,046
Relating to subsidiaries acquired (see note 33(c))	26	1,690	-	400	2,116
Disposals	(4)	(92)	(188)	(442)	(726)
Relating to subsidiaries disposed (see note 33(d))	(1,391)	(4,854)	(14,087)	(4,496)	(24,828)
Transfer from (to) other assets	32	-	-	(2,394)	(2,362)
Transfer between categories	219	6,088	-	(6,097)	210
Exchange translation differences	(1,934)	(1,975)	-	(15,074)	(18,983)
At 31 December 2016 and 1 January 2017	**24,367**	**32,061**	**-**	**106,907**	**163,335**
Additions	**1,632**	**3,336**	**-**	**18,553**	**23,521**
Relating to subsidiaries acquired (see note 33(c))	**4**	**334**	**-**	**107**	**445**
Disposals	**(71)**	**(2,797)**	**-**	**(959)**	**(3,827)**
Relating to subsidiaries disposed (see note 33(d))	**(35)**	**(7,618)**	**-**	**(625)**	**(8,278)**
Transfer between categories	**(44)**	**5,244**	**-**	**(4,935)**	**265**
Exchange translation differences	**1,396**	**2,393**	**-**	**9,102**	**12,891**
At 31 December 2017	**27,249**	**32,953**	**-**	**128,150**	**188,352**
Accumulated depreciation and impairment					
At 1 January 2016	442	1,997	623	4,945	8,007
Charge for the year	1,114	4,041	642	7,465	13,262
Disposals	(2)	(42)	(7)	(172)	(223)
Relating to subsidiaries disposed (see note 33(d))	(22)	(760)	(1,258)	(56)	(2,096)
Transfer from (to) other assets	3	-	-	(410)	(407)
Transfer between categories	18	334	-	(142)	210
Exchange translation differences	(106)	(258)	-	(652)	(1,016)
At 31 December 2016 and 1 January 2017	**1,447**	**5,312**	**-**	**10,978**	**17,737**
Charge for the year	**1,015**	**5,848**	**-**	**7,816**	**14,679**
Disposals	**(23)**	**(2,753)**	**-**	**(696)**	**(3,472)**
Relating to subsidiaries disposed (see note 33(d))	**(5)**	**(1,406)**	**-**	**(134)**	**(1,545)**
Transfer between categories	**(177)**	**165**	**-**	**277**	**265**
Exchange translation differences	**146**	**727**	**-**	**1,026**	**1,899**
At 31 December 2017	**2,403**	**7,893**	**-**	**19,267**	**29,563**
Net book value					
At 31 December 2017	**24,846**	**25,060**	**-**	**108,883**	**158,789**
At 31 December 2016	22,920	26,749	-	95,929	145,598
At 1 January 2016	25,852	28,094	13,651	112,258	179,855

(a) Cost and net book value of other assets include HK$22,937 million (2016 - HK$19,303 million) and HK$19,287 million (2016 - HK$17,306 million) respectively relate to the business of Ports and Related Services, and HK$80,475 million (2016 - HK$68,749 million) and HK$72,599 million (2016 - HK$64,421 million) respectively relate to the business of Infrastructure.

12 Fixed assets (continued)

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

	2017 **HK$ million**	2016 HK$ million
Within 1 year	**3,317**	3,744
After 1 year, but within 5 years	**5,199**	7,194
After 5 years	**1,468**	1,909

13 Investment properties

	2017 **HK$ million**	2016 HK$ million
Valuation		
At 1 January	**344**	334
Increase in fair value of investment properties	**16**	10
At 31 December	**360**	344

Investment properties have been fair valued as at 31 December 2017 and 31 December 2016 by DTZ Debenham Tie Leung Limited, professional valuers.

As at 31 December 2017 and 2016, the fair value of investment properties which reflects the highest and best use was arrived at by reference to comparable market transactions and also taking reference of capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

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

As at 31 December 2017 and 2016, the Group's aggregate future minimum lease receivable under non-cancellable operating leases is not material.

14 Leasehold land

	2017 **HK$ million**	2016 HK$ million
Net book value		
At 1 January	**8,155**	7,215
Additions	**149**	-
Relating to subsidiaries acquired (see note 33(c))	**105**	1,877
Amortisation for the year	**(428)**	(416)
Relating to subsidiaries disposed (see note 33(d))	**-**	(257)
Exchange translation differences	**324**	(264)
At 31 December	**8,305**	8,155

15 Telecommunications licences

	2017 **HK$ million**	2016 HK$ million
Net book value		
At 1 January	**23,936**	32,608
Additions	**216**	4,013
Relating to subsidiaries acquired (see note 33(c))	**1,962**	-
Amortisation for the year	**(998)**	(823)
Relating to subsidiaries disposed (see note 33(d))	**-**	(8,899)
Exchange translation differences	**2,155**	(2,963)
At 31 December	**27,271**	23,936
Cost	**29,507**	25,027
Accumulated amortisation and impairment	**(2,236)**	(1,091)
	27,271	23,936

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

The Group's telecommunications licences in the UK are considered to have an indefinite useful life and their carrying amount at 31 December 2017 is £1,555 million (2016 - £1,359 million).

16 Brand names and other rights

	Brand names **HK$ million**	**Other rights** **HK$ million**	**Total** **HK$ million**
Net book value			
At 1 January 2016	66,172	16,061	82,233
Additions	-	487	487
Transfer from other assets	-	2,304	2,304
Amortisation for the year	(12)	(1,501)	(1,513)
Relating to subsidiaries disposed (see note 33(d))	(2,099)	(2,234)	(4,333)
Exchange translation differences	(3,941)	(1,612)	(5,553)
At 31 December 2016 and 1 January 2017	**60,120**	**13,505**	**73,625**
Additions	**-**	**29**	**29**
Relating to subsidiaries acquired (see note 33(c))	**-**	**134**	**134**
Amortisation for the year	**(12)**	**(988)**	**(1,000)**
Relating to subsidiaries disposed (see note 33(d))	**-**	**(503)**	**(503)**
Exchange translation differences	**2,677**	**1,023**	**3,700**
At 31 December 2017	**62,785**	**13,200**	**75,985**
Cost	**62,817**	**15,625**	**78,442**
Accumulated amortisation	**(32)**	**(2,425)**	**(2,457)**
	62,785	**13,200**	**75,985**

The carrying amount of brand names and other rights primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. At 31 December 2017,

- brand names relate to Retail of approximately HK$51 billion (2016 - HK$49 billion) and Telecommunications of approximately HK$12 billion (2016 - HK$11 billion) are considered to have an indefinite useful life; and

- other rights, which include rights of use of telecommunications network infrastructure sites of HK$711 million (2016 - HK$750 million), operating and service content rights of HK$9,903 million (2016 - HK$10,000 million), resource consents and customer lists of HK$2,586 million (2016 - HK$2,755 million) are amortised over their finite useful lives.

17 Goodwill

	2017 **HK$ million**	2016 HK$ million
Cost		
At 1 January	**254,748**	261,449
Relating to subsidiaries acquired (see note 33(c))	**1,271**	27
Relating to subsidiaries disposed (see note 33(d))	**(5,929)**	-
Exchange translation differences	**5,244**	(6,728)
At 31 December	**255,334**	254,748

Goodwill primarily arises from the acquisition of HWL's businesses pursuant to the Merger Proposal in 2015. As at 31 December 2017, the carrying amount of goodwill has been mainly allocated to Retail of approximately HK$114 billion (2016 - HK$114 billion) and CKI of approximately HK$39 billion (2016 - HK$39 billion).

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are allocated to business units and divisions as described in notes 15, 16 and in this note. In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit or division on which these assets are allocated is compared with its recoverable amount, which is the higher of the asset's fair value less costs to dispose and value in use. The recoverable amounts are determined, where applicable, by reference to the prevailing trading prices and with consideration for premium over the Group's controlling block of shares held (Level 3 of the HKFRS 13 fair value hierarchy), or by utilising cash flow projections based on the latest approved financial budgets for 5 years discounted to present value at a pre-tax rate of 3% to 8% (2016 - 3% to 9%) and where applicable, in the calculation, the cash flows beyond the 5 year period have been extrapolated using a growth rate of 1% to 4% (2016 - 1% to 4%) per annum. The Group prepared the financial budgets reflecting current and prior year performances, market development expectations, including the expected market share and growth momentum, and where available and relevant, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the expected growth in revenues and gross margin, inventory level, volume and operating costs, timing of future capital expenditures, growth rates and selection of discount rates and, where applicable, for the fair value less cost of disposal calculation, the prevailing trading prices, the earning multiple and control premium that can be realised for the estimated fair value. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions. The results of the tests undertaken as at 31 December 2017 and 2016 indicated no impairment charge was necessary.

18 Associated companies

	2017 **HK$ million**	2016 HK$ million
Unlisted shares	**8,917**	8,553
Listed shares, Hong Kong	**64,408**	65,803
Listed shares, outside Hong Kong	**78,202**	78,095
Share of undistributed post acquisition reserves	**(10,341)**	(6,636)
	141,186	145,815
Amounts due from (net with amounts due to) associated companies (a)	**4,157**	4,591
	145,343	150,406

The market value of the above listed investments at 31 December 2017 was HK$116,870 million (2016 - HK$114,919 million), inclusive of HK$43,574 million (2016 - HK$38,080 million) and HK$53,505 million (2016 - HK$56,703 million) for material associated companies, namely Husky Energy and Power Assets Holdings Limited ("Power Assets") respectively.

18 Associated companies (continued)

(a) Amounts due from (net with amounts due to) associated companies

	2017 **HK$ million**	2016 HK$ million
Amounts due from associated companies [(i)]		
Interest free	**340**	148
Interest bearing at fixed rates [(ii)]	**3,444**	3,667
Interest bearing at floating rates [(iii)]	**907**	1,310
	4,691	5,125
Amount due to an associated company [(iv)]		
Interest free	**534**	534
Amounts due from (net with amounts due to) associated companies	**4,157**	4,591

(i) At 31 December 2017 and 2016, the amounts due from associated companies are unsecured and have no fixed terms of repayment except for HK$592 million which are repayable within one to four years (2016 - HK$982 million which are repayable within one to five years).

(ii) At 31 December 2017, HK$3,444 million (2016 - HK$3,667 million) bear interests at fixed rates ranging from approximately 10.9% to 11.2% (2016 - 6.5% to 11.2%) per annum.

(iii) At 31 December 2017, HK$907 million (2016 - HK$1,310 million) bear interests at floating rates ranging from approximately 2.0% to 2.3% (2016 - 1.9% to 8.5%) per annum with reference to Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate and London Interbank Offered Rate, as applicable.

(iv) At 31 December 2017 and 2016, the amount due to an associated company is unsecured and has no fixed terms of repayment.

There are no material contingent liabilities relating to the Group's interests in the associated companies, save as for those disclosed in note 37.

Set out below are additional information in respect of the Group's material associated companies in 2017:

	2017	
	Material associated companies	
	Husky Energy **HK$ million**	**Power Assets** **HK$ million**
Dividends received from associated companies	**-**	**12,685**
Gross amount of the following items of the associated companies [(b)]:		
Total revenue	**111,858**	**1,420**
EBITDA	**22,378**	**19,243**
EBIT	**6,726**	**14,121**
Other comprehensive income	**4,780**	**1,482**
Total comprehensive income	**10,547**	**9,801**
Current assets	**34,145**	**25,574**
Non-current assets	**228,164**	**118,935**
Current liabilities	**21,323**	**6,832**
Non-current liabilities	**79,853**	**4,589**
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	**156,695**	**133,088**
Reconciliation to the carrying amount of the Group's interests in associated companies:		
Group's interest	**40.2%**	**38.0%**
Group's share of net assets, and its carrying amount	**62,976**	**50,591**

18 Associated companies (continued)

Set out below are additional information in respect of the Group's material associated companies in 2017 (continued):

	Husky Energy HK$ million	**Power Assets HK$ million**	**Other associated companies HK$ million**	**2017 Total HK$ million**
Group's share of the following items of the associated companies $^{(b)}$:				
Profits less losses after tax	**2,345**	**3,214**	**1,238**	**6,797**
Other comprehensive income	**1,922**	**586**	**659**	**3,167**
Total comprehensive income	**4,267**	**3,800**	**1,897**	**9,964**

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

	2016 Material associated companies Husky Energy HK$ million	 Power Assets HK$ million
Dividends received from associated companies	690 (c)	2,257
Gross amount of the following items of the associated companies $^{(b)}$:		
Total revenue	75,827	1,288
EBITDA	23,106	15,290
EBIT	8,534	11,168
Other comprehensive income (losses)	4,395	(5,798)
Total comprehensive income	10,565	619
Current assets	25,001	61,871
Non-current assets	219,245	105,083
Current liabilities	18,487	2,641
Non-current liabilities	75,210	8,725
Net assets (net of preferred shares, perpetual capital securities and non-controlling interests)	146,125	155,588
Reconciliation to the carrying amount of the Group's interests in associated companies:		
Group's interest	40.2%	38.9%
Group's share of net assets, and its carrying amount	58,709	60,479

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

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

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

Particulars regarding the principal associated companies are set forth on pages 95 to 97.

19 Interests in joint ventures

	2017 **HK$ million**	2016 HK$ million
Unlisted shares	**113,091**	100,255
Share of undistributed post acquisition reserves	**9,491**	(7,302)
	122,582	92,953
Amounts due from (net with amounts due to) joint ventures [(a)]	**39,552**	13,300
	162,134	106,253

(a) Amounts due from (net with amounts due to) joint ventures

	2017 **HK$ million**	2016 HK$ million
Amounts due from joint ventures [(i)]		
Interest free	**2,137**	2,409
Interest bearing at fixed rates [(ii)]	**20,101**	8,235
Interest bearing at floating rates [(iii)]	**17,699**	2,733
	39,937	13,377
Amounts due to joint ventures [(iv)]		
Interest free	**385**	77
Amounts due from (net with amounts due to) joint ventures	**39,552**	13,300

(i) At 31 December 2017 and 2016, the amounts due from joint ventures are unsecured except for HK$133 million (2016 - HK$104 million) and have no fixed terms of repayment except for HK$1,807 million which are repayable within one to two years (2016 - HK$460 million which are repayable within one to three years) and HK$164 million (2016 - nil) which is repayable in 2027.

(ii) At 31 December 2017, HK$20,101 million (2016 - HK$8,235 million) bear interests at fixed rates ranging from approximately 4.9% to 16.0% (2016 - 8.0% to 11.0%) per annum.

(iii) At 31 December 2017, HK$17,699 million (2016 - HK$2,733 million) bear interests at floating rates ranging from approximately 1.7% to 6.5% (2016 - 1.8% to 6.6%) per annum with reference to Australian Bank Bill Swap Reference Rate, Euro Interbank Offered Rate, Hong Kong Interbank Offered Rate, Hong Kong Prime rate and London Interbank Offered Rate, as applicable.

(iv) At 31 December 2017 and 2016, the amounts due to joint ventures are unsecured and have no fixed terms of repayment.

There are no material contingent liabilities relating to the Group's interests in the joint ventures, save as for those disclosed in note 37.

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

	2017 **HK$ million**	2016 HK$ million
Profits less losses after tax [(b)]	**12,500**	10,251
Other comprehensive income (losses)	**10,315**	(11,663)
Total comprehensive income (losses)	**22,815**	(1,412)
Capital commitments	**2,247**	1,862

(b) From the second half of 2012, VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. HTAL's share of VHA's results for the current year is a loss of HK$11 million (2016: a loss of HK$371 million). This item is presented within the consolidated income statement line item titled other operating expenses (see note 2(af)) to separately identify it.

Particulars regarding the principal joint ventures are set forth on pages 95 to 97.

20 Deferred tax

	2017 **HK$ million**	2016 HK$ million
Deferred tax assets	**20,195**	15,856
Deferred tax liabilities	**25,583**	23,692
Net deferred tax liabilities	**(5,388)**	(7,836)

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

	2017 **HK$ million**	2016 HK$ million
At 1 January	**(7,836)**	(5,076)
Relating to subsidiaries acquired (see note 33(c))	**249**	2
Relating to subsidiaries disposed (see note 33(d))	**657**	(2,004)
Transfer to current tax	**(235)**	175
Net credit (charge) to other comprehensive income	**(263)**	518
Net credit (charge) to the income statement		
Unused tax losses	**1,218**	(653)
Accelerated depreciation allowances	**(181)**	161
Fair value adjustments arising from acquisitions	**732**	(194)
Withholding tax on undistributed profits	**89**	(116)
Other temporary differences	**741**	(415)
Exchange translation differences	**(559)**	(234)
At 31 December	**(5,388)**	(7,836)

Analysis of net deferred tax assets (liabilities):

	2017 **HK$ million**	2016 HK$ million
Unused tax losses	**16,687**	13,846
Accelerated depreciation allowances	**(9,588)**	(9,181)
Fair value adjustments arising from acquisitions	**(8,905)**	(9,582)
Revaluation of investment properties and other investments	**119**	126
Withholding tax on undistributed profits	**(461)**	(587)
Other temporary differences	**(3,240)**	(2,458)
	(5,388)	(7,836)

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

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

At 31 December 2017, the Group has recognised accumulated deferred tax assets amounting to HK$20,195 million (2016 - HK$15,856 million) of which HK$18,015 million (2016 - HK$14,270 million) relates to **3** Group Europe.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

20 Deferred tax (continued)

The Group has not recognised deferred tax assets of HK$13,354 million at 31 December 2017 (2016 - HK$13,837 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$55,385 million (2016 - HK$53,193 million). These unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income. Of this amount, HK$31,053 million (2016 - HK$32,464 million) can be carried forward indefinitely and the balances expire in the following years:

	2017 **HK$ million**	2016 HK$ million
In the first year	**6,677**	2,404
In the second year	**4,414**	6,525
In the third year	**6,015**	3,947
In the fourth year	**2,097**	4,610
After the fourth year	**5,129**	3,243
	24,332	20,729

21 Other non-current assets

	2017 **HK$ million**	2016 HK$ million
Other unlisted investments		
Loans and receivables		
Unlisted debt securities	**179**	165
Available-for-sale investments		
Unlisted equity securities	**2,649**	1,059
Fair value hedges		
Interest rate swaps	**45**	119
Cash flow hedges		
Interest rate swaps	**31**	-
Forward foreign exchange contracts	**293**	196
Other contracts	**-**	2
Net investment hedges	**1,791**	3,199
Other derivative financial instruments	**192**	356
	5,180	5,096

The carrying values of the unlisted debt securities approximate the fair values as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates.

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

22 Liquid funds and other listed investments

	2017 **HK$ million**	2016 HK$ million
Available-for-sale investments		
Managed funds, outside Hong Kong	**4,916**	2,932
Listed / traded debt securities, outside Hong Kong	**1,168**	1,184
Listed equity securities, Hong Kong	**1,546**	1,621
Listed equity securities, outside Hong Kong	**25**	58
	7,655	5,795
Financial assets at fair value through profit or loss	**158**	159
	7,813	5,954

22 Liquid funds and other listed investments (continued)

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

	2017 **HK$ million**	2016 HK$ million
Listed debt securities	**4,697**	2,765
Listed equity securities	**169**	151
Cash and cash equivalents	**50**	16
	4,916	2,932

Included in listed / traded debt securities outside Hong Kong as at 31 December 2017 and 2016 are notes issued by listed associated company, Husky Energy at a principal amount of US$25 million mature in 2019.

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

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

	2017		2016	
	Available-for-sale investments Percentage	**Financial assets at fair value through profit or loss Percentage**	Available-for-sale investments Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	**20%**	**-**	28%	-
US dollars	**65%**	**71%**	54%	69%
Other currencies	**15%**	**29%**	18%	31%
	100%	**100%**	100%	100%

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

	2017 **Percentage**	2016 Percentage
Credit ratings		
Aaa / AAA	**19%**	12%
Aa1 / AA+	**60%**	58%
Aa3 / AA-	**-**	2%
Other investment grades	**4%**	6%
Unrated	**17%**	22%
	100%	100%
Sectorial		
US Treasury notes	**56%**	58%
Government and government guaranteed notes	**17%**	4%
Husky Energy notes	**4%**	6%
Financial institutions notes	**1%**	3%
Others	**22%**	29%
	100%	100%
Weighted average maturity	**2.4 years**	2 years
Weighted average effective yield	**1.42%**	2.35%

23 Cash and cash equivalents

	2017 **HK$ million**	2016 HK$ million
Cash at bank and in hand	**27,356**	25,461
Short term bank deposits	**133,114**	130,809
	160,470	156,270

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

24 Trade and other receivables

	2017 **HK$ million**	2016 HK$ million
Trade receivables	**14,132**	13,202
Less: provision for estimated impairment losses for bad debts	**(2,586)**	(2,615)
Trade receivables - net	**11,546**	10,587
Other receivables and prepayments	**39,812**	34,470
Fair value hedges		
Interest rate swaps	**9**	2
Cash flow hedges		
Forward foreign exchange contracts	**1**	8
Net investment hedges	**-**	3,282
Other derivative financial instruments	**-**	23
	51,368	48,372

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

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

The Group's five largest customers contributed less than 4% of the Group's revenue for the year ended 31 December 2017 (2016 - less than 4%).

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

	2017 **HK$ million**	2016 HK$ million
Less than 31 days	**8,271**	7,260
Within 31 to 60 days	**1,779**	1,889
Within 61 to 90 days	**797**	771
Over 90 days	**3,285**	3,282
	14,132	13,202

24 Trade and other receivables (continued)

(b) As at 31 December 2017, out of the trade receivables of HK$14,132 million (2016 - HK$13,202 million), HK$8,628 million (2016 - HK$8,665 million) are impaired and it is assessed that portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$2,586 million (2016 - HK$2,615 million). The ageing analysis of these trade receivables is as follows:

	2017 **HK$ million**	2016 HK$ million
Not past due	**3,825**	3,878
Past due less than 31 days	**742**	985
Past due within 31 to 60 days	**575**	636
Past due within 61 to 90 days	**420**	504
Past due over 90 days	**3,066**	2,662
	8,628	8,665

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

	2017 **HK$ million**	2016 HK$ million
At 1 January	**2,615**	3,767
Additions	**1,283**	1,845
Utilisations	**(1,133)**	(782)
Write back	**(303)**	(255)
Relating to subsidiaries disposed	**(62)**	(1,410)
Exchange translation differences	**186**	(550)
At 31 December	**2,586**	2,615

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

	2017 **HK$ million**	2016 HK$ million
Not past due	**3,002**	2,887
Past due less than 31 days	**1,704**	989
Past due within 31 to 60 days	**343**	273
Past due within 61 to 90 days	**137**	129
Past due over 90 days	**318**	259
	5,504	4,537

25 Trade and other payables

	2017 **HK$ million**	2016 HK$ million
Trade payables	**19,252**	17,380
Other payables and accruals	**69,144**	64,002
Provisions (see note 26)	**1,014**	744
Interest free loans from non-controlling shareholders	**389**	927
Cash flow hedges		
Interest rate swaps	**11**	-
Forward foreign exchange contracts	**2**	1
Other contracts	**10**	-
Net investment hedges	**396**	3
Other derivative financial instruments	**10**	41
	90,228	83,098

The Group's five largest suppliers accounted for less than 18% of the Group's cost of purchases for the year ended 31 December 2017 (2016 - less than 22%).

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

	2017 **HK$ million**	2016 HK$ million
Less than 31 days	**12,994**	11,648
Within 31 to 60 days	**3,623**	3,015
Within 61 to 90 days	**1,500**	1,327
Over 90 days	**1,135**	1,390
	19,252	17,380

26 Provisions

	Provision for commitments, onerous contracts and other guarantees HK$ million	Closure obligation HK$ million	Assets retirement obligation HK$ million	Others HK$ million	Total HK$ million
At 1 January 2016	34,233	493	817	524	36,067
Additions	-	15	6	104	125
Interest accretion	-	6	24	-	30
Utilisations	(1,767)	(80)	(107)	(24)	(1,978)
Write back	-	(46)	-	(69)	(115)
Relating to subsidiaries disposed	-	-	(62)	(95)	(157)
Exchange translation differences	26	(77)	(67)	(7)	(125)
At 31 December 2016 and 1 January 2017	**32,492**	**311**	**611**	**433**	**33,847**
Additions	**-**	**12**	**20**	**636**	**668**
Interest accretion	**-**	**-**	**29**	**-**	**29**
Utilisations	**(5,486)**	**(98)**	**-**	**(1)**	**(5,585)**
Write back	**-**	**(75)**	**-**	**(256)**	**(331)**
Relating to subsidiaries acquired	**-**	**-**	**34**	**-**	**34**
Relating to subsidiaries disposed	**-**	**-**	**(34)**	**-**	**(34)**
Exchange translation differences	**314**	**33**	**32**	**19**	**398**
At 31 December 2017	**27,320**	**183**	**692**	**831**	**29,026**

Provisions are analysed as:

	2017 HK$ million	2016 HK$ million
Current portion (see note 25)	**1,014**	744
Non-current portion (see note 30)	**28,012**	33,103
	29,026	33,847

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

27 Bank and other debts

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

	2017			2016		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans	**19,080**	**92,091**	**111,171**	20,612	64,371	84,983
Other loans	**249**	**1,279**	**1,528**	669	1,569	2,238
Notes and bonds	**2,377**	**207,740**	**210,117**	50,312	154,514	204,826
Total principal amount of bank and other debts	**21,706**	**301,110**	**322,816**	71,593	220,454	292,047
Unamortised fair value adjustments arising from acquisitions	**2**	**10,337**	**10,339**	336	11,647	11,983
Total bank and other debts before the following items [(i)]	**21,708**	**311,447**	**333,155**	71,929	232,101	304,030
Unamortised loan facilities fees and premiums or discounts related to debts	**(5)**	**(822)**	**(827)**	-	(603)	(603)
Adjustments to bank and other debts pursuant to unrealised gains (losses) on interest rate swap contracts	**9**	**(349)**	**(340)**	(49)	(238)	(287)
	21,712	**310,276**	**331,988**	71,880	231,260	303,140

(i) See note 31(c)(i).

27 Bank and other debts (continued)

Analysis of principal amount of bank and other debts:

	2017			2016		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans	19,080	92,091	111,171	20,612	64,371	84,983
Other loans	249	1,279	1,528	669	1,569	2,238
Notes and bonds						
HK$500 million notes, 4.88% due 2018	500	-	500	-	500	500
HK$500 million notes, 4.3% due 2020	-	500	500	-	500	500
HK$500 million notes, 4.35% due 2020	-	500	500	-	500	500
HK$300 million notes, 3.9% due 2020	-	300	300	-	300	300
HK$400 million notes, 3.45% due 2021	-	400	400	-	400	400
HK$300 million notes, 3.35% due 2021	-	300	300	-	300	300
HK$260 million notes, 4% due 2027	-	260	260	-	260	260
US$300 million notes, LIBOR* + 0.7% due 2017	-	-	-	2,340	-	2,340
US$492 million notes-Series B, 7.45% due 2017	-	-	-	3,837	-	3,837
US$1,000 million notes, 2% due 2017	-	-	-	7,800	-	7,800
US$1,000 million notes, 3.5% due 2017	-	-	-	7,800	-	7,800
US$2,000 million notes, 1.625% due 2017	-	-	-	15,600	-	15,600
US$1,000 million notes, 5.75% due 2019	-	7,800	7,800	-	7,800	7,800
US$1,500 million notes, 7.625% due 2019	-	11,700	11,700	-	11,700	11,700
US$1,000 million notes, 2.25% due 2020	-	7,800	7,800	-	-	-
US$750 million notes, 1.875% due 2021	-	5,850	5,850	-	5,850	5,850
US$1,500 million notes, 4.625% due 2022	-	11,700	11,700	-	11,700	11,700
US$1,000 million notes, 2.875% due 2022	-	7,800	7,800	-	-	-
US$500 million notes, 3.25% due 2022	-	3,900	3,900	-	3,900	3,900
US$750 million notes, 2.75% due 2023	-	5,850	5,850	-	-	-
US$1,500 million notes, 3.625% due 2024	-	11,700	11,700	-	11,700	11,700
US$500 million notes, 2.75% due 2026	-	3,900	3,900	-	3,900	3,900
US$309 million notes - Series C, 7.5% due 2027	-	2,410	2,410	-	2,410	2,410
US$500 million notes, 3.25% due 2027	-	3,900	3,900	-	-	-
US$800 million notes, 3.5% due 2027	-	6,240	6,240	-	-	-
US$1,039 million notes, 7.45% due 2033	-	8,107	8,107	-	8,107	8,107
US$25 million notes-Series D, 6.988% due 2037	-	196	196	-	196	196
SGD320 million notes, 3.408% due 2018	1,859	-	1,859	-	1,718	1,718
EUR1,250 million notes, 2.5% due 2017	-	-	-	10,100	-	10,100
EUR1,500 million notes, 1.375% due 2021	-	13,890	13,890	-	12,120	12,120
EUR750 million notes, 3.625% due 2022	-	6,945	6,945	-	6,060	6,060
EUR1,350 million notes, 1.25% due 2023	-	12,501	12,501	-	10,908	10,908
EUR600 million bonds, 1% due 2024	-	5,556	5,556	-	-	-
EUR1,000 million notes, 0.875% due 2024	-	9,260	9,260	-	8,080	8,080
EUR650 million notes, 2% due 2028	-	6,019	6,019	-	5,252	5,252
GBP113 million bonds, 5.625% due 2017	-	-	-	1,088	-	1,088
GBP180 million bonds, 6% due 2017	-	-	-	1,732	-	1,732
GBP300 million bonds, 5.831% due 2020	-	3,144	3,144	-	2,886	2,886
GBP100 million notes, 5.82% due 2021	-	1,048	1,048	-	962	962
GBP350 million bonds, 6.875% due 2023	-	3,668	3,668	-	3,367	3,367
GBP400 million bonds, 6.359% due 2025	-	4,192	4,192	-	3,848	3,848
GBP33 million notes, 2.56% due 2026	-	346	346	-	317	317
GBP300 million bonds, 1.625% due 2026	-	3,144	3,144	-	2,886	2,886
GBP303 million bonds, 5.625% due 2026	-	3,175	3,175	-	2,914	2,914
GBP300 million bonds, 2.375% due 2027	-	3,144	3,144	-	-	-
GBP45 million notes, 2.56% due 2028	-	471	471	-	433	433
GBP90 million notes, 3.54% due 2030	-	943	943	-	866	866
GBP22 million notes, 2.83% due 2031	-	230	230	-	212	212
GBP350 million bonds, 5.625% due 2033	-	3,668	3,668	-	3,367	3,367
GBP246 million (2016 - GBP247 million) bonds, 5.87526% due 2034	17	2,558	2,575	11	2,364	2,375
GBP400 million bonds, 6.697% due 2035	-	4,192	4,192	-	3,848	3,848
GBP50 million notes, 5.01% due 2036	-	524	524	-	481	481
GBP100 million notes, LIBOR* + 2.33% due 2036	-	1,048	1,048	-	962	962
GBP215 million (2016 - GBP207 million) bonds, RPI[#] + 2.033% due 2036	-	2,252	2,252	-	1,997	1,997
GBP58 million (2016 - GBP59 million) bonds, 6.627% due 2037	1	612	613	4	562	566
GBP100 million notes, 3.19% due 2037	-	1,048	1,048	-	-	-
GBP84 million (2016 - GBP82 million) bonds, RPI[#] + 1.6274% due 2041	-	886	886	-	786	786
GBP360 million bonds, 5.125% due 2042	-	3,773	3,773	-	3,463	3,463
GBP400 million bonds, 3.529% due 2042	-	4,192	4,192	-	-	-
GBP140 million (2016 - GBP135 million) bonds, RPI[#] + 1.7118% due 2049	-	1,467	1,467	-	1,301	1,301
GBP140 million (2016 - GBP135 million) bonds, RPI[#] + 1.7484% due 2053	-	1,467	1,467	-	1,301	1,301
JPY3,000 million notes, 1.75% due 2019	-	211	211	-	205	205
JPY15,000 million notes, 2.6% due 2027	-	1,053	1,053	-	1,025	1,025
	2,377	207,740	210,117	50,312	154,514	204,826
	21,706	301,110	322,816	71,593	220,454	292,047

* LIBOR represents the London Interbank Offered Rate

RPI represents UK Retail Price Index

27 Bank and other debts (continued)

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

	2017			2016		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Bank loans						
Current portion	**19,080**	**-**	**19,080**	20,612	-	20,612
After 1 year, but within 2 years	**-**	**7,937**	**7,937**	-	8,097	8,097
After 2 years, but within 5 years	**-**	**79,418**	**79,418**	-	52,669	52,669
After 5 years	**-**	**4,736**	**4,736**	-	3,605	3,605
	19,080	**92,091**	**111,171**	20,612	64,371	84,983
Other loans						
Current portion	**249**	**-**	**249**	669	-	669
After 1 year, but within 2 years	**-**	**256**	**256**	-	218	218
After 2 years, but within 5 years	**-**	**412**	**412**	-	528	528
After 5 years	**-**	**611**	**611**	-	823	823
	249	**1,279**	**1,528**	669	1,569	2,238
Notes and bonds						
Current portion	**2,377**	**-**	**2,377**	50,312	-	50,312
After 1 year, but within 2 years	**-**	**19,736**	**19,736**	-	2,235	2,235
After 2 years, but within 5 years	**-**	**64,655**	**64,655**	-	43,761	43,761
After 5 years	**-**	**123,349**	**123,349**	-	108,518	108,518
	2,377	**207,740**	**210,117**	50,312	154,514	204,826
	21,706	**301,110**	**322,816**	71,593	220,454	292,047

The bank and other debts of the Group as at 31 December 2017 are secured to the extent of HK$25,986 million (2016 - HK$19,920 million).

Borrowings with principal amount of HK$116,333 million (2016 - HK$91,799 million) bear interest at floating interest rates and borrowings with principal amount of HK$206,483 million (2016 - HK$200,248 million) bear interest at fixed interest rates.

Borrowings at principal amount are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2017 Percentage	2016 Percentage
US dollars	**35%**	41%
Euro	**28%**	27%
HK dollars	**5%**	5%
British Pounds	**22%**	21%
Other currencies	**10%**	6%
	100%	100%

27 Bank and other debts (continued)

Derivative financial instruments are principally utilised by the Group in the management of its foreign currency and interest rate exposures. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2017, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$9,600 million (2016 - HK$25,200 million).

In addition, interest rate swap agreements with notional amount of HK$27,950 million (2016 - HK$8,678 million) were entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2017, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$23,010 million (2016 - nil) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses.

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

	2017			2016		
	Current portion HK$ million	**Non-current portion HK$ million**	**Total HK$ million**	Current portion HK$ million	Non-current portion HK$ million	Total HK$ million
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see notes 21 and 24)	**9**	**45**	**54**	2	119	121
Derivative financial liabilities						
Interest rate swaps (see note 30)	**-**	**(37)**	**(37)**	-	-	-
	9	**8**	**17**	2	119	121
Cash flow hedges						
Derivative financial assets						
Interest rate swaps (see note 21)	**-**	**31**	**31**	-	-	-
Forward foreign exchange contracts (see notes 21 and 24)	**1**	**293**	**294**	8	196	204
Other contracts (see note 21)	**-**	**-**	**-**	-	2	2
	1	**324**	**325**	8	198	206
Derivative financial liabilities						
Interest rate swaps (see notes 25 and 30)	**(11)**	**(532)**	**(543)**	-	(550)	(550)
Cross currency interest rate swaps (see note 30)	**-**	**(1,888)**	**(1,888)**	-	-	-
Forward foreign exchange contracts (see notes 25 and 30)	**(2)**	**(1)**	**(3)**	(1)	-	(1)
Other contracts (see notes 25 and 30)	**(10)**	**(374)**	**(384)**	-	(402)	(402)
	(23)	**(2,795)**	**(2,818)**	(1)	(952)	(953)
	(22)	**(2,471)**	**(2,493)**	7	(754)	(747)
Net investment hedges						
Derivative financial assets (see notes 21 and 24)	**-**	**1,791**	**1,791**	3,282	3,199	6,481
Derivative financial liabilities (see notes 25 and 30)	**(396)**	**(895)**	**(1,291)**	(3)	-	(3)
	(396)	**896**	**500**	3,279	3,199	6,478

28 Interest bearing loans from non-controlling shareholders

	2017 **HK$ million**	2016 HK$ million
Interest bearing loans from non-controlling shareholders	**3,143**	4,283

At 31 December 2017, these loans bear interest at rates ranging from 2.3% to 11% per annum (2016 - Stockholm Interbank Offered Rate+1.73% to 11%). The carrying amounts of the borrowings approximate their fair values.

29 Pension plans

	2017 **HK$ million**	2016 HK$ million
Defined benefit assets	**-**	-
Defined benefit liabilities	**3,770**	5,369
Net defined benefit liabilities	**3,770**	5,369

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

(a) Defined benefit plans

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

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

	2017	2016
Discount rates	**0.15% - 2.55%**	0.29% - 2.80%
Future salary increases	**1.0% - 4.0%**	0.5% - 4.0%
Interest credited on two principal plans in Hong Kong	**5.0% - 6.0%**	5.0% - 6.0%

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

	2017 **HK$ million**	2016 HK$ million
Present value of defined benefit obligations	**31,528**	29,392
Fair value of plan assets	**27,761**	24,026
	3,767	5,366
Restrictions on assets recognised	**3**	3
Net defined benefit liabilities	**3,770**	5,369

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2017	**29,392**	**(24,026)**	**3**	**5,369**
Net charge (credit) to the income statement				
Current service cost	**724**	**40**	**-**	**764**
Past service cost and gains and losses on settlements	**(115)**	**-**	**-**	**(115)**
Interest cost (income)	**745**	**(614)**	**-**	**131**
	1,354	**(574)**	**-**	**780**
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	**(434)**	**-**	**-**	**(434)**
Actuarial loss arising from change in financial assumptions	**233**	**-**	**-**	**233**
Actuarial gain arising from experience adjustment	**(139)**	**-**	**-**	**(139)**
Return on plan assets excluding interest income	**-**	**(1,548)**	**-**	**(1,548)**
Exchange translation differences	**2,622**	**(2,171)**	**-**	**451**
	2,282	**(3,719)**	**-**	**(1,437)**
Contributions paid by the employer	**-**	**(886)**	**-**	**(886)**
Contributions paid by the employee	**112**	**(112)**	**-**	**-**
Benefits paid	**(1,552)**	**1,552**	**-**	**-**
Relating to subsidiaries acquired (see note 33(c))	**11**	**-**	**-**	**11**
Transfer from (to) other liabilities	**(71)**	**4**	**-**	**(67)**
At 31 December 2017	**31,528**	**(27,761)**	**3**	**3,770**

29 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations HK$ million	Fair value of plan assets HK$ million	Asset ceiling HK$ million	Net defined benefit liabilities HK$ million
At 1 January 2016	28,823	(24,760)	3	4,066
Net charge (credit) to the income statement				
Current service cost	624	44	-	668
Past service cost and gains and losses on settlements	(331)	-	-	(331)
Interest cost (income)	830	(741)	-	89
	1,123	(697)	-	426
Net charge (credit) to other comprehensive income				
Remeasurements loss (gain):				
Actuarial gain arising from change in demographic assumptions	(49)	-	-	(49)
Actuarial loss arising from change in financial assumptions	4,721	-	-	4,721
Actuarial gain arising from experience adjustment	(425)	-	-	(425)
Return on plan assets excluding interest income	-	(1,962)	-	(1,962)
Exchange translation differences	(3,473)	3,077	-	(396)
	774	1,115	-	1,889
Contributions paid by the employer	-	(862)	-	(862)
Contributions paid by the employee	100	(100)	-	-
Benefits paid	(1,266)	1,266	-	-
Relating to subsidiaries disposed (see note 33(d))	(146)	-	-	(146)
Transfer from (to) other liabilities	(16)	12	-	(4)
At 31 December 2016	29,392	(24,026)	3	5,369

The net defined benefit liabilities presented above represent the deficit calculated in accordance with Hong Kong Accounting Standard 19 "Employee Benefits" ("HKAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with HKAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

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 and Faculty 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 are fully funded in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$20 million (2016 - HK$15 million) were used to reduce the current year's level of contributions and HK$2 million forfeited contribution was available at 31 December 2017 (2016 - HK$ 1 million) to reduce future years' contributions.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

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

The Group’s defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit payable under the plans in return for actuarially determined contributions based on tariffs and conditions agreed for the term of the contracts. As the risk of providing past pension benefits is underwritten by the insurance companies, the Group does not carry funding risk relating to past service. The annual contribution to provide current year benefits varies in accordance with annual actuarial calculations.

The Group operates a defined benefit pension plan for certain of its retail operation in the United Kingdom. It is not open to new entrants. With effect from 28 February 2010, accrual of future defined benefits for all active members was ceased and the final salary linkage was also severed. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 March 2015 reported a funding level of 75% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employers have since made additional contributions of GBP5.4 million in 2016 and GBP11 million in 2017 (included a GBP5.5 million additional voluntary contribution), with further contribution of GBP11 million (included a GBP5.5 million additional voluntary contribution) expected to be paid in 2018 and agreed to make additional contributions of GBP5.5 million per annum until 31 December 2023, to eliminate the shortfall by 31 December 2023. The valuation used the projected unit credit method and the main assumptions in the valuation are investment returns of 2.85% to 4.7% per annum and pension increases of 2.05% to 3.25% per annum. The valuation was prepared by Paul Jayson, a Fellow of the Institute and Faculty of Actuaries, of Barnett Waddingham LLP.

In addition, the Group operates three defined benefit pension plans for certain of its infrastructure operation in the United Kingdom. Of the three plans, the Northumbrian Water Pension Scheme (“NWPS”) is the principal plan and it closed to new entrants on 1 January 2008. An independent actuarial valuation, undertaken for funding purposes under the provision of the Pensions Act 2004, at 31 December 2016 reported a funding level of 76.7% of the accrued actuarial liabilities on an ongoing basis. The sponsoring employer has since made additional contributions to fund the deficit of GBP11.1 million per annum until 31 March 2017, GBP11.4 million per annum from 1 April 2017 until 31 March 2031, increasing in line with RPI, with the first increase in April 2018. In addition, the sponsoring employer will pay GBP2.6 million per annum from 1 April 2021 to 31 March 2031, increasing in line with RPI, with the first increase in April 2022 until 31 March 2031. These contributions, together with additional investment returns of 0.6% per annum above the discount rate, are expected to eliminate the shortfall by 31 March 2022. The valuation used the projected unit credit method and the main assumptions in the valuation are pre-retirement discount rate of 3.3% per annum; post-retirement discount rate of 2.4% per annum; RPI inflation of 3.5% per annum; CPI inflation of 2.5%; and pension increases of 2% to 3.5% per annum. The valuation was prepared by Gavin Hamill, a Fellow of the Institute and Faculty of Actuaries, of Towers Watson Limited.

29 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2017 **Percentage**	2016 Percentage
Equity instruments		
Consumer markets and manufacturing	**8%**	8%
Energy and utilities	**3%**	3%
Financial institutions and insurance	**7%**	7%
Telecommunications and information technology	**4%**	3%
Units trust and equity instrument funds	**4%**	4%
Others	**10%**	10%
	36%	35%
Debt instruments		
US Treasury notes	**-**	1%
Government and government guaranteed notes	**14%**	15%
Financial institutions notes	**1%**	2%
Others	**7%**	8%
	22%	26%
Qualifying insurance policies	**20%**	20%
Properties	**8%**	9%
Other assets	**14%**	10%
	100%	100%

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

	2017 **Percentage**	2016 Percentage
Aaa/AAA	**5%**	8%
Aa1/AA+	**4%**	8%
Aa2/AA	**61%**	49%
Aa3/AA-	**-**	1%
A1/A+	**1%**	1%
A2/A	**8%**	10%
Other investment grades	**13%**	19%
No investment grades	**8%**	4%
	100%	100%

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

Fair value of plan assets of HK$27,761 million (2016 - HK$24,026 million) includes investments in the Company's shares with a fair value of HK$36 million (2016 - HK$27 million).

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

29 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2017 is 18 years (2016 - 18 years).

The Group expects to make contributions of HK$980 million (2016 - HK$924 million) to the defined benefit plans next year.

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

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

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with HKAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 3.7% or increase by 3.9% respectively (2016 - decrease by 3.9% or increase by 3.8% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.3% or decrease by 0.3% respectively (2016 - increase by 0.5% or decrease by 0.4% respectively).

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

(b) Defined contribution plans

The Group's cost in respect of defined contribution plans for the year amounted to HK$1,197 million (2016 - HK$1,039 million) which has been charged to the profit or loss for the year. Forfeited contributions of HK$15 million (2016 - HK$9 million) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2017 (2016 - nil) to reduce future years' contributions.

30 Other non-current liabilities

	2017 HK$ million	2016 HK$ million
Fair value hedges		
Interest rate swaps	**37**	-
Cash flow hedges		
Interest rate swaps	**532**	550
Cross currency interest rate swaps	**1,888**	-
Forward foreign exchange contracts	**1**	-
Other contracts	**374**	402
Net investment hedges	**895**	-
Other derivative financial instruments	**4,059**	1,810
Obligations for telecommunications licences and other rights	**5,670**	5,850
Other non-current liabilities	**9,580**	5,644
Provisions (see note 26)	**28,012**	33,103
	51,048	47,359

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

(a) Share capital and share premium

	Number of shares	Share capital HK$ million	Share premium HK$ million	Total HK$ million
At 1 January 2016	3,859,678,500	3,860	244,691	248,551
Buy-back and cancellation of issued shares (i)	(2,000,000)	(2)	(186)	(188)
At 31 December 2016, 1 January and 31 December 2017	**3,857,678,500**	**3,858**	**244,505**	**248,363**

(i) The Company acquired a total of 2,000,000 of its own shares through purchases on the Stock Exchange on 17 and 18 November 2016. The purchased shares were subsequently cancelled. The total amount paid to acquire the shares was approximately HK$189 million and had been deducted from share capital, share premium and retained profit of HK$2 million, HK$186 million and HK$1 million, respectively.

(b) Perpetual capital securities

	2017 HK$ million	2016 HK$ million
US$1,000 million issued in 2012	**-**	7,870
HK$1,000 million issued in 2012	**-**	1,025
US$425.3 million issued in 2013*	**3,373**	3,373
EUR1,750 million issued in 2013	**18,266**	18,242
US$1,000 million issued in 2017	**7,842**	-
	29,481	30,510

In May 2012, July 2012, January 2013, May 2013 and May 2017, wholly owned subsidiary companies of the Group issued perpetual capital securities with nominal amount of US$1,000 million (approximately HK$7,800 million), HK$1,000 million, US$500 million (approximately HK$3,875 million), EUR1,750 million (approximately HK$17,879 million) and US$1,000 million (approximately HK$7,800 million) respectively for cash.

During the year, the Group had redeemed US$1,000 million (approximately HK$7,800 million) and HK$1,000 million nominal amount of perpetual capital securities that were originally issued in May 2012 and July 2012 respectively. During the year ended 31 December 2016, the Group had redeemed SGD730 million nominal amount of perpetual capital securities that were originally issued in September 2011.

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

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

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

(c) Capital management

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

At 31 December 2017, total equity amounted to HK$591,547 million (2016 - HK$544,190 million), and consolidated net debt of the Group, excluding loans from non-controlling shareholders which are viewed as quasi equity, was HK$164,872 million (2016 - HK$141,806 million). The Group's net debt to net total capital ratio increased to 21.7% from 20.5% at the end of last year.

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

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

	2017	2016
A1 - excluding interest-bearing loans from non-controlling shareholders from debt	**21.7%**	20.5%
A2 - as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**22.1%**	21.7%
B1 - including interest-bearing loans from non-controlling shareholders as debt	**22.1%**	21.1%
B2 - as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**22.5%**	22.3%

(i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

32 Reserves

	Attributable to ordinary shareholders			
	Retained profit HK$ million	Exchange reserve HK$ million	Others [(a)] HK$ million	Total HK$ million
At 1 January 2017	**520,616**	**(30,832)**	**(343,978)**	**145,806**
Profit for the year	**35,100**	**-**	**-**	**35,100**
Other comprehensive income (losses)				
Available-for-sale investments				
Valuation gains recognised directly in reserves	**-**	**-**	**145**	**145**
Valuation gains previously in reserves recognised in income statement	**-**	**-**	**(36)**	**(36)**
Remeasurement of defined benefit obligations recognised directly in reserves	**1,268**	**-**	**-**	**1,268**
Cash flow hedges (forward foreign currency contracts, cross currency interest rate swap contracts and interest rate swap contracts)				
Losses recognised directly in reserves	**-**	**-**	**(134)**	**(134)**
Losses previously in reserves recognised in initial cost of non-financial items	**-**	**-**	**1**	**1**
Losses on net investment hedges (forward foreign currency contracts) recognised directly in reserves	**-**	**(3,847)**	**-**	**(3,847)**
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**2,551**	**-**	**2,551**
Losses previously in exchange and other reserves related to subsidiaries, associated companies and joint ventures disposed during the year recognised in income statement	**-**	**20**	**2**	**22**
Gains previously in other reserves related to subsidiaries disposed during the year transferred directly to retained profit	**9**	**-**	**(9)**	**-**
Share of other comprehensive income (losses) of associated companies	**101**	**2,897**	**(48)**	**2,950**
Share of other comprehensive income of joint ventures	**178**	**8,569**	**242**	**8,989**
Tax relating to components of other comprehensive income (losses)	**(151)**	**-**	**(43)**	**(194)**
Other comprehensive income, net of tax	**1,405**	**10,190**	**120**	**11,715**
Dividends paid relating to 2016	**(7,503)**	**-**	**-**	**(7,503)**
Dividends paid relating to 2017	**(3,009)**	**-**	**-**	**(3,009)**
Transaction costs in relation to issuance of perpetual capital securities	**(62)**	**-**	**-**	**(62)**
Transaction costs in relation to issuance of shares of a subsidiary	**(41)**	**-**	**-**	**(41)**
Transaction costs in relation to equity contribution from non-controlling interests	**(14)**	**-**	**-**	**(14)**
Share option schemes and long term incentive plans of subsidiary companies	**-**	**-**	**9**	**9**
Unclaimed dividends write back of a subsidiary	**6**	**-**	**-**	**6**
Relating to purchase of non-controlling interests	**-**	**-**	**(342)**	**(342)**
Relating to partial disposal of subsidiary companies	**-**	**-**	**28**	**28**
At 31 December 2017	**546,498**	**(20,642)**	**(344,163)**	**181,693**

32 Reserves (continued)

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

(a) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 31 December 2017, revaluation reserve deficit amounted to HK$503 million (1 January 2017 - HK$792 million and 1 January 2016 - HK$763 million), hedging reserve deficit amounted to HK$2,094 million (1 January 2017 - HK$1,982 million and 1 January 2016 - surplus of HK$673 million) and other capital reserves deficit amounted to HK$341,566 million (1 January 2017 - HK$341,204 million and 1 January 2016 - HK$341,949 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

33 Notes to consolidated statement of cash flows

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

	2017 **HK$ million**	2016 HK$ million
Profit after tax	**43,602**	41,912
Less: share of profits less losses of		
Associated companies	**(6,797)**	(6,362)
Joint ventures	**(12,500)**	(10,251)
	24,305	25,299
Adjustments for:		
Current tax charge	**5,415**	3,334
Deferred tax (credit) charge	**(2,599)**	1,217
Interest expenses and other finance costs	**8,274**	7,118
Depreciation and amortisation	**17,105**	16,014
Others	**11**	371
EBITDA of Company and subsidiaries (i)	**52,511**	53,353
Loss on disposal of other unlisted investments	**-**	25
Loss (profit) on disposal of fixed assets	**(1,943)**	116
Dividends received from associated companies and joint ventures	**19,029**	8,747
Profit on disposal of subsidiaries, associated companies and joint ventures	**(2,829)**	(401)
Other non-cash items	**1,369**	211
	68,137	62,051

(i) Reconciliation of EBITDA:

	2017 **HK$ million**	2016 HK$ million
EBITDA of Company and subsidiaries	**52,511**	53,353
Share of EBITDA of associated companies and joint ventures		
Share of profits less losses of		
Associated companies	**6,797**	6,362
Joint ventures	**12,500**	10,251
Adjustments for:		
Depreciation and amortisation	**19,921**	15,646
Interest expenses and other finance costs	**9,750**	6,160
Current tax charge	**2,483**	2,913
Deferred tax charge	**756**	552
Non-controlling interests	**388**	370
Others	**(11)**	(371)
	52,584	41,883
EBITDA (see notes 5(b) and 5(m))	**105,095**	95,236

(b) Changes in working capital

	2017 **HK$ million**	2016 HK$ million
Increase in inventories	**(1,825)**	(581)
Increase in debtors and prepayments	**(5,320)**	(3,046)
Increase (decrease) in creditors	**2,771**	(605)
Other non-cash items	**4,078**	(4,618)
	(296)	(8,850)

33 Notes to consolidated statement of cash flows (continued)

(c) Purchase of subsidiary companies

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

	2017 **HK$ million**	2016 HK$ million
Purchase consideration transferred:		
Cash and cash equivalents paid	**3,925**	874
Fair value of investments held by the Company prior to acquisition	**-**	1,350
	3,925	2,224
Fair value		
Fixed assets	**445**	2,116
Leasehold land	**105**	1,877
Telecommunications licences	**1,962**	-
Brand names and other rights	**134**	-
Deferred tax assets	**249**	2
Cash and cash equivalents	**201**	541
Trade and other receivables	**195**	2,473
Inventories	**4**	72
Creditors and current tax liabilities	**(504)**	(4,314)
Bank and other debts	**(20)**	(39)
Pension obligations	**(11)**	-
Net identifiable assets acquired	**2,760**	2,728
Non-controlling interests	**(106)**	(531)
	2,654	2,197
Goodwill	**1,271**	27
Total consideration	**3,925**	2,224
Net cash outflow (inflow) arising from acquisition:		
Cash and cash equivalents paid	**3,925**	874
Cash and cash equivalents acquired	**(201)**	(541)
Total net cash outflow	**3,724**	333

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

Acquisition related costs of approximately HK$58 million (2016 - HK$4 million) had been charged to income statement during the year and included in the line item titled other operating expenses.

The contribution to the Group's revenue and profit before tax from these subsidiaries acquired during the year ended 31 December 2017 and 2016 since the respective date of acquisition are not material.

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2017 **HK$ million**	2016 HK$ million
Consideration received or receivable		
Cash and cash equivalents	**14,556**	6,995
Non-cash consideration	**1,920**	24,224
Total disposal consideration	**16,476**	31,219
Carrying amount of net assets disposed	**(13,764)**	(30,971)
Cumulative exchange gain in respect of the net assets of the subsidiaries and related hedging instruments and other reserves reclassified from equity to profit or loss on loss of control of subsidiaries	**4**	153
Gain on disposal*	**2,716**	401
Net cash inflow (outflow) on disposal of subsidiaries		
Cash and cash equivalents received as consideration	**14,556**	6,995
Less: Cash and cash equivalents disposed	**(355)**	(4,148)
Total net cash consideration	**14,201**	2,847
Analysis of assets and liabilities over which control was lost		
Fixed assets	**6,733**	22,732
Leasehold land	**-**	257
Telecommunications licences	**-**	8,899
Goodwill	**5,929**	-
Brand names and other rights	**503**	4,333
Associated companies	**673**	-
Interests in joint ventures	**(1)**	1,450
Deferred tax assets	**-**	2,033
Liquid funds and other listed investments	**4**	-
Trade and other receivables	**1,850**	7,229
Inventories	**5**	268
Creditors and current tax liabilities	**(1,630)**	(9,919)
Bank and other debts	**(9)**	(10,228)
Deferred tax liabilities	**(657)**	(29)
Pension obligations	**-**	(146)
Non-controlling interests	**9**	(56)
Net assets (excluding cash and cash equivalents) disposed	**13,409**	26,823
Cash and cash equivalents disposed	**355**	4,148
Net assets disposed	**13,764**	30,971

* The gains on disposal for the years ended 31 December 2017 and 2016 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed are not material for the years ended 31 December 2017 and 2016.

33 Notes to consolidated statement of cash flows (continued)

(e) Reconciliation of liabilities arising from financing activities

	Bank and other debts HK$ million	Interest bearing loans from non-controlling shareholders HK$ million	Interest free loans from non-controlling shareholders HK$ million	Total HK$ million
At 1 January 2016	303,552	4,827	951	309,330
Financing cash flows				
New borrowings	76,306	-	-	76,306
Repayment of borrowings	(45,365)	-	-	(45,365)
Net loans from (to) non-controlling shareholders	-	62	(3)	59
Non-cash changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	99	-	-	99
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 35(h))	(690)	-	-	(690)
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 7(a))	(2,741)	-	-	(2,741)
Relating to subsidiaries acquired (see note 33(c))	39	-	-	39
Relating to subsidiaries disposed (see note 33(d))	(10,228)	-	-	(10,228)
Exchange translation differences	(17,832)	(606)	(21)	(18,459)
At 31 December 2016 and 1 January 2017	**303,140**	**4,283**	**927**	**308,350**
Financing cash flows				
New borrowings	**100,488**	**-**	**-**	**100,488**
Repayment of borrowings	**(87,674)**	**-**	**-**	**(87,674)**
Net loans to non-controlling shareholders	**-**	**(1,523)**	**(616)**	**(2,139)**
Non-cash changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	**210**	**-**	**-**	**210**
Gains arising on adjustment for hedged items in a designated fair value hedge (see note 35(h))	**(103)**	**-**	**-**	**(103)**
Amortisation of bank and other debts' fair value adjustments arising from acquisitions (see note 7(a))	**(1,725)**	**-**	**-**	**(1,725)**
Relating to subsidiaries acquired (see note 33(c))	**20**	**-**	**-**	**20**
Relating to subsidiaries disposed (see note 33(d))	**(9)**	**-**	**-**	**(9)**
Exchange translation differences	**17,641**	**383**	**78**	**18,102**
At 31 December 2017	**331,988**	**3,143**	**389**	**335,520**

34 Share-based payments

The Company does not have a share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

35 Financial risk management

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

(a) Cash management and funding

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

The Group continues to maintain a robust financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$168,283 million at 31 December 2017 (2016 - HK$162,224 million), mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including floating rate loans of AUD1,550 million (approximately HK$9,207 million), floating rate loans of US$700 million (approximately HK$5,460 million) and guaranteed bonds of EUR600 million (approximately HK$5,516 million) by listed subsidiary CKI and proceeds from HTHKH's disposal of its fixed-line telecommunication business of HK$14,244 million, partly offset by the acquisitions of DUET Group of AUD2,976 million (approximately HK$17,275 million), ista of EUR1,543 million (approximately HK$14,236 million), Reliance of CAD715 million (approximately HK$4,458 million) and UK Broadband Limited of GBP292 million (approximately HK$2,952 million), dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 23% in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies (2016 - 18% were denominated in HK dollars, 54% in US dollars, 6% in Renminbi, 8% in Euro, 6% in British Pounds and 8% in other currencies).

Cash and cash equivalents represented 95% (2016 - 96%) of the liquid assets, US Treasury notes and listed / traded debt securities 4% (2016 - 3%) and listed equity securities 1% (2016 - 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56% (2016 - 58%), government and government guaranteed notes of 17% (2016 - 4%), notes issued by the Group's associated company, Husky Energy of 4% (2016 - 6%), notes issued by financial institutions of 1% (2016 - 3%), and others of 22% (2016 - 29%). Of these US Treasury notes and listed / traded debt securities, 79% (2016 - 70%) are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.4 years (2016 - 2.0 years) on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

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

At 31 December 2017, approximately 36% (2016 - approximately 31%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 64% (2016 - approximately 69%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$9,600 million (2016 - approximately HK$25,200 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$27,950 million (2016 - HK$8,678 million) principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 30% (2016 - approximately 37%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 70% (2016 - approximately 63%) were at fixed rates at 31 December 2017. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

35 Financial risk management (continued)

(c) Foreign currency exposure

For overseas subsidiaries, associated companies and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to its underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associated companies, except in relation to certain infrastructure investments. At 31 December 2017, the Group had foreign exchange forward contracts with banks to hedge these infrastructure investments. The total notional amount of these net investment hedges amounted to HK$59,430 million (2016 - HK$41,929 million).

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings. In 2017, the Group entered into hedges which are accounted for as fair value through profit or loss by ways of forward contracts against British Pounds, Euro and Renminbi currency risks. These contracts resulted in realised hedging losses of HK$1,173 million during the year which were fully offset by translation gains against the hedged rates on the Group's attributable earnings in those currencies in 2017. All forward contracts for hedging earnings have been fully settled and no foreign currency hedge have been entered into in respect of expected 2018 foreign currency earnings.

As at 31 December 2017, the Group's total principal amount of bank and other debts are denominated as follows: 42% in US dollars, 21% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies (2016 - 41% in US dollars, 27% in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies). The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$23,010 million (2016 - nil) to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 35% in US dollars, 28% in Euro, 5% in HK dollars, 22% in British Pounds and 10% in other currencies (2016 - 41% in US dollars, 27% in Euro, 5% in HK dollars, 21% in British Pounds and 6% in other currencies).

(d) Credit exposure

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

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

(e) Market price risk

The Group's main market price risk exposures relate to listed / traded debt and equity securities as described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holding of listed / traded debt and equity securities represented approximately 5% (2016 - approximately 4%) of the liquid assets. The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

(f) Market risks sensitivity analyses

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

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

35 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

(i) Interest rate sensitivity analysis

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

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

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

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

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

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

- cash and cash equivalents (see note 23)
- some of the listed debt securities and managed funds (see note 22) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 22) that bear interest at floating rate
- some of the bank and other debts (see note 27) that bear interest at floating rate
- interest bearing loans from non-controlling shareholders (see note 28)

Under these assumptions, the impact of a hypothetical 100 basis points (2016 - 100 basis points) increase in market interest rate at 31 December 2017, with all other variables held constant:

- profit for the year would increase by HK$674 million due to increase in interest income (2016 - HK$366 million);
- total equity would increase by HK$674 million due to increase in interest income (2016 - HK$366 million); and
- total equity would increase by HK$728 million due to change in fair value of derivative financial instruments (2016 - nil).

(ii) Foreign currency exchange rate sensitivity analysis

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

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

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

35 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

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

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

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

- some of the cash and cash equivalents (see note 23)
- some of the liquid funds and other listed investments (see note 22)
- some of the bank and other debts (see note 27)

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

	2017		2016	
	Hypothetical increase (decrease) in profit after tax HK$ million	**Hypothetical increase (decrease) in total equity HK$ million**	Hypothetical increase (decrease) in profit after tax HK$ million	Hypothetical increase (decrease) in total equity HK$ million
Euro	**20**	**(340)**	(191)	(213)
British Pounds	**76**	**(1,248)**	(41)	(1,647)
Australian dollars	**64**	**(359)**	151	(39)
Renminbi	**12**	**12**	(44)	(44)
US dollars	**2,281**	**2,281**	1,367	1,367
Japanese Yen	**(104)**	**(104)**	(103)	(103)

(iii) Other price sensitivity analysis

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

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

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

- available-for-sale investments (see note 22)
- financial assets at fair value through profit or loss (see note 22)

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

- profit for the year would increase by HK$8 million (2016 - HK$8 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$8 million (2016 - HK$8 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$383 million (2016 - HK$290 million) due to increase in gains on available-for-sale investments which are recognised in other comprehensive income.

35 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

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

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2017						
Trade payables	**19,252**	**-**	**-**	**19,252**	**-**	**19,252**
Other payables and accruals	**69,144**	**-**	**-**	**69,144**	**-**	**69,144**
Interest free loans from non-controlling shareholders	**389**	**-**	**-**	**389**	**-**	**389**
Bank loans	**19,080**	**87,355**	**4,736**	**111,171**	**(291)**	**110,880**
Other loans	**249**	**668**	**611**	**1,528**	**(3)**	**1,525**
Notes and bonds	**2,377**	**84,391**	**123,349**	**210,117**	**9,466**	**219,583**
Interest bearing loans from non-controlling shareholders	**-**	**956**	**2,187**	**3,143**	**-**	**3,143**
Obligations for telecommunications licences and other rights	**836**	**3,402**	**1,877**	**6,115**	**(445)**	**5,670**
	111,327	**176,772**	**132,760**	**420,859**	**8,727**	**429,586**

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$9,738 million in "within 1 year" maturity band, HK$28,580 million in "after 1 year, but within 5 years" maturity band, and HK$32,138 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million
At 31 December 2017				
Fair value hedges				
Interest rate swaps				
Net inflow (outflow)	**(74)**	**50**	**-**	**(24)**
Cash flow hedges:				
Interest rate swaps				
Net outflow	**(165)**	**(329)**	**(64)**	**(558)**
Cross currency interest rate swaps				
Net inflow (outflow)	**513**	**(2,347)**	**-**	**(1,834)**
Forward foreign exchange contracts				
Inflow	**380**	**9**	**-**	**389**
Outflow	**(380)**	**(9)**	**-**	**(389)**
Other contracts				
Net outflow	**(23)**	**(87)**	**(339)**	**(449)**
Net investment hedges				
Inflow	**16,952**	**9,791**	**13,684**	**40,427**
Outflow	**(17,187)**	**(9,752)**	**(13,872)**	**(40,811)**
Other derivative financial instruments				
Net outflow	**(263)**	**(3,182)**	**(659)**	**(4,104)**

35 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million	Difference from carrying amounts HK$ million	Carrying amounts HK$ million
At 31 December 2016						
Trade payables	17,380	-	-	17,380	-	17,380
Other payables and accruals	64,002	-	-	64,002	-	64,002
Interest free loans from non-controlling shareholders	927	-	-	927	-	927
Bank loans	20,612	60,766	3,605	84,983	(362)	84,621
Other loans	669	746	823	2,238	-	2,238
Notes and bonds	50,312	45,996	108,518	204,826	11,455	216,281
Interest bearing loans from non-controlling shareholders	-	1,593	2,690	4,283	-	4,283
Obligations for telecommunications licences and other rights	610	3,179	2,871	6,660	(810)	5,850
	154,512	112,280	118,507	385,299	10,283	395,582

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$8,665 million in "within 1 year" maturity band, HK$25,348 million in "after 1 year, but within 5 years" maturity band, and HK$31,882 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year HK$ million	After 1 year, but within 5 years HK$ million	After 5 years HK$ million	Total undiscounted cash flows HK$ million
At 31 December 2016				
Cash flow hedges:				
Interest rate swaps				
Net outflow	(118)	(277)	(264)	(659)
Forward foreign exchange contracts				
Inflow	127	-	-	127
Outflow	(131)	-	-	(131)
Other contracts				
Net outflow	(9)	(119)	(376)	(504)
Net investment hedges				
Inflow	786	-	-	786
Outflow	(792)	-	-	(792)
Other derivative financial instruments				
Net outflow	(254)	(968)	(1,132)	(2,354)

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

	2017 HK$ million	2016 HK$ million
Change in fair value of financial assets at fair value through profit or loss	**2**	64
Losses arising on derivatives in a designated fair value hedge	**(103)**	(690)
Gains arising on adjustment for hedged items in a designated fair value hedge	**103**	690
Interest income on available-for-sale financial assets	**62**	85

35 Financial risk management (continued)

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

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

	2017		2016	
	Carrying amounts HK$ million	**Fair values HK$ million**	Carrying amounts HK$ million	Fair values HK$ million
Financial assets				
Loans and receivables *				
Trade receivables (see note 24)	**11,546**	**11,546**	10,587	10,587
Other receivables and prepayments (see note 24)	**39,812**	**39,812**	34,470	34,470
Unlisted debt securities (see note 21)	**179**	**179**	165	165
	51,537	**51,537**	45,222	45,222
Available-for-sale investments #				
Unlisted equity securities (see note 21)	**2,649**	**2,649**	1,059	1,059
Managed funds, outside Hong Kong (see note 22)	**4,916**	**4,916**	2,932	2,932
Listed / traded debt securities, outside Hong Kong (see note 22)	**1,168**	**1,168**	1,184	1,184
Listed equity securities, Hong Kong (see note 22)	**1,546**	**1,546**	1,621	1,621
Listed equity securities, outside Hong Kong (see note 22)	**25**	**25**	58	58
Financial assets at fair value through profit or loss # (see note 22)	**158**	**158**	159	159
	10,462	**10,462**	7,013	7,013
Fair value hedges #				
Interest rate swaps (see notes 21 and 24)	**54**	**54**	121	121
Cash flow hedges #				
Interest rate swaps (see note 21)	**31**	**31**	-	-
Forward foreign exchange contracts (see notes 21 and 24)	**294**	**294**	204	204
Other contracts (see note 21)	**-**	**-**	2	2
Net investment hedges # (see notes 21 and 24)	**1,791**	**1,791**	6,481	6,481
Other derivative financial instruments # (see notes 21 and 24)	**192**	**192**	379	379
	2,362	**2,362**	7,187	7,187
	64,361	**64,361**	59,422	59,422
Financial liabilities				
Financial liabilities *				
Trade payables (see note 25)	**19,252**	**19,252**	17,380	17,380
Other payables and accruals (see note 25)	**69,144**	**69,144**	64,002	64,002
Bank and other debts (see note 27)	**331,988**	**341,334**	303,140	311,083
Interest free loans from non-controlling shareholders (see note 25)	**389**	**389**	927	927
Interest bearing loans from non-controlling shareholders (see note 28)	**3,143**	**3,143**	4,283	4,283
Obligations for telecommunications licences and other rights (see note 30)	**5,670**	**5,670**	5,850	5,850
	429,586	**438,932**	395,582	403,525
Fair value hedges #				
Interest rate swaps (see note 30)	**37**	**37**	-	-
Cash flow hedges #				
Interest rate swaps (see notes 25 and 30)	**543**	**543**	550	550
Cross currency interest rate swaps (see note 30)	**1,888**	**1,888**	-	-
Forward foreign exchange contracts (see notes 25 and 30)	**3**	**3**	1	1
Other contracts (see notes 25 and 30)	**384**	**384**	402	402
Net investment hedges # (see notes 25 and 30)	**1,291**	**1,291**	3	3
Other derivative financial instruments # (see notes 25 and 30)	**4,069**	**4,069**	1,851	1,851
	8,215	**8,215**	2,807	2,807
	437,801	**447,147**	398,389	406,332

* carried at amortised cost (see note 35(j)(ii) below)
# carried at fair value (see note 35(j)(i) below)

35 Financial risk management (continued)

(j) Fair value measurements

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

Fair value hierarchy

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

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

	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
At 31 December 2017				
Financial assets				
Available-for-sale investments				
Unlisted equity securities (see note 21)	**-**	**-**	**2,649**	**2,649**
Managed funds, outside Hong Kong (see note 22)	**4,916**	**-**	**-**	**4,916**
Listed / traded debt securities, outside Hong Kong (see note 22)	**212**	**956**	**-**	**1,168**
Listed equity securities, Hong Kong (see note 22)	**1,546**	**-**	**-**	**1,546**
Listed equity securities, outside Hong Kong (see note 22)	**25**	**-**	**-**	**25**
Financial assets at fair value through profit or loss (see note 22)	**112**	**46**	**-**	**158**
	6,811	**1,002**	**2,649**	**10,462**
Fair value hedges				
Interest rate swaps (see notes 21 and 24)	**-**	**54**	**-**	**54**
Cash flow hedges				
Interest rate swaps (see note 21)	**-**	**31**	**-**	**31**
Forward foreign exchange contracts (see notes 21 and 24)	**-**	**294**	**-**	**294**
Net investment hedges (see note 21)	**-**	**1,791**	**-**	**1,791**
Other derivative financial instruments (see note 21)	**-**	**192**	**-**	**192**
	-	**2,362**	**-**	**2,362**
Financial liabilities				
Fair value hedges				
Interest rate swaps (see note 30)	**-**	**(37)**	**-**	**(37)**
Cash flow hedges				
Interest rate swaps (see notes 25 and 30)	**-**	**(543)**	**-**	**(543)**
Cross currency interest rate swaps (see note 30)	**-**	**(1,888)**	**-**	**(1,888)**
Forward foreign exchange contracts (see notes 25 and 30)	**-**	**(3)**	**-**	**(3)**
Other contracts (see notes 25 and 30)	**-**	**(384)**	**-**	**(384)**
Net investment hedges (see notes 25 and 30)	**-**	**(1,291)**	**-**	**(1,291)**
Other derivative financial instruments (see notes 25 and 30)	**-**	**(4,069)**	**-**	**(4,069)**
	-	**(8,215)**	**-**	**(8,215)**

35 Financial risk management (continued)

(j) Fair value measurements (continued)

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

Fair value hierarchy (continued)

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
At 31 December 2016				
Financial assets				
Available-for-sale investments				
Unlisted equity securities (see note 21)	-	-	1,059	1,059
Managed funds, outside Hong Kong (see note 22)	2,932	-	-	2,932
Listed / traded debt securities, outside Hong Kong (see note 22)	326	858	-	1,184
Listed equity securities, Hong Kong (see note 22)	1,621	-	-	1,621
Listed equity securities, outside Hong Kong (see note 22)	58	-	-	58
Financial assets at fair value through profit or loss (see note 22)	110	49	-	159
	5,047	907	1,059	7,013
Fair value hedges				
Interest rate swaps (see notes 21 and 24)	-	121	-	121
Cash flow hedges				
Forward foreign exchange contracts (see notes 21 and 24)	-	204	-	204
Other contracts (see note 21)	-	2	-	2
Net investment hedges (see notes 21 and 24)	-	6,481	-	6,481
Other derivative financial instruments (see notes 21 and 24)	-	379	-	379
	-	7,187	-	7,187
Financial liabilities				
Cash flow hedges				
Interest rate swaps (see note 30)	-	(550)	-	(550)
Forward foreign exchange contracts (see note 25)	-	(1)	-	(1)
Other contracts (see note 30)	-	(402)	-	(402)
Net investment hedges (see note 25)	-	(3)	-	(3)
Other derivative financial instruments (see notes 25 and 30)	-	(1,851)	-	(1,851)
	-	(2,807)	-	(2,807)

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

During the year ended 31 December 2017 and 2016, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

35 Financial risk management (continued)

(j) Fair value measurements (continued)

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

Level 3 fair values

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

	2017 **HK$ million**	2016 HK$ million
At 1 January	**1,059**	1,518
Total gains (losses) recognised in		
Income statement	**-**	(26)
Other comprehensive income	**46**	(388)
Additions	**130**	75
Relating to subsidiaries disposed	**1,413**	-
Disposals	**(18)**	(43)
Exchange translation differences	**19**	(77)
At 31 December	**2,649**	1,059
Total losses recognised in income statement relating to those financial assets and financial liabilities held at the end of the reporting period	**-**	(26)

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

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

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

Except for bank and other debts as detailed in the table 35(i) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

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

	Level 1 **HK$ million**	**Level 2** **HK$ million**	**Level 3** **HK$ million**	**Total** **HK$ million**
At 31 December 2017				
Bank and other debts	**214,297**	**127,037**	**-**	**341,334**

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
At 31 December 2016				
Bank and other debts	214,108	96,975	-	311,083

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

35 Financial risk management (continued)

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

The following tables set out the carrying amounts of recognised financial assets and recognised financial liabilities that:
(1) are offset in the Group's consolidated statement of financial position; or
(2) are subject to an enforceable master netting arrangements or similar agreements that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

	Gross amounts of recognised financial assets (liabilities) HK$ million	Gross amounts offset in the consolidated statement of financial position HK$ million	Net amounts presented in the consolidated statement of financial position HK$ million	Related amounts not offset in the consolidated statement of financial position		
				Financial assets (liabilities) HK$ million	**Cash collateral pledged (received) HK$ million**	**Net amounts HK$ million**
At 31 December 2017						
Financial assets						
Trade receivables	**57**	**(3)**	**54**	**(35)**	**-**	**19**
Other receivables and prepayments	**994**	**(568)**	**426**	**-**	**-**	**426**
Cash flow hedges						
Forward foreign exchange contracts	**2**	**-**	**2**	**(2)**	**-**	**-**
Net investment hedges	**487**	**-**	**487**	**(275)**	**-**	**212**
Other derivative financial instruments	**192**	**-**	**192**	**(82)**	**-**	**110**
	1,732	**(571)**	**1,161**	**(394)**	**-**	**767**
Financial liabilities						
Trade payables	**(4,355)**	**571**	**(3,784)**	**-**	**-**	**(3,784)**
Other payables and accruals	**(43)**	**-**	**(43)**	**35**	**-**	**(8)**
Cash flow hedges						
Forward foreign exchange contracts	**(2)**	**-**	**(2)**	**2**	**-**	**-**
Net investment hedges	**(275)**	**-**	**(275)**	**275**	**-**	**-**
Other derivative financial instruments	**(539)**	**-**	**(539)**	**82**	**-**	**(457)**
	(5,214)	**571**	**(4,643)**	**394**	**-**	**(4,249)**
At 31 December 2016						
Financial assets						
Trade receivables	42	(3)	39	(27)	-	12
Other receivables and prepayments	696	(386)	310	-	-	310
Cash flow hedges						
Forward foreign exchange contracts	196	-	196	(1)	-	195
Net investment hedges	1,144	-	1,144	(3)	-	1,141
Other derivative financial instruments	301	-	301	(299)	-	2
	2,379	(389)	1,990	(330)	-	1,660
Financial liabilities						
Trade payables	(3,648)	389	(3,259)	-	-	(3,259)
Other payables and accruals	(41)	-	(41)	27	-	(14)
Cash flow hedges						
Forward foreign exchange contracts	(1)	-	(1)	1	-	-
Net investment hedges	(3)	-	(3)	3	-	-
Other derivative financial instruments	(299)	-	(299)	299	-	-
	(3,992)	389	(3,603)	330	-	(3,273)

36 Pledge of assets

At 31 December 2017, assets of the Group totalling HK$27,990 million (2016 - HK$24,994 million) were pledged as security for bank and other debts.

37 Contingent liabilities

At 31 December 2017, CK Hutchison Holdings Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK$3,911 million (2016 - HK$3,797 million).

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

	2017 **HK$ million**	2016 HK$ million
To associated companies	**2,687**	2,470
To joint ventures	**623**	593

At 31 December 2017, the Group had provided performance and other guarantees of HK$3,307 million (2016 - HK$3,950 million).

38 Commitments

The Group's outstanding commitments contracted for at 31 December 2017, where material, not provided for in the financial statements at 31 December 2017 are as follows:

Capital commitments
(a) Ports and Related Services - HK$73 million (2016 - HK$674 million)
(b) **3** Group Europe - HK$3,271 million (2016 - HK$3,038 million)
(c) Telecommunications, Hong Kong and Asia - HK$1,836 million (2016 - HK$699 million)
(d) Other fixed assets - HK$187 million (2016 - HK$184 million)

Operating lease commitments - future aggregate minimum lease payments for land and buildings leases
(a) In the first year - HK$11,494 million (2016 - HK$9,888 million)
(b) In the second to fifth years inclusive - HK$21,947 million (2016 - HK$17,614 million)
(c) After the fifth year - HK$41,343 million (2016 - HK$29,938 million)

Operating lease commitments - future aggregate minimum lease payments for other assets
(a) In the first year - HK$1,041 million (2016 - HK$1,290 million)
(b) In the second to fifth years inclusive - HK$2,528 million (2016 - HK$3,351 million)
(c) After the fifth year - HK$400 million (2016 - HK$377 million)

39 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and joint ventures are disclosed in notes 18 and 19. In addition, during 2015, the acquisition of HWL resulted in the consolidation of traded debt securities outside Hong Kong issued by listed associated company, Husky Energy with a principal amount of US$25 million which will mature in 2019.

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

40 Legal proceedings

As at 31 December 2017, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

41 US dollar equivalents

Amounts in these financial statements are stated in Hong Kong dollars (HK$), the functional currency of the Company. The translation into US dollars (US$) of these financial statements as of, and for the year ended, 31 December 2017, is for convenience only and has been made at the rate of HK$7.8 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Profit before tax

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

	2017 **HK$ million**	2016 HK$ million
Credits:		
Share of profits less losses of associated companies		
Listed	**6,042**	5,735
Unlisted	**755**	627
	6,797	6,362
Dividend and interest income from managed funds and other investments		
Listed	**91**	126
Unlisted	**141**	144
Charges:		
Depreciation and amortisation		
Fixed assets	**14,679**	13,262
Leasehold land	**428**	416
Telecommunications licences	**998**	823
Brand names and other rights	**1,000**	1,513
	17,105	16,014
Inventories write-off	**1,181**	1,114
Operating leases		
Properties	**17,081**	18,129
Hire of plant and machinery	**2,023**	1,939
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	**163**	210
- other auditors	**17**	19
Non-audit work - PricewaterhouseCoopers	**35**	26
- other auditors	**63**	46

43 Statement of financial position of the Company, as at 31 December 2017

	2017 **HK$ million**	2016 HK$ million
Non-current assets		
Subsidiary companies - Unlisted shares (a)	**355,164**	355,164
Current assets		
Amounts due from subsidiary companies (b)	**9,292**	9,397
Other receivables	**176**	28
Cash	**6**	7
Current liabilities		
Other payables and accruals	**47**	43
Net current assets	**9,427**	9,389
Net assets	**364,591**	364,553
Capital and reserves		
Share capital (see note 31(a))	**3,858**	3,858
Share premium (see note 31(a))	**244,505**	244,505
Reserves - Retained profit (c)	**116,228**	116,190
Shareholders' funds	**364,591**	364,553

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

43 Statement of financial position of the Company, as at 31 December 2017 (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 95 to 97.

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

(c) Reserves - Retained profit

	HK$ million
At 1 January 2016	115,973
Profit for the year	10,195
Buy-back and cancellation of issued shares (see note 31(a)(i))	(1)
Dividends paid relating to 2015	(7,140)
Dividends paid relating to 2016	(2,837)
At 31 December 2016	**116,190**
Profit for the year	**10,550**
Dividends paid relating to 2016	**(7,503)**
Dividends paid relating to 2017	**(3,009)**
At 31 December 2017	**116,228**

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

(e) The net profit of the Company is HK$10,550 million (2016 - HK10,195 million) and is included in determining the profit attributable to ordinary shareholders of the Company in the consolidated income statement.

(f) At 31 December 2017, the Company's share premium and retained profit amounted to HK$244,505 million (2016 - HK$244,505 million) and HK$116,228 million (2016 - HK$116,190 million) respectively, and subject to a solvency test, they are available for distribution to shareholders.

44 Approval of financial statements

The financial statements set out on pages 14 to 97 were approved and authorised for issue by the Board of Directors on 16 March 2018.

CK Hutchison Holdings Limited
Principal Subsidiary and Associated Companies and Joint Ventures
at 31 December 2017

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Ports and related services					
	Alexandria International Container Terminals Company S.A.E.	Egypt	USD	30,000,000	64	Container terminal operating
	Amsterdam Port Holdings B.V.	Netherlands	EUR	170,704	80	Holding company
	Brisbane Container Terminals Pty Limited	Australia	AUD	34,100,000	80	Container terminal operating
	Buenos Aires Container Terminal Services S.A.	Argentina	ARS	321,528,668	80	Container terminal operating
	ECT Delta Terminal B.V.	Netherlands	EUR	18,000	71	Stevedoring activities
	Ensenada Cruiseport Village, S.A. de C.V.	Mexico	MXP	145,695,000	80	Cruise terminal operating
	Ensenada International Terminal, S.A. de C.V.	Mexico	MXP	160,195,000	80	Container terminal operating
	Europe Container Terminals B.V.	Netherlands	EUR	45,000,000	75	Holding company
	Euromax Terminal Rotterdam B.V.	Netherlands	EUR	100,000	49	Stevedoring activities
	Freeport Container Port Limited	Bahamas	BSD	2,000	41	Container terminal operating
	Gdynia Container Terminal S.A.	Poland	PLN	11,379,300	80	Container terminal operating and rental of port real estate
	Harwich International Port Limited	United Kingdom	GBP	16,812,002	80	Container terminal operating
✡	Hongkong United Dockyards Limited	Hong Kong	HKD	76,000,000	50	Ship repairing, general engineering and tug operations
✡	惠州港業股份有限公司	China	RMB	300,000,000	27	Container terminal operating
✡ ⌘	Huizhou Quanwan Port Development Co., Ltd.	China	RMB	359,300,000	40	Port related land development
	Hutchison Ajman International Terminals Limited - F.Z.E.	United Arab Emirates	AED	60,000,000	80	Container terminal operating
	Hutchison Port Holdings Limited	British Virgin Islands / Hong Kong	USD	26,000,000	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Korea Terminals Limited	South Korea	WON	4,107,500,000	80	Container terminal operating
	Hutchison Laemchabang Terminal Limited	Thailand	THB	1,000,000,000	64	Container terminal operating
✧ * #	Hutchison Port Holdings Trust	Singapore / China	USD	8,797,780,935	30	Container port business trust
	Hutchison Port Investments Limited	Cayman Islands	USD	74,870,807	80	Holding company
	Hutchison Ports Investments S.à r.l.	Luxembourg	EUR	12,750	80	Operation, management and development of ports and container terminals, and investment holding
	Hutchison Ports RAK Limited	British Virgin Islands / United Arab Emriates	USD	10,000	48	Container terminal operating
	Internacional de Contenedores Asociados de Veracruz, S.A. de C.V.	Mexico	MXP	138,623,200	80	Container terminal operating
	International Ports Services Co. Ltd.	Saudi Arabia	SAR	2,000,000	41	Container terminal operating
✡ ⌘	Jiangmen International Container Terminals Limited	China	USD	14,461,665	40	Container terminal operating
	Karachi International Container Terminal Limited	Pakistan	PKR	1,109,384,220	80	Container terminal operating
	Korea International Terminals Limited	South Korea	WON	45,005,000,000	71	Container terminal operating
	L.C. Terminal Portuaria de Contenedores, S.A. de C.V.	Mexico	MXP	78,560,628	80	Container terminal operating
	Maritime Transport Services Limited	United Kingdom	GBP	13,921,323	64	Container terminal operating
✡ ⌘	Nanhai International Container Terminals Limited	China	USD	42,800,000	40	Container terminal operating
	NAWAH for Ports Management Company, LLC	Iraq	IQD	10,000,000	41	Container terminal operating
✡ ⌘	寧波北侖國際集裝箱碼頭有限公司	China	RMB	700,000,000	39	Container terminal operating
	Oman International Container Terminal L.L.C.	Oman	OMR	4,000,000	52	Container terminal operating
	Panama Ports Company, S.A.	Panama	USD	10,000,000	72	Container terminal operating
	Port of Felixstowe Limited	United Kingdom	GBP	100,002	80	Container terminal operating
✡	PT Jakarta International Container Terminal	Indonesia	IDR	221,450,406,000	39	Container terminal operating
✡	River Trade Terminal Co. Ltd.	British Virgin Islands / Hong Kong	USD	1	40	River trade terminal operation
	Saigon International Terminals Vietnam Limited	Vietnam	USD	80,084,000	56	Container terminal operating
✡ ⌘ +	上海明東集裝箱碼頭有限公司	China	RMB	4,000,000,000	40	Container terminal operating
⌘	Shantou International Container Terminals Limited	China	USD	88,000,000	56	Container terminal operating
	South Asia Pakistan Terminals Limited	Pakistan	PKR	5,763,773,300	72	Container terminal operating
	Sydney International Container Terminals Pty Ltd	Australia	AUD	49,000,001	80	Container terminal operating
	Talleres Navales del Golfo, S.A. de C.V.	Mexico	MXP	143,700,000	80	Marine construction and ship repair yard
	Tanzania International Container Terminal Services Limited	Tanzania	TZS	2,208,492,000	53	Container terminal operating

CK Hutchison Holdings Limited
Principal Subsidiary and Associated Companies and Joint Ventures
at 31 December 2017

			Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
			Ports and related services (continued)					
			Terminal Catalunya, S.A.	Spain	EUR	2,342,800	80	Container terminal operating
			Thai Laemchabang Terminal Co., Ltd.	Thailand	THB	800,000,000	70	Container terminal operating
			Thamesport (London) Limited	United Kingdom	GBP	2	64	Container terminal operating
*	#	+	Westports Holdings Berhad	Malaysia	MYR	341,000,000	19	Holding company
	#	⌘	Xiamen Haicang International Container Terminals Limited	China	RMB	555,515,000	39	Container terminal operating
	#	⌘	Xiamen International Container Terminals Limited	China	RMB	1,148,700,000	39	Container terminal operating
			Retail					
			A.S. Watson Holdings Limited	Cayman Islands	HKD	1,000,000	75	Holding company
			A.S. Watson (Europe) Retail Holdings B.V.	Netherlands	EUR	18,001	75	Investment holding in retail businesses
			A.S. Watson Retail (HK) Limited	Hong Kong	HKD	100,000,000	75	Retailing
	✡	+	Dirk Rossmann GmbH	Germany	EUR	12,000,000	30	Retailing
		⌘	廣州屈臣氏個人用品商店有限公司	China	HKD	71,600,000	71	Retailing
			PARKnSHOP (HK) Limited	Hong Kong	HKD	100,000,000	75	Supermarket operating
		✡	Rossmann Supermarkety Drogeryjne Polska Sp. z o.o.	Poland	PLN	26,442,892	53	Retailing
			Superdrug Stores plc	United Kingdom	GBP	22,000,000	75	Retailing
		⌖	武漢屈臣氏個人用品商店有限公司	China	RMB	55,930,000	75	Retailing
			Infrastructure and energy					
		✡	Australian Gas Networks Limited	Australia	AUD	879,082,753	62	Natural gas distribution
	✡	+	AVR-Afvalverwerking B.V.	Netherlands	EUR	1	61	Producing energy from waste
	*	+	CK Infrastructure Holdings Limited	Bermuda / Hong Kong	HKD	2,650,676,042	76	Holding Company
	✡	+	CK William UK Holdings Limited	United Kingdom	GBP	2,049,000,000	30	Investment holding in electricity distribution and generation, and gas transmission and distribution businesses
	✡	+	CKP (Canada) Holidngs Limited	Canada	CAD	1,143,862,830	19	Water heater and HVAC (heating, ventilation and air conditioning) rentals, sales and services
		+	Enviro Waste Services Limited	New Zealand	NZD	84,768,736	76	Waste management services
*	#	+	Husky Energy Inc.	Canada	CAD	7,293,299,861	40	Investment in oil and gas
	✡	+	Northern Gas Networks Holdings Limited	United Kingdom	GBP	71,670,980	36	Gas distribution
		+	Northumbrian Water Group Limited	United Kingdom	GBP	161	70	Water & sewerage businesses
*	#	+	Power Assets Holdings Limited	Hong Kong	HKD	6,610,008,417	29	Investment holdings in energy and utility-related businesses
	✡	+	Trionista TopCo GmbH	Germany	EUR	25,000	26	Sub-metering and related services
	✡	+	UK Power Networks Holdings Limited	United Kingdom	GBP	10,000,000	30	Electricity distribution
		+	Eversholt UK Rails Limited	United Kingdom	GBP	102	88	Holding company in leasing of rolling stock
	✡	+	Wales & West Gas Networks (Holdings) Limited	United Kingdom	GBP	290,272,506	53	Gas distribution
			Telecommunications					
			Hi3G Access AB	Sweden	SEK	10,000,000	60	Mobile telecommunications services
			Hi3G Denmark ApS	Denmark	DKK	64,375,000	60	Mobile telecommunications services
			Hutchison 3G Ireland Holdings Limited	United Kingdom	EUR	2	100	Holding company of mobile telecommunications services
			Hutchison 3G UK Limited	United Kingdom	GBP	201	100	Mobile telecommunications services
			Hutchison Drei Austria GmbH	Austria	EUR	34,882,960	100	Mobile telecommunications services
		*	Hutchison Telecommunications (Australia) Limited	Australia	AUD	4,204,487,847	88	Holding company
		*	Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD	1,204,724,052	66	Holding company of mobile telecommunications services
			Hutchison Telephone Company Limited	Hong Kong	HKD	2,730,684,340	50	Mobile telecommunications services
			PT. Hutchison 3 Indonesia	Indonesia	IDR	651,156,000,000	65	Mobile telecommunications services
			Vietnamobile Telecommunications Joint Stock Company	Vietnam	VND	9,348,000,000,000	49	Mobile telecommunications services
		✡	VIP - CKH Luxembourg S.à r.l.	Luxembourg	EUR	50,000	50	Mobile telecommunications services
	✡	+	Vodafone Hutchison Australia Pty Limited	Australia	AUD	6,046,889,713	44	Telecommunications services

CK Hutchison Holdings Limited

Principal Subsidiary and Associated Companies and Joint Ventures

at 31 December 2017

	Subsidiary and associated companies and joint ventures	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
	Finance & investments and others					
	Cheung Kong (Holdings) Limited	Hong Kong	HKD	10,488,733,666	100	Holding company
	CK Hutchison Global Investments Limited	British Virgin Islands	USD	2	100	Holding company
* # +	CK Life Sciences Int'l., (Holdings) Inc.	Cayman Islands / Hong Kong	HKD	961,107,240	45	Holding company of nutraceuticals, pharmaceuticals and agriculture-related businesses
✡ ⌘	Guangzhou Aircraft Maintenance Engineering Company Limited	China	USD	65,000,000	50	Aircraft maintenance
*	Hutchison China MediTech Limited	Cayman Islands / China	USD	66,447,037	60	Holding company of healthcare businesses
	Hutchison International Limited	Hong Kong	HKD	727,966,526	100	Holding company & corporate
	Hutchison Whampoa (China) Limited	Hong Kong	HKD	15,100,000	100	Investment holding & China businesses
	Hutchison Whampoa Europe Investments S.à r.l.	Luxembourg	EUR	1,764,026,975	100	Holding company
	Hutchison Whampoa Limited	Hong Kong	HKD	29,424,795,590	100	Holding company
	Marionnaud Parfumeries S.A.S.	France	EUR	351,575,833	100	Investment holding in perfume retailing businesses
#	Metro Broadcast Corporation Limited	Hong Kong	HKD	1,000,452	24	Radio broadcasting
* #	TOM Group Limited	Cayman Islands / Hong Kong	HKD	389,327,056	37	Media and technology

The above table lists the principal subsidiary and associated companies and joint ventures of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary and associated companies and joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

Except Cheung Kong (Holdings) Limited and CK Hutchsion Global Investments Limited which are 100% directly held by the Company, the interests in the remaining subsidiary and associated companies and joint ventures are held indirectly.

* Company listed on the Stock Exchange of Hong Kong except Hutchison Port Holdings Trust which is listed on Singapore Stock Exchange, Westports Holdings Berhad which is listed on the Bursa Malaysia Securities Berhad, Husky Energy Inc. which is listed on the Toronto Stock Exchange, Hutchison Telecommunications (Australia) Limited which is listed on the Australian Securities Exchange and Hutchison China MediTech Limited which is listed on the AIM of the London Stock Exchange and in the form of American Depositary Shares on the Nasdaq Stock Market.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.

\# Associated companies

✡ Joint ventures

⌘ Equity joint venture registered under PRC law

⌖ Wholly owned foreign enterprise (WOFE) registered under PRC law

✧ The share capital of Hutchison Port Holdings Trust is in a form of trust units.

\+ The accounts of these subsidiary and associated companies and joint ventures have been audited by firms other than PricewaterhouseCoopers. The aggregate net assets and revenue (excluding share of associated companies and joint ventures) attributable to shareholders of these companies not audited by PricewaterhouseCoopers amounted to approximately 22% and 9% of the Group's respective items.

Group Capital Resources and Liquidity

Treasury Management

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

Cash Management and Funding

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

Interest Rate Exposure

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

At 31 December 2017, approximately 36% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 64% were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$9,600 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$27,950 million principal amount of floating interest rate borrowings that were used to finance long term investments have been swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 30% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 70% were at fixed rates at 31 December 2017. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are considered highly effective.

Foreign Currency Exposure

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

The Group has operations in over 50 countries and conducts businesses in over 50 currencies. The Group's functional currency for reporting purposes is Hong Kong Dollars and the Group's reported results in Hong Kong Dollars are exposed to exchange translation gains or losses on its foreign currency earnings. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings. At times of significant exchange rate volatility and where appropriate opportunities arise, the Group may prudently enter into forward foreign currency contracts and currency swaps for selective foreign currencies for a portion of its budgeted foreign currency earnings to limit potential downside foreign currency exposure on its earnings. In 2017, the Group entered into hedges by ways of forward contracts against British Pounds, Euro and Renminbi currency risks. These contracts resulted in realised hedging losses of HK$1,173 million during the year which were fully offset by translation gains against the hedged rates on the Group's attributable earnings in those currencies in 2017. All forward contracts for hedging earnings have been fully settled and no foreign currency hedges have been entered into in respect of expected 2018 foreign currency earnings.

At 31 December 2017, the Group's total principal amount of bank and other debts are denominated as follows: 21% in Euro, 42% in US dollars, 5% in HK dollars, 22% in British Pounds and 10% in other currencies. The Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$23,010 million to Euro principal amount of borrowings to reflect currency exposures of its underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 28% in Euro, 35% in US dollars, 5% in HK dollars, 22% in British Pounds and 10% in other currencies.

Credit Exposure

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

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

Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A2 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. During 2017, our long term credit rating from Fitch remained at A- with a stable outlook. Standard & Poor's maintained our rating at A- but revised the outlook from stable to positive in July 2017. In November 2017, Moody's revised our rating from A3 to A2 with a stable outlook.

Market Price Risk

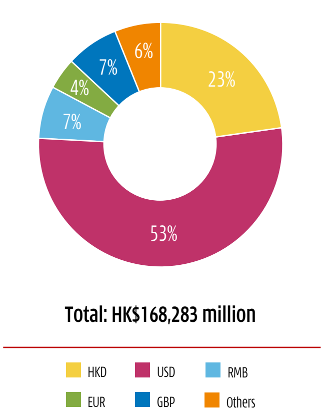
The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 5% (31 December 2016 – approximately 4%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Liquid Assets

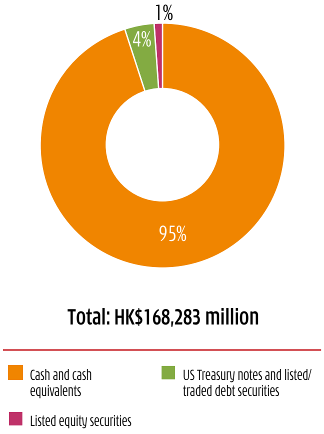
The Group continues to maintain a robust financial position. Liquid assets amounted to HK$168,283 million at 31 December 2017, an increase of 4% from the balance of HK$162,224 million at 31 December 2016, mainly reflecting the cash arising from positive funds from operations from the Group's businesses and cash from new borrowings, including floating rate loans of AUD1,550 million (approximately HK$9,207 million), floating rate loans of US$700 million (approximately HK$5,460 million) and guaranteed bonds of EUR600 million (approximately HK$5,516 million) by listed subsidiary CKI and proceeds from HTHKH's disposal of its fixed-line telecommunication business of HK$14,244 million, partly offset by the acquisitions of DUET Group of AUD2,976 million (approximately HK$17,275 million), ista of EUR1,543 million (approximately HK$14,236 million), Reliance of CAD715 million (approximately HK$4,458 million) and UK Broadband Limited of GBP292 million (approximately HK$2,952 million), dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, the repayment and early repayment of certain borrowings and capex and investment spendings. Liquid assets were denominated as to 23% in HK dollars, 53% in US dollars, 7% in Renminbi, 4% in Euro, 7% in British Pounds and 6% in other currencies.

Cash and cash equivalents represented 95% (31 December 2016 – 96%) of the liquid assets, US Treasury notes and listed/traded debt securities 4% (31 December 2016 – 3%) and listed equity securities 1% (31 December 2016 – 1%). The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 56%, government and government guaranteed notes of 17%, notes issued by the Group's associated company, Husky Energy of 4%, notes issued by financial institutions of 1%, and others of 22%. Of these US Treasury notes and listed/traded debt securities, 79% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.4 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

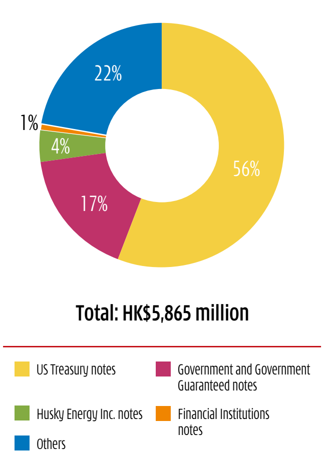
Liquid Assets by Currency Denomination at 31 December 2017



Liquid Assets by Type at 31 December 2017



US Treasury Notes and Listed/Traded Debt Securities by Type at 31 December 2017



Cash Flow

EBITDA [(1)] in 2017 was HK$104,354 million, an increase of 10% compared to HK$94,525 million last year. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital was HK$53,892 million for the year, a 10% increase compared to 2016.

The Group's capital expenditures (including licences, brand name and other rights) for 2017 amounted to HK$23,915 million (31 December 2016 - HK$24,546 million). Capital expenditures for the ports and related services division amounted to HK$3,703 million (31 December 2016 - HK$2,884 million); for the retail division HK$3,148 million (31 December 2016 - HK$2,403 million); for the infrastructure division HK$5,549 million (31 December 2016 - HK$5,550 million); for 3 Group Europe HK$8,080 million (31 December 2016 - HK$8,252 million); for HTHKH HK$1,027 million (31 December 2016 - HK$2,950 million); for HAT HK$2,122 million (31 December 2016 - HK$2,246 million); and for the finance and investments and others segment HK$286 million (31 December 2016 - HK$261 million).

During 2017, the Group acquired UK Broadband Limited for HK$2,952 million (net of cash acquired of HK$5 million) and Tele2 Austria Holding GmbH for HK$725 million (net of cash acquired of HK$193 million) (31 December 2016 - HK$278 million for acquisition of additional interest in a subsidiary for the ports and relates services division).

Purchases of and advances to associated companies and joint ventures, net of repayments from associated companies and joint ventures, resulted in a net cash outflow of HK$36,994 million (31 December 2016 - HK$42 million). The outflow in 2017 mainly represented the payment for the acquisition of DUET Group, Reliance and ista totalling HK$35,969 million.

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

For further information of the Group's capital expenditures by division and cash flow, please see Note 5(e) and the "Consolidated Statement of Cash Flows" section of this Announcement.

Note 1: EBITDA excludes the non-controlling interests' share of HPH Trust's EBITDA.

Debt Maturity and Currency Profile

The Group's total bank and other debts, including unamortised fair value adjustments from acquisitions, at 31 December 2017 amounted to HK$333,155 million (31 December 2016 - HK$304,030 million) which comprises principal amount of bank and other debts of HK$322,816 million (31 December 2016 - HK$292,047 million) and unamortised fair value adjustments arising from acquisitions of HK$10,339 million (31 December 2016 - HK$11,983 million). The Group's total principal amount of bank and other debts at 31 December 2017 consist of 65% notes and bonds (31 December 2016 - 70%) and 35% bank and other loans (31 December 2016 - 30%). The Group's weighted average cost of debt for the year ended 31 December 2017 is 2.3% (31 December 2016 - 2.2%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK$3,143 million as at 31 December 2017 (31 December 2016 - HK$4,283 million).

The maturity profile of the Group's total principal amount of bank and other debts at 31 December 2017 is set out below:

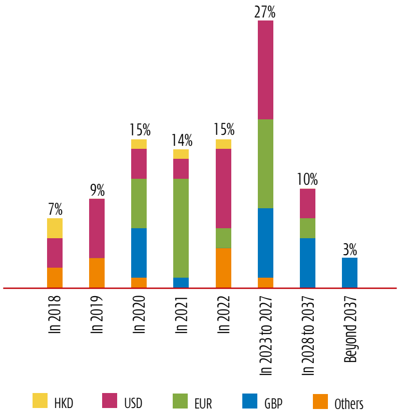
	HK$	US$	Euro	GBP	Others	**Total**
In 2018	2%	3%	–	–	2%	**7%**
In 2019	–	6%	–	1%	2%	**9%**
In 2020	1%	3%	5%	5%	1%	**15%**
In 2021	1%	2%	10%	1%	–	**14%**
In 2022	1%	8%	2%	–	4%	**15%**
In 2023 - 2027	–	10%	9%	7%	1%	**27%**
In 2028 - 2037	–	3%	2%	5%	–	**10%**
Beyond 2037	–	–	–	3%	–	**3%**
Total	5%	35%	28%	22%	10%	**100%**

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings have credit rating triggers that would accelerate the maturity dates of any outstanding consolidated Group's debt.

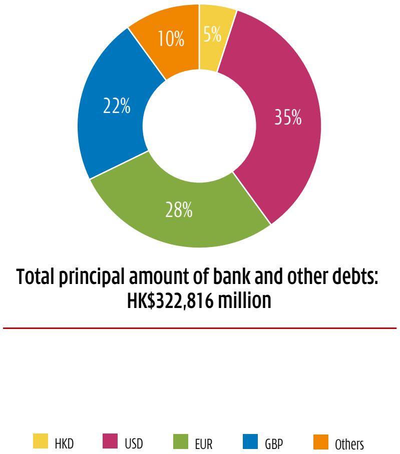
Debt Maturity and Currency Profile (continued)

Debt Maturity Profile by Year and Currency Denomination at 31 December 2017

Total principal amount of bank and other debts: HK$322,816 million



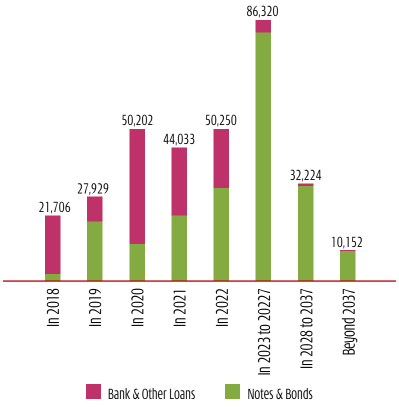
Debt Profile by Currency Denomination at 31 December 2017



Total principal amount of bank and other debts: HK$322,816 million

Debt Maturity Profile by Notes & Bonds and Bank & Other Loans at 31 December 2017

Total principal amount of bank and other debts: HK$322,816 million



Changes in Debt Financing and Perpetual Capital Securities

The significant financing activities for the Group in 2017 were as follows:

- In January, repaid US$1,000 million (approximately HK$7,800 million) principal amount of fixed rate notes on maturity;
- In January, obtained a five-year floating rate loan facility of US$86 million (approximately HK$671 million);
- In February, listed subsidiary CKI obtained a one-year floating rate loan facility of AUD750 million (approximately HK$4,455 million), a five-year floating rate loan facility of AUD500 million (approximately HK$2,970 million) and a five-year floating rate loan facility of AUD300 million (approximately HK$1,782 million);
- In March, made a drawdown of US$1,200 million (approximately HK$9,360 million) loan under a three-year floating rate Hong Kong / US Dollar loan facility of HK$9,500 million that was obtained in the same month, and applied the proceeds of such loan towards prepayment of a floating rate loan of EUR1,113 million (approximately HK$9,335 million) maturing in May 2017;
- In March, obtained a five-year floating rate loan facility of US$200 million (approximately HK$1,560 million);
- In March, issued US$1,000 million (approximately HK$7,800 million) guaranteed notes due 2022 and US$800 million (approximately HK$6,240 million) guaranteed notes due 2027;
- In March, listed subsidiary CKI obtained a three-year floating rate loan facility of GBP300 million (approximately HK$2,907 million);
- In March, listed subsidiary CKI obtained a five-year floating rate loan facility of AUD103 million (approximately HK$612 million);
- In March, listed subsidiary CKI made a drawdown of an AUD550 million (approximately HK$3,275 million) loan under a five-year floating rate loan facility that was obtained in December 2016 to prepay an AUD550 million (approximately HK$3,275 million) floating rate loan maturing in May 2017;
- In March, listed subsidiary CKI obtained and made a drawdown of an JPY12,000 million (approximately HK$847 million) loan under a five-year floating rate loan facility to prepay a JPY12,000 million (approximately HK$847 million) floating rate loan;
- In April, an unlisted subsidiary of the infrastructure division issued twenty-year, GBP100 million (approximately HK$996 million) fixed rate notes;
- In May, obtained two three-year floating rate loan facilities of HK$1,650 million each;
- In May, obtained a five-year floating rate loan facility of SEK4,300 million (approximately HK$3,784 million);
- In May, the US$1,000 million (approximately HK$7,800 million) Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (12) Limited were redeemed in full at first call date;
- In May, issued US$1,000 million (approximately HK$7,800 million) Subordinated Guaranteed Perpetual Capital Securities;

Changes in Debt Financing and Perpetual Capital Securities (continued)

- In May, listed subsidiary CKI repaid a floating rate loan facility of AUD103 million (approximately HK$593 million) on maturity;
- In May, repaid a floating rate loan facility of HK$3,296 million on maturity;
- In June, prepaid US$100 million (approximately HK$780 million) of a US$165 million floating rate loan facility maturing in June 2018;
- In June, repaid EUR1,250 million (approximately HK$10,888 million) principal amount of fixed rate notes on maturity;
- In June, obtained a three-year floating rate loan facility of US$1,000 million (approximately HK$7,800 million);
- In June, listed subsidiary CKI repaid US$300 million (approximately HK$2,340 million) principal amount of floating rate notes on maturity;
- In June, obtained a ten-year fixed rate loan facility of GBP100 million (approximately HK$984 million);
- In July, prepaid a floating rate loan facility of EUR300 million (approximately HK$2,730 million) maturing in September 2018;
- In July, the HK$1,000 million Guaranteed Senior Perpetual Securities issued by Cheung Kong Bond Securities (02) Limited were redeemed in full;
- In August and November, listed subsidiary CKI issued a total of US$650 million (approximately HK$5,070 million) perpetual capital securities;
- In August, prepaid a floating rate loan facility of EUR300 million (approximately HK$2,760 million) maturing in December 2020;
- In August, repaid US$500 million (approximately HK$3,900 million) principal amount of fixed rate notes on maturity;
- In August, an unlisted subsidiary of the infrastructure division issued a twenty five-year, GBP400 million (approximately HK$4,016 million) fixed rate bonds;
- In September, issued US$1,000 million (approximately HK$7,800 million) guaranteed notes due 2020, US$750 million (approximately HK$5,850 million) guaranteed notes due 2023 and US$500 million (approximately HK$3,900 million) guaranteed notes due 2027;
- In October, repaid US$2,000 million (approximately HK$15,600 million) principal amount of fixed rate notes on maturity;
- In October, listed subsidiary CKI obtained two one-year floating rate loan facilities of US$200 million each (approximately HK$3,120 million);
- In October, listed subsidiary CKI obtained a nine-month floating rate loan facility of US$300 million (approximately HK$2,340 million);
- In November, repaid US$1,000 million (approximately HK$7,800 million) principal amount of fixed rate notes on maturity; and
- In December, listed subsidiary CKI issued EUR600 million (approximately HK$5,516 million) guaranteed bonds due 2024;

Furthermore, the significant debt financing activities undertaken by the Group subsequent to the year ended 31 December 2017 were as follows:

- In January, prepaid a floating rate term and revolving loan facility of HK$2,900 million maturing in November 2019;
- In January, prepaid a floating rate term and revolving loan facility of HK$1,000 million maturing in October 2019; and
- In January, listed subsidiary CKI prepaid two floating rate loan facilities of US$200 million each (approximately HK$3,120 million) maturing in October 2018.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities increased to HK$459,537 million as at 31 December 2017, compared to HK$424,679 million as at 31 December 2016, reflecting the Group's profit for 2017 and other items recognised directly in reserves, partly offset by the 2016 final and 2017 interim dividend and distributions paid.

As at 31 December 2017, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, was HK$164,872 million (31 December 2016 - HK$141,806 million), a 16% increase compared to the net debt at the beginning of the year, resulting in an increase of the Group's net debt to net total capital ratio to 21.7% as at 31 December 2017 (31 December 2016 - 20.5%). The Group's consolidated cash and liquid investments as at 31 December 2017 were sufficient to repay all outstanding consolidated Group's principal amount of debt maturing before 2022.

The Group's consolidated gross interest expenses and other finance costs of subsidiaries, before capitalisation in 2017 was HK$8,644 million (31 December 2016 - HK$ 7,444 million). EBITDA of HK$104,354 million (31 December 2016 - HK$94,525 million) and FFO of HK$53,892 million (31 December 2016 - HK$49,188 million) for the year covered consolidated net interest expenses and other finance costs 22.2 times (31 December 2016 - 20.5 times) and 13.1 times (31 December 2016 - 12.5 times) respectively.

Secured Financing

At 31 December 2017, assets of the Group totalling HK$27,990 million (31 December 2016 – HK$24,994 million) were pledged as security for bank and other debts.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 31 December 2017 amounted to the equivalent of HK$13,168 million (31 December 2016 – HK$15,335 million).

Contingent Liabilities

At 31 December 2017, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK$3,911 million (31 December 2016 – HK$3,797 million), of which HK$3,310 million (31 December 2016 – HK$3,063 million) has been drawn down as at 31 December 2017 and also provided performance and other guarantees of HK$3,307 million (31 December 2016 – HK$3,950 million).

Share Option Schemes

The Company does not have any operating share option schemes during the year ended 31 December 2017 but certain of the Company's subsidiary companies have adopted share option schemes for their employees.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the year ended 31 December 2017 with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the nomination committee. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board of Directors (the "Board") collectively reviews, determines and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Group Co-Managing Directors.

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made, all Directors have confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout the year ended 31 December 2017.

Audit Report on the Annual Financial Statements

The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2017 have been audited by PwC in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unqualified auditor's report is set out on pages 9 to 13 of this Announcement. The consolidated financial statements of the Company and its subsidiary companies for the year ended 31 December 2017 have also been reviewed by the Audit Committee.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 7 May 2018 to Thursday, 10 May 2018, both days inclusive, during which period no transfer of shares will be effected, to determine shareholders' entitlement to attend and vote at the 2018 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Friday, 4 May 2018.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Wednesday, 16 May 2018. In order to qualify for the proposed final dividend payable on Thursday, 31 May 2018, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 16 May 2018.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 10 May 2018. Notice of the 2018 Annual General Meeting will be published and issued to shareholders in due course.

Corporate Strategy

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Operations Review contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

Past Performance and Forward Looking Statements

The performance and the results of the operations of the Group contained in the 2017 annual results announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within the 2017 annual results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in the 2017 annual results announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr LI Ka-shing *(Chairman)*
Mr LI Tzar Kuoi, Victor *(Group Co-Managing Director and Deputy Chairman)*
Mr FOK Kin Ning, Canning *(Group Co-Managing Director)*
Mr Frank John SIXT *(Group Finance Director and Deputy Managing Director)*
Mr IP Tak Chuen, Edmond *(Deputy Managing Director)*
Mr KAM Hing Lam *(Deputy Managing Director)*
Mr LAI Kai Ming, Dominic *(Deputy Managing Director)*
Ms Edith SHIH

Non-executive Directors:
Mr CHOW Kun Chee, Roland
Mrs CHOW WOO Mo Fong, Susan
Mr LEE Yeh Kwong, Charles
Mr LEUNG Siu Hon
Mr George Colin MAGNUS

Independent Non-executive Directors:
Mr KWOK Tun-li, Stanley
Mr CHENG Hoi Chuen, Vincent
The Hon Sir Michael David KADOORIE
Ms LEE Wai Mun, Rose
Mr William Elkin MOCATTA
(Alternate to The Hon Sir Michael David Kadoorie)
Mr William SHURNIAK
Mr WONG Chung Hin
Dr WONG Yick-ming, Rosanna

長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1

2017
Annual Results
Operations Analysis

Disclaimer

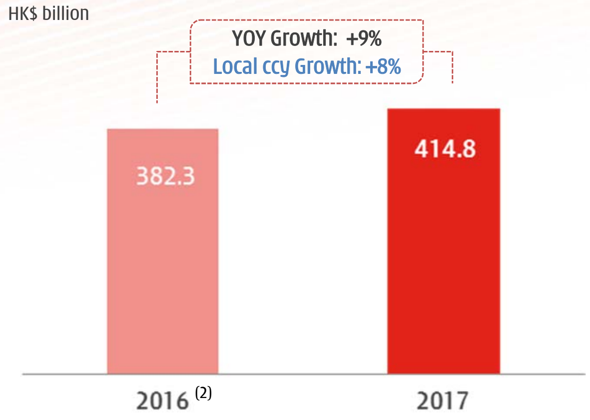
Potential investors and shareholders of the Company (the "Potential Investors and Shareholders") are reminded that information contained in this Presentation comprises extracts of operational data and financial information of the Group for the year ended 31 December 2017. The information included is solely for the use in this Presentation and certain information has not been independently verified. No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions presented or contained in this Presentation. Potential Investors and Shareholders should refer to the 2017 Annual Report for the audited results of the Company which are published in accordance with the Listing Rules of the Stock Exchange of Hong Kong Limited.

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

Potential Investors and Shareholders should exercise caution when investing in or dealing in the securities of the Company.

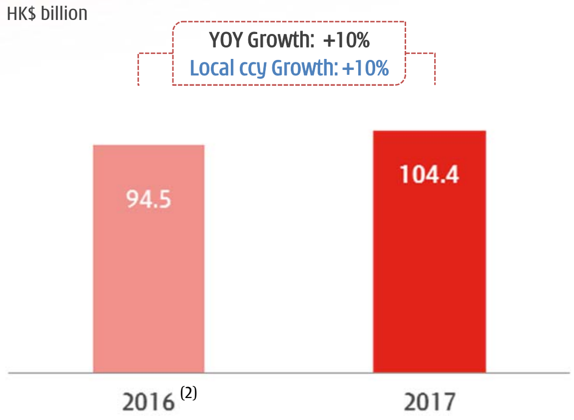
2017 Financial Highlights

Total Revenue (1)


HK$ billion

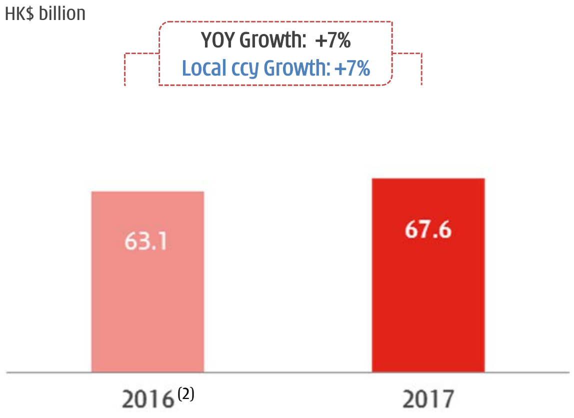
YOY Growth: +9%
Local ccy Growth: +8%

Total EBITDA (1)


HK$ billion

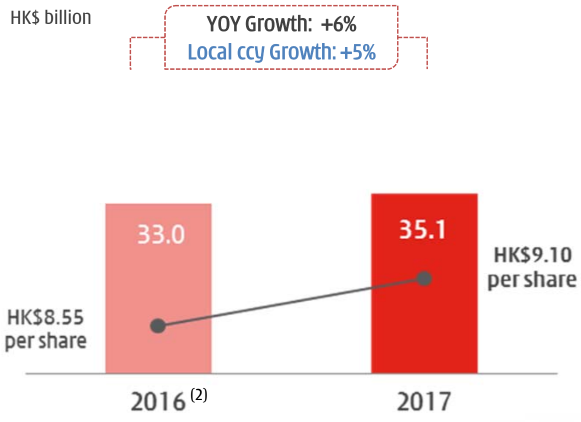
YOY Growth: +10%
Local ccy Growth: +10%

Total EBIT (1)


HK$ billion

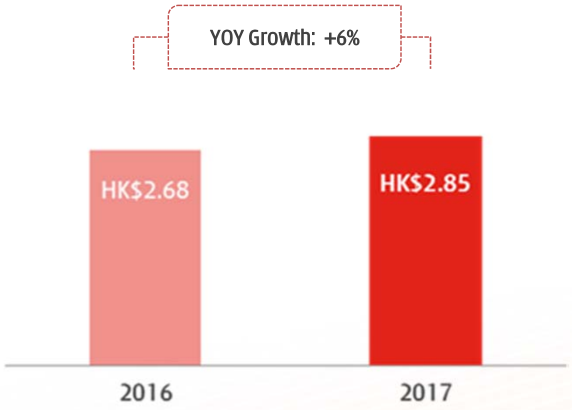
YOY Growth: +7%
Local ccy Growth: +7%

Reported Earnings & EPS


HK$ billion

YOY Growth: +6%
Local ccy Growth: +5%

Dividend per share


YOY Growth: +6%

Note (1): Total revenue, EBITDA and EBIT include the Group's proportionate share of associated companies and joint ventures' respective items.

Note (2): The 2016 comparative has been reclassified to enable a better comparison of performance. The items in "profit on disposal of investments & others" in 2016 have been reclassified to the respective lines under revenue, EBITDA and EBIT to conform with 2017 presentation.

Business & Geographical Diversification

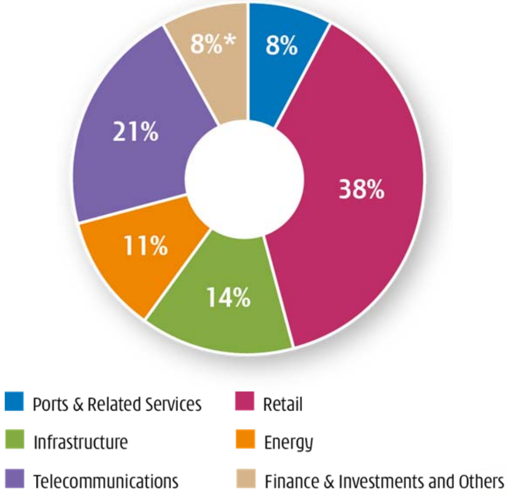
Total Revenue

HK$414,837m

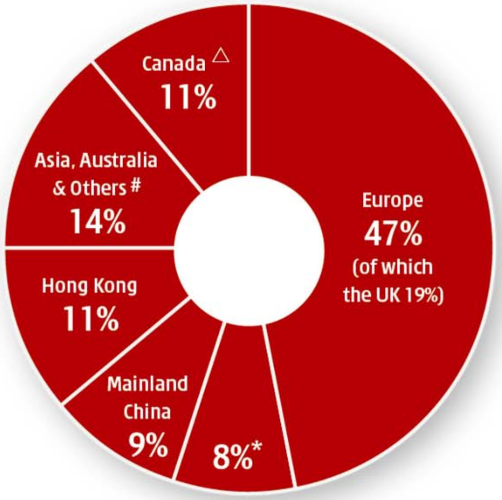
⇧ **9%**

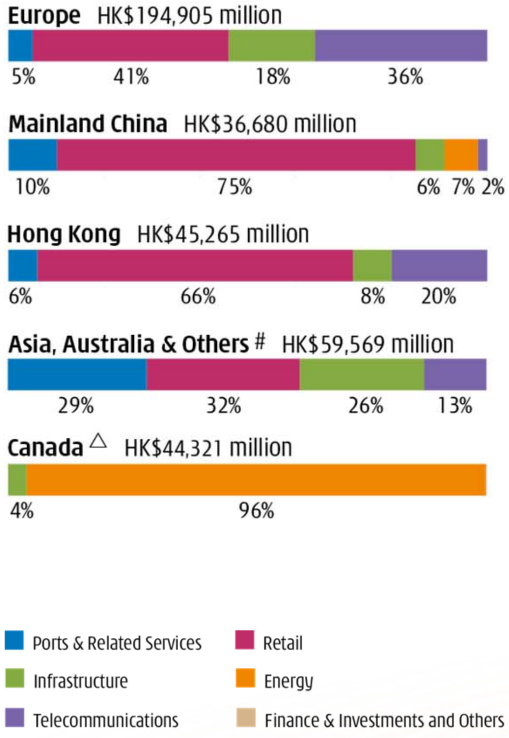
(+8% in local currencies)

By Division



By Geographical Location





* Represents contributions from Finance & Investments and Others

\# Includes Panama, Mexico and the Middle East

△ Includes contribution from the USA for Husky Energy

Business & Geographical Diversification

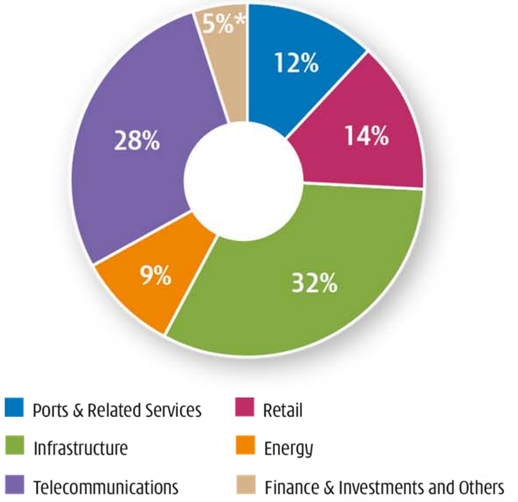
Total EBITDA

HK$104,354m

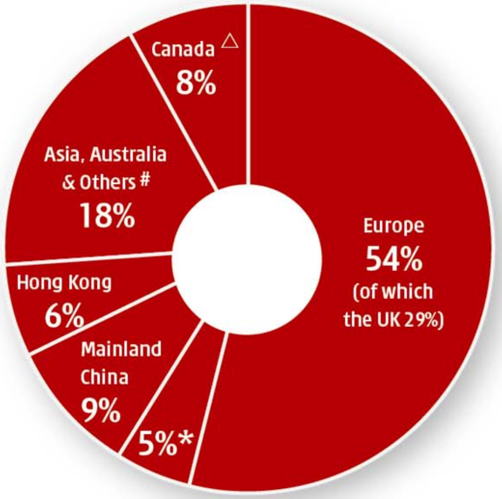
⇧10%

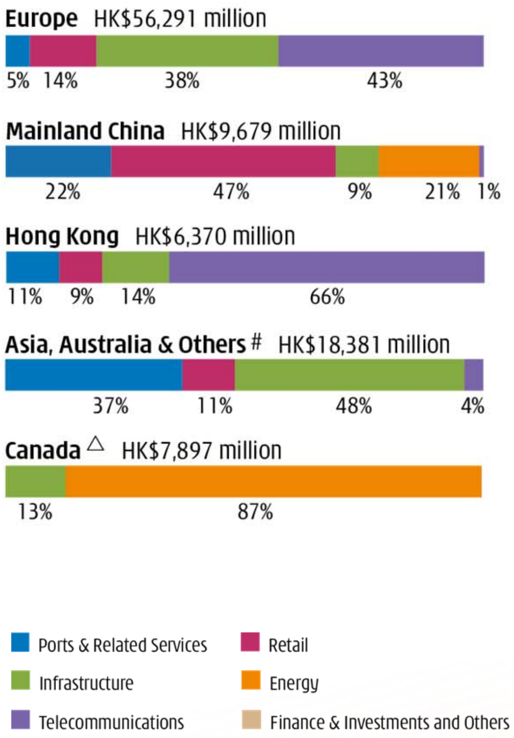
(+10% in local currencies)

By Division



By Geographical Location

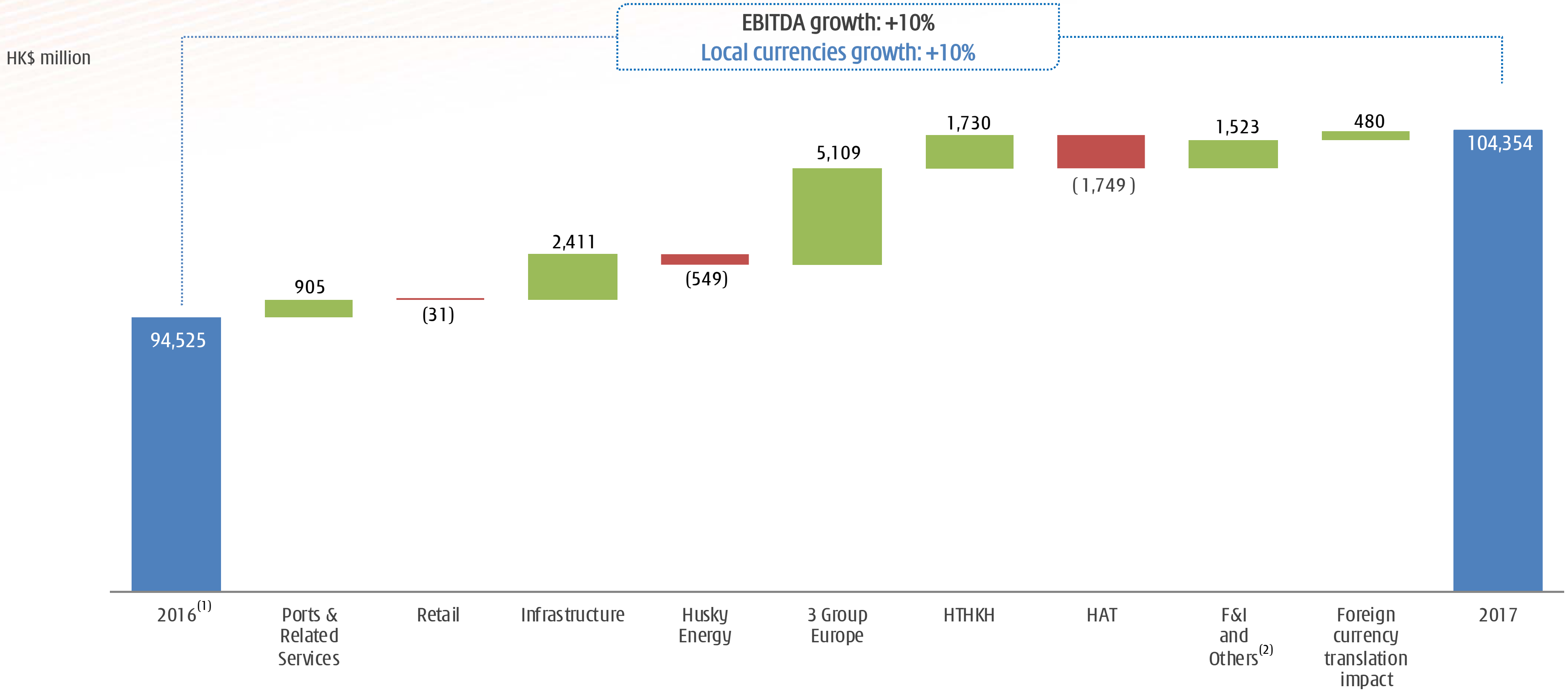




* Represents contributions from Finance & Investments and Others
# Includes Panama, Mexico and the Middle East
△ Includes contribution from the USA for Husky Energy

Business & Geographical Diversification

Total EBITDA



2017	12,563	14,798	33,033	8,992	24,337	4,337	558	5,736	104,354
2016	11,639	14,567	31,128	9,284	18,944	2,607	2,298	4,058	94,525
Variance	924	231	1,905	(292)	5,393	1,730	(1,740)	1,678	9,829
% Change	⇧ 8%	⇧ 2%	⇧ 6%	⇩ -3%	⇧ 28%	⇧ 66%	⇩ -76%	⇧ 41%	⇧ 10%
FX impact	19	262	(506)	257	284	-	9	155	480
Underlying variance	905	(31)	2,411	(549)	5,109	1,730	(1,749)	1,523	9,349
% Change in local currencies	⇧ 8%	⇨ 0%	⇧ 8%	⇩ -6%	⇧ 27%	⇧ 66%	⇩ -76%	⇧ 38%	⇧ 10%

Note (1): The comparatives have been reclassified to enable a better comparison of underlying performance. The items in "profit on disposal of investments & others" in 2016 have been reclassified and presented in revenue, EBITDA and EBIT to conform with 2017 presentation.

Note (2): F&I and Others includes listed companies (Hutchison China Meditech, Tom Group, CK Life Sciences, Hutchison Telecom Australia (with 50% interest in Vodafone Hutchison Australia) and other unlisted entities. 2017 EBITDA included a disposal gain of HK$1,922 million relating to a manufacturing plant in Mainland China.

Business & Geographical Diversification

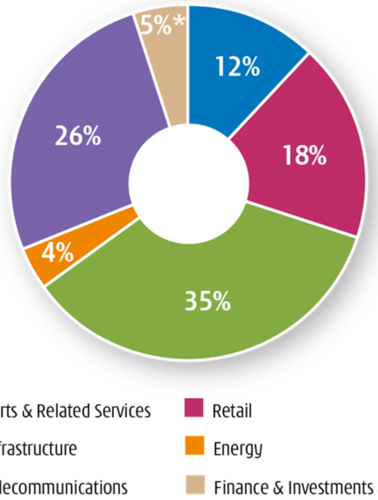
Total EBIT

HK$67,592m

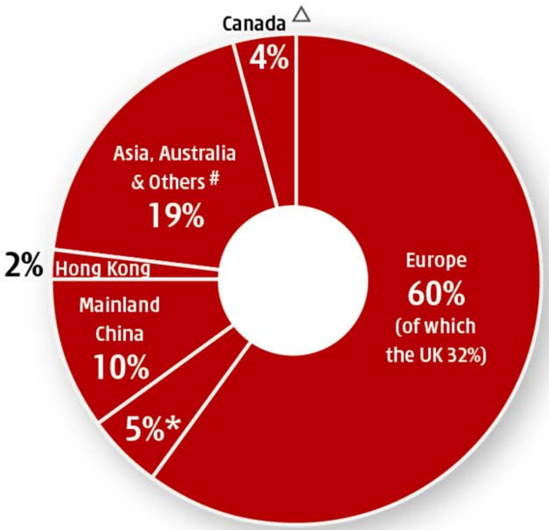
⇧ **7%**

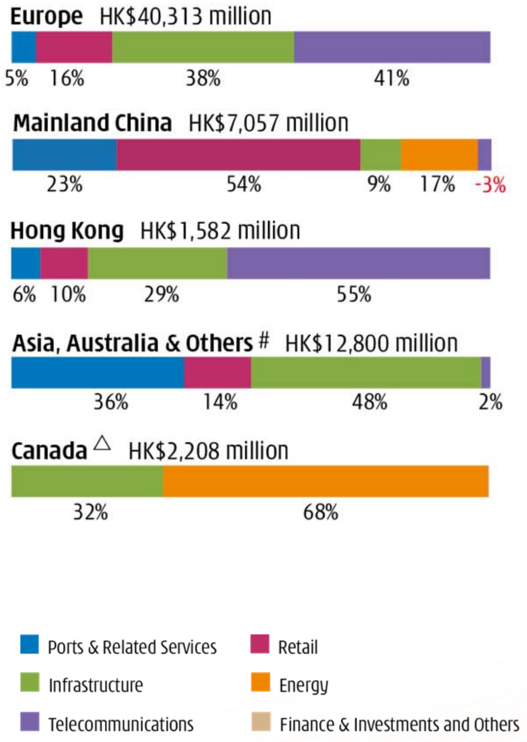
(+7% in local currencies)

By Division



By Geographical Location





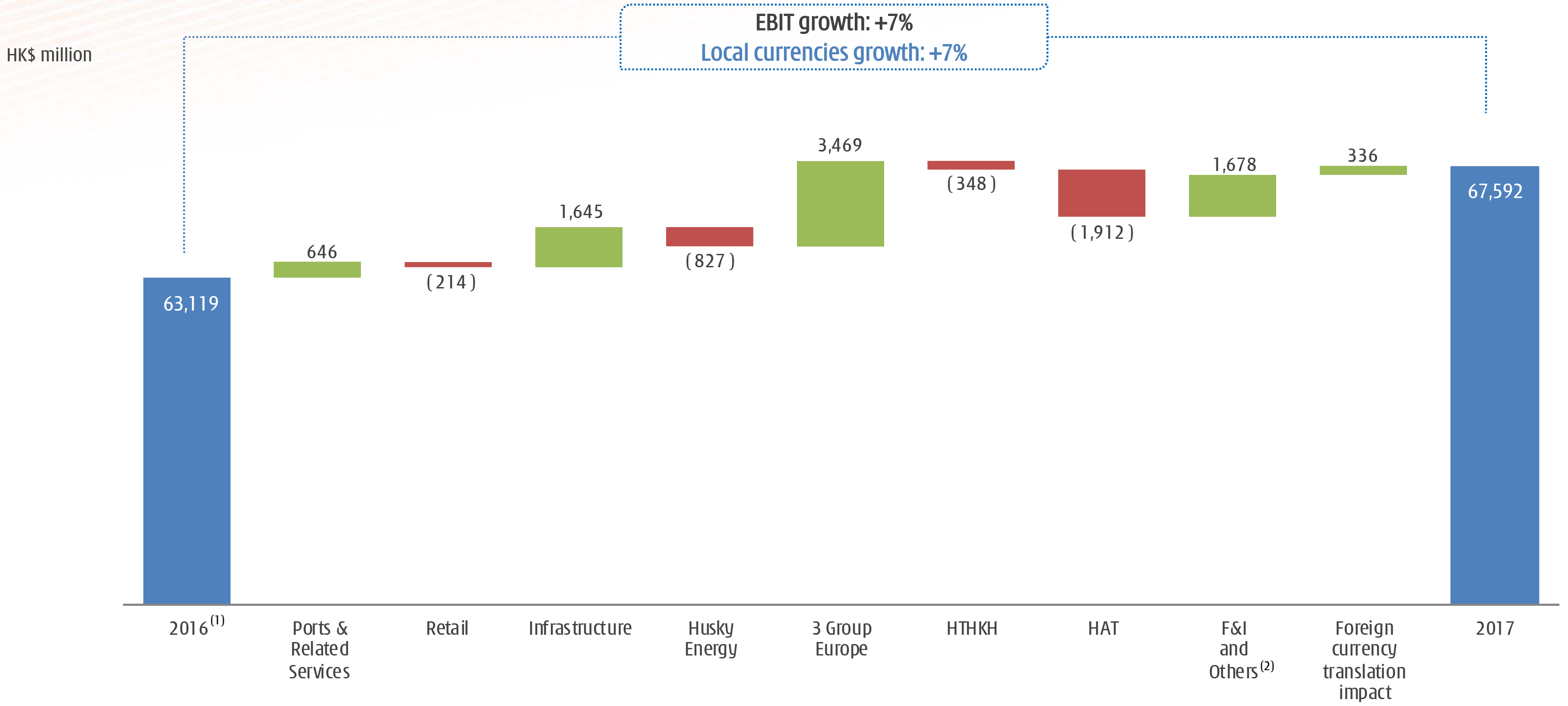
* Represents contributions from Finance & Investments and Others

\# Includes Panama, Mexico and the Middle East

△ Includes contribution from the USA for Husky Energy

Business & Geographical Diversification

Total EBIT



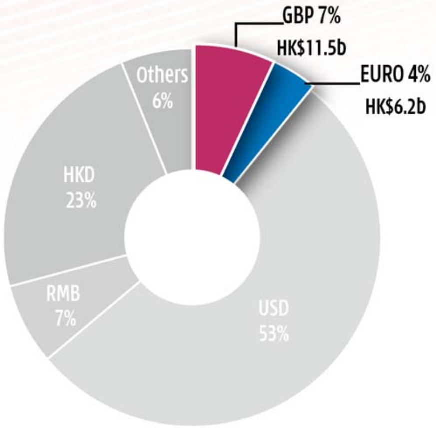
2017	8,219	12,089	23,449	2,703	16,567	707	226	3,632		67,592
2016	7,567	12,059	22,162	3,429	12,838	1,055	2,130	1,879		63,119
Variance	652	30	1,287	(726)	3,729	(348)	(1,904)	1,753		4,473
% Change	↑ 9%	→ 0%	↑ 6%	↓ -21%	↑ 29%	↓ -33%	↓ -89%	↑ 93%		↑ 7%
FX impact	6	244	(358)	101	260	-	8	75		336
Underlying variance	646	(214)	1,645	(827)	3,469	(348)	(1,912)	1,678		4,137
% Change in local currencies	↑ 9%	↓ -2%	↑ 7%	↓ -24%	↑ 27%	↓ -33%	↓ -90%	↑ 89%		↑ 7%

Note (1): The comparatives have been reclassified to enable a better comparison of underlying performance. The items in "profit on disposal of investments & others" in 2016 have been reclassified and presented in revenue, EBITDA and EBIT to conform with 2017 presentation.

Note (2): F&I and Others includes listed companies (Hutchison China Meditech, Tom Group, CK Life Sciences, Hutchison Telecom Australia (with 50% interest in Vodafone Hutchison Australia) and other unlisted entities. 2017 EBIT included a disposal gain of HK$1,922 million relating to a manufacturing plant in Mainland China.

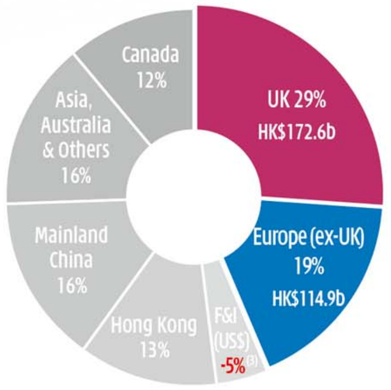
European Segment

Cash & Cash Equivalent



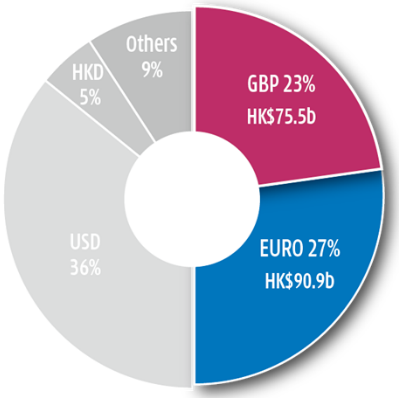
HK$168.3b

Net Assets



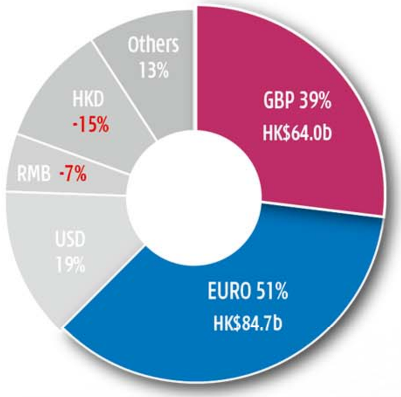
HK$591.5b

Gross Debt (4)



HK$333.2b

Net Debt



HK$164.9b

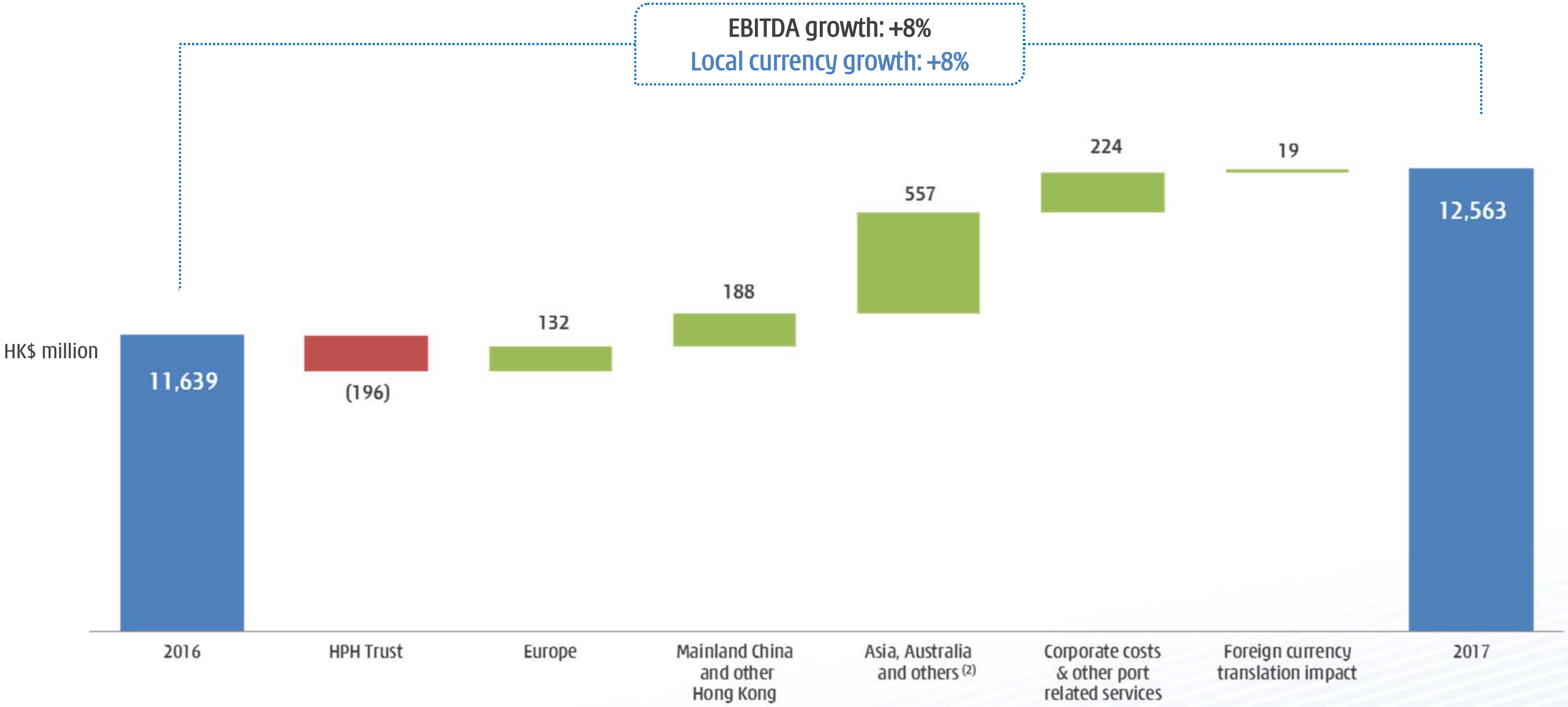
Currency Sensitivities

HK$ billion	10% depreciation GBP against HKD (2)	10% depreciation EURO against HKD (2)
EBITDA	↓ 2.9	↓ 2.1
Cash & Cash Equivalent	↓ 1.2	↓ 0.6
Gross Debt	↓ 7.6	↓ 9.1
Net Debt	↓ 6.4	↓ 8.5
Net Assets	↓ 13.0	↓ 4.8
Gross Debt / EBITDA (times)	Flat	Flat
Net Debt Ratio (%-point)	↓ 0.3%	↓ 0.8%

Note (1): All percentages in the pie charts represent % of the Group's total amount.
Note (2): Impact on the Group's 2017 results.
Note (3): Mainly represents USD debt at corporate level.
Note (4): Includes unamortised fair value adjustments arising from acquisitions of HK$10,339 million.

Ports and Related Services

	2017 (1) HK$ million	2016 (1) HK$ million	% Change	% Change in local currencies
Total Revenue	34,146	32,184	+6%	+6%
EBITDA	12,563	11,639	+8%	+8%
EBIT	8,219	7,567	+9%	+9%
Throughput	84.7 million TEU	81.4 million TEU	+4%	N/A



Note (1): Total Revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note (2): Asia, Australia and others includes Panama, Mexico and the Middle East.

Ports and Related Services

Total Container Throughput

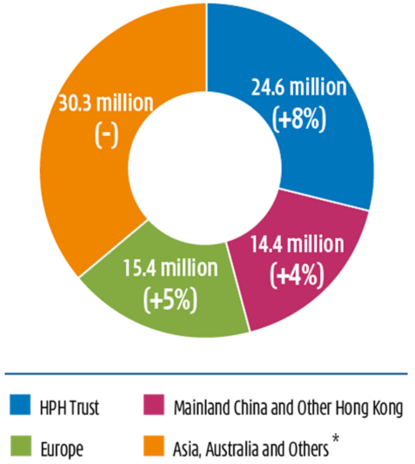
84.7m TEU

3.3m TEU
(+4%)

Mainly from:

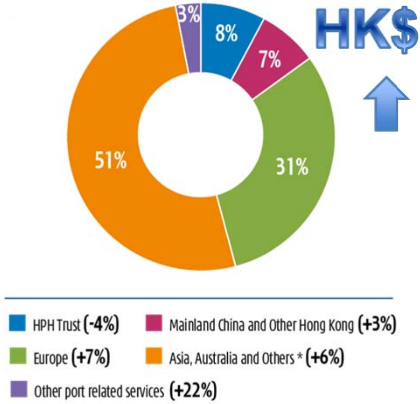
- Mainland
- Hong Kong
- Panama
- Barcelona
- Pakistan new port

- Klang
- Freeport
- Jakarta
- Dammam



* Asia, Australia and Others includes Panama, Mexico and the Middle East.

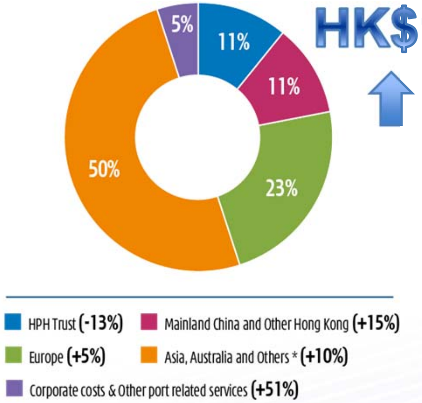
Total Revenue (1)



HK$34.1b

6%

Total EBITDA (1)



HK$12.6b

8%

Operating Berths (2)

as at 31 December 2017

287 berths

12 berths

Europe :

Amsterdam, Netherlands (+1)

Asia:

Klang, Malaysia (+3)
Karachi, Pakistan (+1)

Middle East:

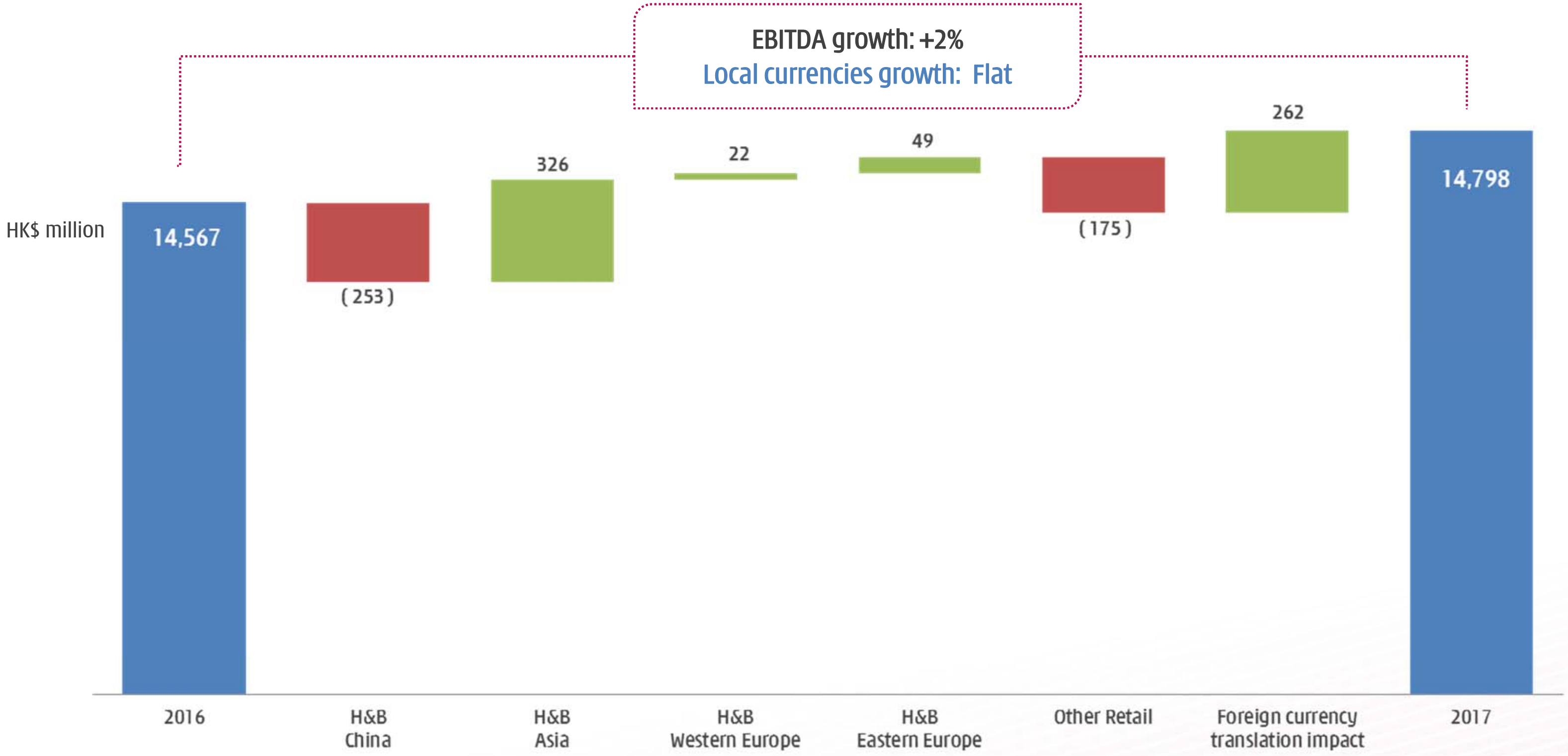
RAK, United Arab Emirates (+3)
UAQ, United Arab Emirates (+3)
Basra, Iraq (+1)

Note (1): Total Revenue and EBITDA were adjusted to exclude non-controlling interests' share of results of HPH Trust.

Note (2): Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Retail

	2017 HK$ million	2016 HK$ million	% Change	% Change in local currencies
Total Revenue	156,163	151,502	+3%	+2%
EBITDA	14,798	14,567	+2%	-
EBIT	12,089	12,059	-	-2%
Store Numbers	14,124	13,331	+6%	N/A



Note (1): Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

Retail

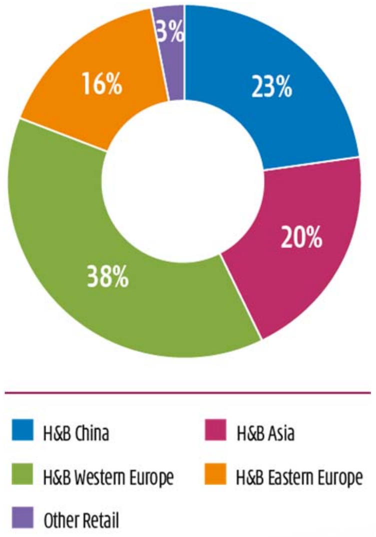
Total Retail Store Numbers

14,124 stores

↑ **793 stores**
(+6%)

Mainly from:

↑	Watsons, China	(+342)
	Rossmann, Poland & Germany	(+129)
	Watsons, Philippines	(+91)
↓	Other retail	(-15)



	Store Numbers		
	2017	2016	% Change
H&B China	3,271	2,929	+12%
H&B Asia	2,830	2,603	+9%
H&B China & Asia Subtotal	6,101	5,532	+10%
H&B Western Europe	5,345	5,190	+3%
H&B Eastern Europe	2,222	2,138	+4%
H&B Europe Subtotal	7,567	7,328	+3%
H&B Subtotal	**13,668**	**12,860**	**+6%**
Other Retail(1)	456	471	-3%
Total Retail	**14,124**	**13,331**	**+6%**

	Net Store Additions	
	2017	Average New Store Payback
H&B China	342	< 10 months
H&B Asia	227	< 13 months
H&B China & Asia Subtotal	569	
H&B Western Europe	155	< 11 months
H&B Eastern Europe	84	< 37 months
H&B Europe Subtotal	239	
H&B Subtotal	**808**	**< 11 months**
Other Retail(1)	(15)	
Total Retail	**793**	

CRM Customers

128.8m

(+6%)

H&B China
64.3 m

CRM Sales Participation %

62.6%

(+0.8%-pt)

H&B China
82.7%

Future Growth Pillars

Big Data

GOBE

CRM

Note (1): Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

Retail

Total Revenue

Total Retail

↑ **HK$4.7b**

H&B

↑ HK$6.9b

Other retail

↓ HK$2.2b

Total EBITDA

Total Retail

↑ **HK$231m**

H&B

↑ HK$406m

Other retail

↓ HK$175m

Comparable Store Sales Growth (%)

Total Retail

+0.9%

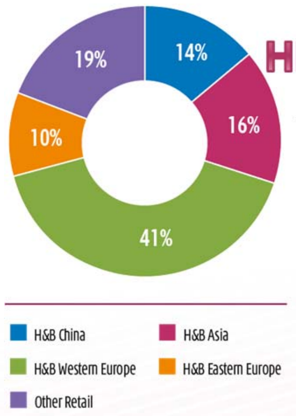
H&B

+1.6%

Other retail

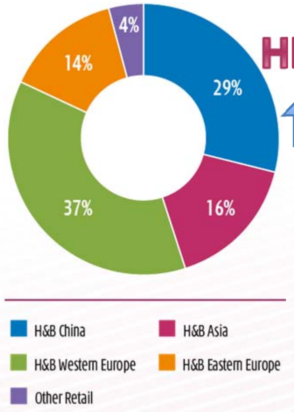
-2.3%

HK$ million	TOTAL REVENUE				EBITDA						COMPARABLE STORE SALES GROWTH % (1)	
	2017	2016	% Change	Local Ccy % Change	2017	EBITDA Margin %	2016	EBITDA Margin %	% Change	Local Ccy % Change	2017	2016
H&B China	21,783	20,914	+4%	+5%	4,257	20%	4,556	22%	-7%	-6%	-4.3% Adjusted (2) +0.3%	-10.1% Adjusted (2) -5.0%
H&B Asia	25,154	23,814	+6%	+6%	2,346	9%	2,009	8%	+17%	+16%	+3.8%	+1.9%
H&B China & Asia Subtotal	46,937	44,728	+5%	+6%	6,603	14%	6,565	15%	+1%	+1%	-	-4.0%
H&B Western Europe	64,523	61,584	+5%	+3%	5,561	9%	5,372	9%	+4%	-	+2.1%	+3.7%
H&B Eastern Europe	14,866	13,076	+14%	+7%	2,048	14%	1,869	14%	+10%	+3%	+4.4%	+4.6%
H&B Europe Subtotal	79,389	74,660	+6%	+4%	7,609	10%	7,241	10%	+5%	+1%	+2.5%	+3.8%
H&B Subtotal	126,326	119,388	+6%	+5%	14,212	11%	13,806	12%	+3%	+1%	+1.6%	+1.0%
Other Retail	29,837	32,114	-7%	-7%	586	2%	761	2%	-23%	-23%	-2.3%	-8.2%
Total Retail	156,163	151,502	+3%	+2%	14,798	10%	14,567	10%	+2%	-	+0.9%	-0.8%



HK$156.2b

↑ **3%**



HK$14.8b

↑ **2%**

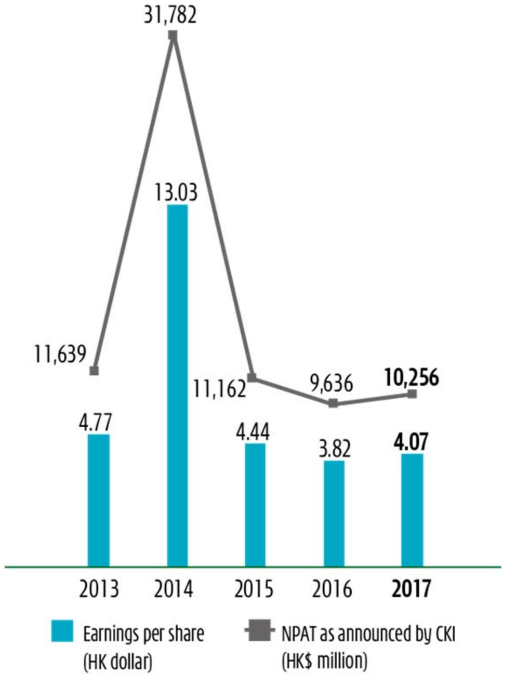
Note (1): *Comparable stores sales growth represents the % change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.*

Note (2): *Adjusted for the CRM sales recovered in the new stores opened in the proximity, comparable store sales grew by 0.3% instead of a decline of 4.3% in 2017 (2016 comparable stores sales decline reduced from 10.1% to 5.0%).*

Infrastructure

	2017 HK$ million	2016 HK$ million	% Change	% Change in local currencies
Total Revenue	57,369	53,211	+8%	+9%
EBITDA	33,033	31,128	+6%	+8%
EBIT	23,449	22,162	+6%	+7%

Earnings per Share and NPAT announced by CKI



- In reported currency, total revenue, EBITDA and EBIT increased compared to 2016, mainly due to contributions from newly acquired businesses, partly offset by the impact from the disposal of aircraft leasing business in December 2016.

CK Infrastructure ("CKI")

- CKI announced profit attributable to shareholders for 2017 of HK$10,256 million, 6% higher than HK$9,636 million reported for 2016, which includes the accretive contributions from the acquisitions of DUET Group, Reliance and ista during the year.

New Acquisitions Bringing Accretive Contributions

DUET GROUP

40% JV

- Owner & operator of energy utility assets
- Operates in Australia, US, UK, Canada and Europe
- Power generation facilities with installed capacity of over 900MW

Reliance

25% JV

- Building equipment service business
- Operates in Canada & US
- Consumer coverage of more than 1.8 million customers

ista

35% JV

- Integrated energy management services provider
- Operates mainly in Germany and across Europe
- Service coverage of over 12 million homes

Energy

	2017 HK$ million	2016 HK$ million	% Change	% Change in local currency
Total Revenue	44,948	30,467	+48%	+44%
EBITDA	8,992	9,284	-3%	-6%
- Underlying	8,992	5,149	+75%	+70%
- Disposition gains	-	4,135	-100%	-100%
EBIT	2,703	3,429	-21%	-24%
- Underlying	2,703	(706)	+483%	+469%
- Disposition gains	-	4,135	-100%	-100%
Average Production	322.9 mboe/day	321.2 mboe/day	+1%	N/A

Husky Announced Results

Net earnings

C$786m ↓ -15%

Adjusted net earnings (1)

C$882m ↑ +235%

Funds from operations (2)

C$3,306m ↑ +50%

Net debt to FFO ratio

0.9x

- Husky announced net earnings of C$786 million in 2017, 15% lower than 2016, primarily due to an after-tax gain of C$1,456 million in 2016 related to midstream pipelines disposal and Western Canadian legacy asset divestment. The earnings shortfall was largely offset by:
  - higher Upstream commodity prices;
  - increased production from thermal developments;
  - Increased production from the Liwan Gas project in Asia Pacific;
  - one-time deferred tax credit of C$436 million as a result of the reduction in the U.S. Federal corporate tax rate.
- Husky announced a quarterly dividend of C$0.075 per common share for the 3-month period ended 31 December 2017.
- As the Group rebased Husky's assets to their fair values in the 2015 Reorganisation, the Group's share of after-tax gain on disposals in 2016 were approximately HK$3,646 million.
- The Group's share of EBITDA and EBIT (3) decreased 3% and 21% against 2016 respectively, which reflect the aforementioned disposal gains being recognised by the Group in 2016 partly offset by the strong operational growth from better market prices during 2017.

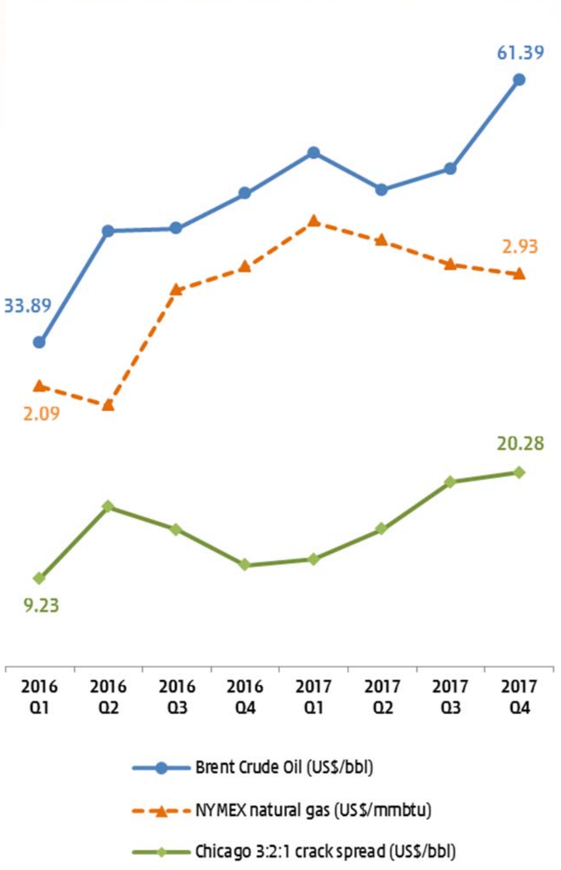
Note (1): 2017 adjusted net earnings equal to after-tax net earnings before gain on sale of assets of C$34 million, impairment of C$126 million, exploration & evaluation asset and inventory write-downs of C$4 million. 2016 adjusted net loss equal to after-tax net loss before gain on sale of assets of C$1,456 million, impairment reversal of C$190 million and exploration & evaluation asset and inventory write-downs of C$69 million.

Note (2): Husky restated its 2016 funds from operation presentation to exclude the adjustments for asset retirement settlement obligations and deferred revenue in order to conform to 2017 presentation.

Note (3): After translation into Hong Kong dollars and including consolidation adjustments.

Energy

Average Benchmark Prices



Production

322.9 mboe/day

+1.7 mboe/day
(+1%)

Mainly from:

- Sunrise Energy Project
- New production from Edam West, Vawn & Edam East thermal developments
- Tucker Thermal Project
- Liwan Gas Project in Asia Pacific

- Disposed lower margin legacy crude oil & natural gas assets which together contributed 31.9 mboe/day production in 2016

2018 Guidance Overview

Funds from Operations	› C$4.0b
Capital Spending	C$2.9b - C$3.1b
Free Cash Flow	~ C$1.0b
Production Range	320 - 335 mboe/day
Downstream Throughputs	360 - 370 mbbls/day
Operating Costs	C$13.00 - C$13.50/boe

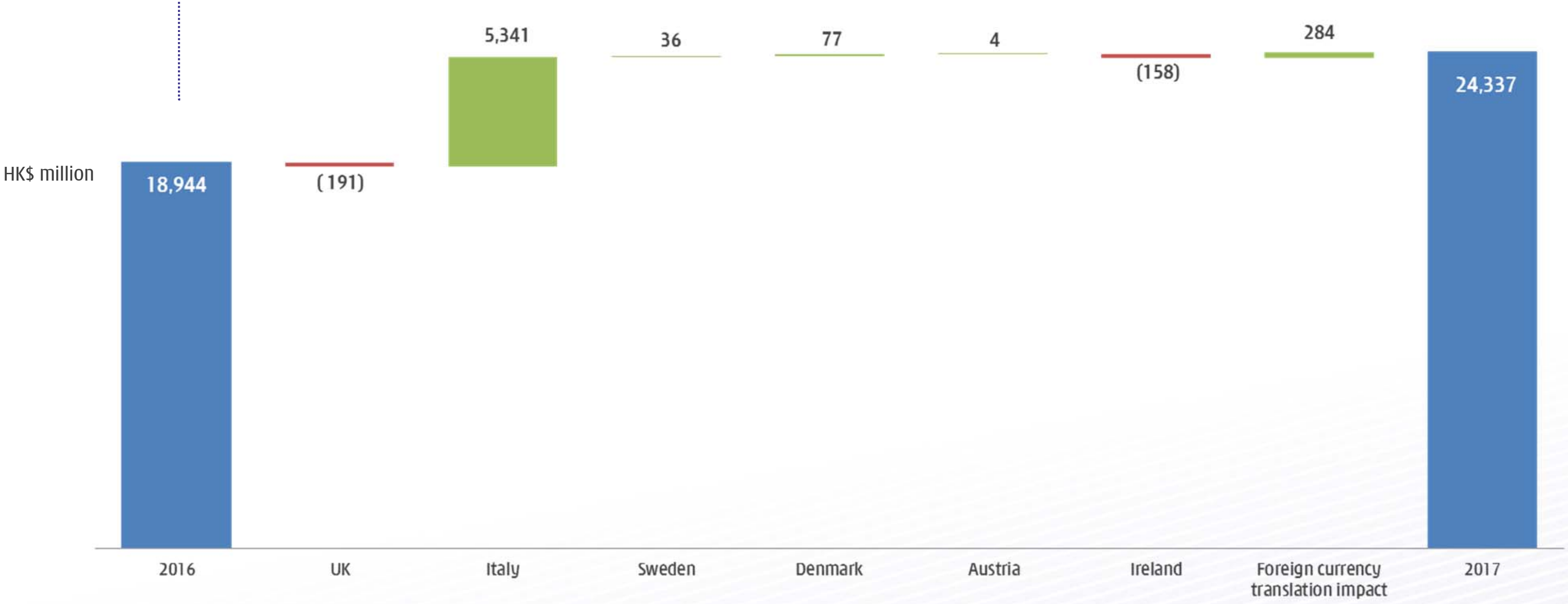
Price Assumptions

• WTI	US$55/bbl
• Chicago 321 Crack	US$15.00/bbl
• AECO Natural Gas	C$2.50/mcf
• FX: C$ / US$	0.78

Telecommunications – 3 Group Europe

	2017 HK$ million	2016 HK$ million	% Change	% Change in local currency
Total Revenue (incl. handset revenue)	70,734	62,415	+13%	+13%
EBITDA	24,337	18,944	+28%	+27%
EBIT	16,567	12,838	+29%	+27%

EBITDA growth: +28%
Local currencies growth: +27%



Telecommunications – 3 Group Europe

Net Customer Service Revenue (1)

HK$56.0b

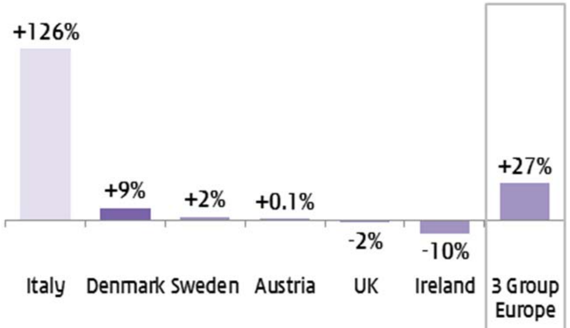
↑ **17%**

EBITDA

HK$24.3b

↑ **28%**

EBITDA YOY change % (in local ccy)



	Italy	Denmark	Sweden	Austria	UK	Ireland	3 Group Europe
EBITDA margin %	42%	38%	42%	49%	39%	32%	41%

KPIs

Active mobile customers

44.8m

↓ **3%**

Net AMPU

€12.98

↓ **6%**

* Lower average due to inclusion of Wind Tre

Data Usage

2,321 pb/yr

↑ **62%**

2017 Major Transactions

- **Wind Tre :** Completed a €10.7 billion equivalent debt refinancing, reducing annual interest by c.€270 million and extending maturities
- **3 UK:** Completed acquisition of UK Broadband for c.£300 million
- **3 Austria:** Completed acquisition of Tele2 Austria for c.€100 million

---

Note (1): Excludes handset revenue

Telecommunications – 3 Group Europe

Results by Operations

	UK		Italy(1)		Sweden		Denmark		Austria		Ireland		3 Group Europe(1)	
In million	*GBP*		*EURO*		*SEK*		*DKK*		*EURO*		*EURO*		*HK$*	
	2017	2016	**2017 Wind Tre (50%)**	2016 Wind Tre and 3 Italy	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total Revenue	**2,425**	2,276	**2,734**	2,042	**7,508**	7,221	**2,246**	2,127	**812**	772	**603**	655	**70,734**	62,415
% change	*+7%*		*+34%*		*+4%*		*+6%*		*+5%*		*-8%*		*+13%*	
												Local currency growth %	*+13%*	
- Net Customer Service Revenue	1,636	1,599	2,590	1,742	4,868	4,854	1,936	1,913	655	624	465	504	56,002	47,877
% change	*+2%*		*+49%*		-		*+1%*		*+5%*		*-8%*		*+17%*	
												Local currency growth %	*+16%*	
- Handset Revenue	622	531	105	261	2,396	2,047	126	86	120	125	74	81	11,295	11,446
- Other Revenue	167	146	39	39	244	320	184	128	37	23	64	70	3,437	3,092
Net Customer Service Margin(2)	**1,427**	1,399	**2,061**	1,379	**4,149**	4,149	**1,613**	1,591	**553**	529	**401**	420	**46,756**	40,121
% change	*+2%*		*+49%*		-		*+1%*		*+5%*		*-5%*		*+17%*	
												Local currency growth %	*+16%*	
Net Customer Service Margin %	87%	87%	80%	79%	85%	85%	83%	83%	84%	85%	86%	83%	84%	84%
Other margin	**52**	35	**32**	33	**124**	139	**135**	82	**22**	20	**43**	44	**1,646**	1,632
TOTAL CACs	(848)	(751)	(217)	(489)	(3,187)	(2,790)	(350)	(311)	(159)	(166)	(118)	(122)	(16,296)	(17,354)
Less: Handset Revenue	622	531	105	261	2,396	2,047	126	86	120	125	74	81	11,295	11,446
Total CACs (net of handset revenue)	**(226)**	(220)	**(112)**	(228)	**(791)**	(743)	**(224)**	(225)	**(39)**	(41)	**(44)**	(41)	**(5,001)**	(5,908)
Operating Expenses	**(551)**	(495)	**(876)**	(696)	**(1,332)**	(1,429)	**(716)**	(705)	**(194)**	(166)	**(231)**	(235)	**(19,064)**	(16,901)
Opex as a % of net customer service margin	39%	35%	43%	51%	32%	34%	44%	44%	35%	31%	58%	56%	41%	42%
EBITDA	**702**	**719**	**1,105**	**488**	**2,150**	**2,116**	**808**	**743**	**342**	**342**	**169**	**188**	**24,337**	**18,944**
% change	*-2%*		*+126%*		*+2%*		*+9%*		-		*-10%*		*+28%*	
												Local currency growth %	*+27%*	
EBITDA margin %(3)	39%	41%	42%	27%	42%	41%	38%	36%	49%	53%	32%	33%	41%	37%
Depreciation & Amortisation	**(265)**	(223)	**(298)**	(165)	**(595)**	(607)	**(289)**	(283)	**(100)**	(97)	**(79)**	(76)	**(7,770)**	(6,106)
EBIT	**437**	**496**	**807**	**323**	**1,555**	**1,509**	**519**	**460**	**242**	**245**	**90**	**112**	**16,567**	**12,838**
% change	*-12%*		*+150%*		*+3%*		*+13%*		*-1%*		*-20%*		*+29%*	
												Local currency growth %	*+27%*	
			Wind Tre (50%)											
Capex (excluding licence)(4)	**(459)**	(352)	**(596)**		**(836)**	(796)	**(201)**	(209)	**(115)**	(90)	**(109)**	(103)	**(13,211)**	
EBITDA less Capex (4)	**243**	367	**509**		**1,314**	1,320	**607**	534	**227**	252	**60**	85	**11,126**	
Licence(5)	**(2)**	-	**-**		**-**	(100)	**-**	(292)	**-**	-	**(19)**	-	**(197)**	

Note (1): 3 Group Europe 2017 includes 50% share of Wind Tre's results of which fixed line business revenue was €542 million and EBITDA was €193 million. 2016 includes 50% share of two months (Nov to Dec-2016) Wind Tre's results, of which fixed line business revenue and EBITDA were €94 million and €38 million respectively, as well as 100% share of ten months (Jan to Oct-2016) 3 Italy's standalone results. 3 Group Europe 2017 Capex and EBITDA less Capex each includes 50% share of Wind Tre's capex for illustrative purposes only.

Note (2): Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

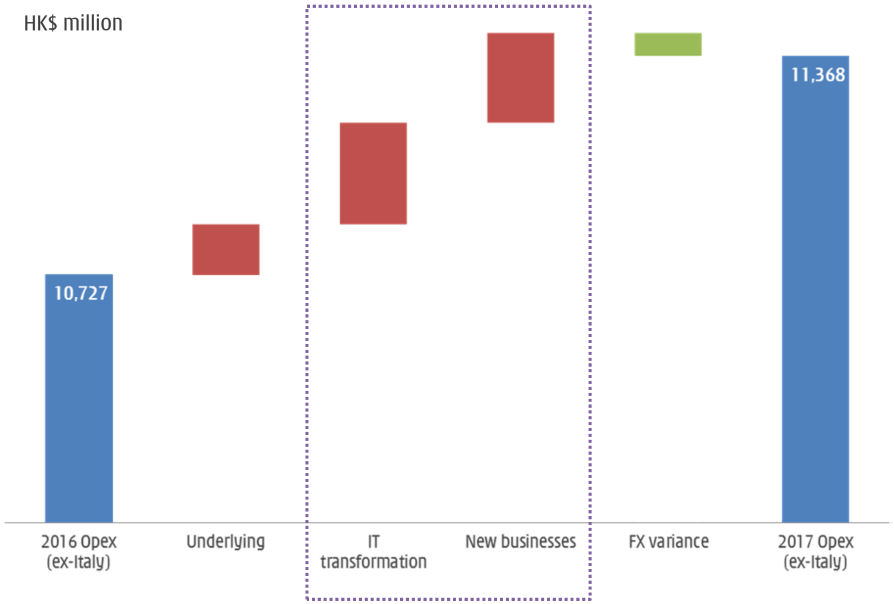
Note (3): EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

Note (4): Excluding 3 UK's acquisition of UKB for £300 million in May-2017 and 3 Austria's acquisition of Tele2 for €100 million in Nov-2017.

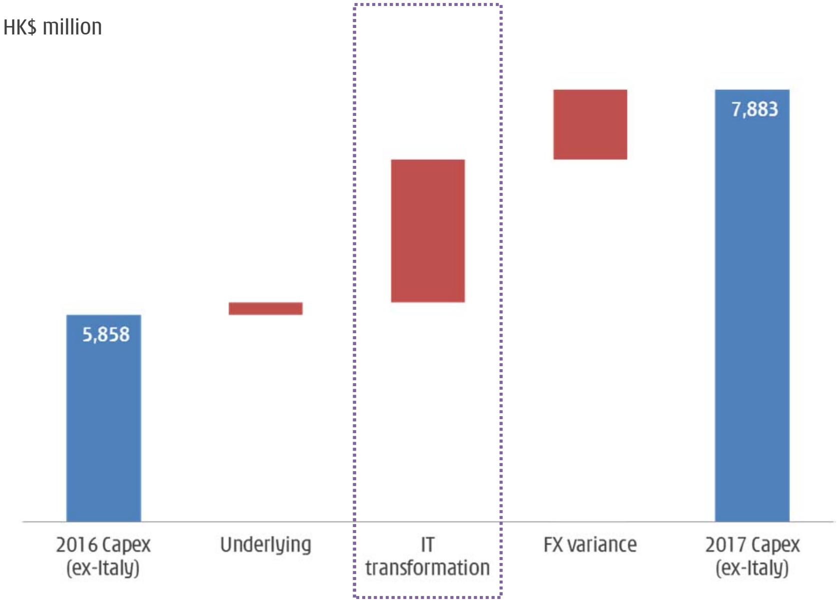
Note (5): 2017 licence cost for UK represents incidental costs to acquire licence, whereas the cost for Ireland relates to investment for 3.6 GHz licence. 2016 licence costs for Sweden and Denmark represent investment for 2 x 5 MHz and 2 x 30 MHz (both in 1800 MHz band) respectively.

Telecommunications – 3 Group Europe

Opex - Spend to build for growth



Capex - Invest for future

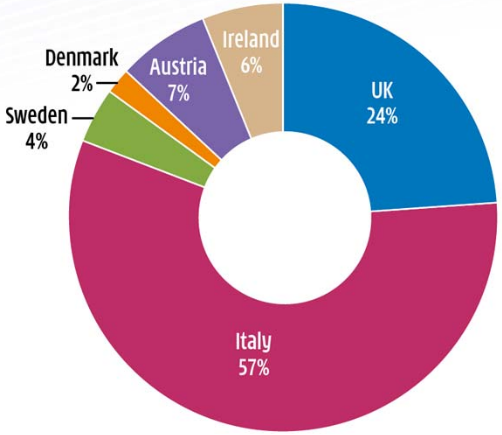


Telecommunications – 3 Group Europe

Customer Base – Mobile business

Total Registered Customers

as at 31 December 2017



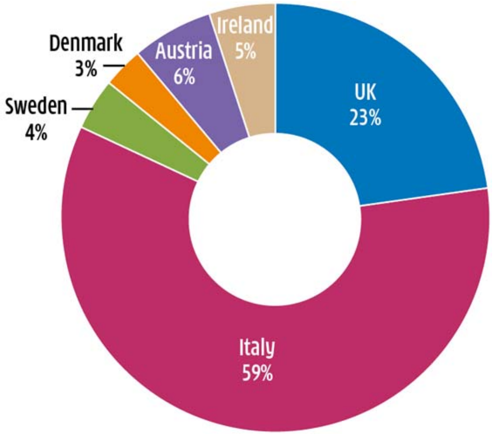
52,279k

1% YOY

	Customer '000 at 31 Dec 2017	% Change against	
		30 Jun 2017	31 Dec 2016
🟦 UK	12,610	+5%	+11%
🟥 Italy [2]	29,540	-2%	-6%
🟩 Sweden	1,986	-2%	-4%
🟧 Denmark	1,311	+2%	+6%
🟫 Austria	3,636	-1%	-4%
🟨 Ireland	3,196	+5%	+7%
3 GROUP EUROPE	52,279	-	-1%

Total Active Customers [1]

as at 31 December 2017



44,776k

3% YOY

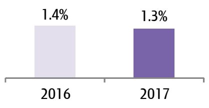
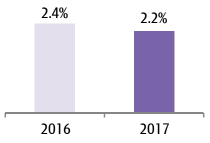
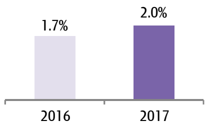
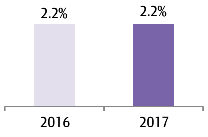
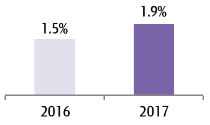
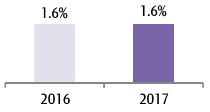
	Customer '000 at 31 Dec 2017	🟪 Contract ▨ Non- Contract	% Change against	
			30 Jun 2017	31 Dec 2016
🟦 UK	10,070	68% 32%	+1%	+10%
🟥 Italy [2]	26,570	26% 74%	-2%	-7%
🟩 Sweden	1,904	86% 14%	-3%	-4%
🟧 Denmark	1,274	63% 37%	+2%	+6%
🟫 Austria	2,903	86% 14%	-	-1%
🟨 Ireland	2,055	57% 43%	+1%	-1%
3 GROUP EUROPE	44,776	44% 56%	-1%	-3%

Note (1): An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note (2): Italy's customer base as at 31 December 2017 was calculated based on 100% of Wind Tre.

Telecommunications – 3 Group Europe

Key Business Indicators – Mobile Businesses

		UK	Italy (3)	Sweden	Denmark	Austria	Ireland	3 GROUP EUROPE AVERAGE (6)
12-month Trailing Net ARPU (1) to 31 Dec 2017	Contract	£18.15	€15.67	SEK220.25	DKK150.61	€19.70	€21.46	€19.75
	Non-Contract	£5.32	€11.51	SEK125.30	DKK93.94	€10.72	€15.60	€10.60
	Blended Total	£13.80	€12.55	SEK208.24	DKK130.06	€18.43	€18.93	€15.25
	% change against 31 Dec 2016	-5%	-5%	+2%	-4%	+3%	-8%	-7%
12-month Trailing Net AMPU (2) to 31 Dec 2017	Blended Total	£12.04	€10.45	SEK177.41	DKK108.30	€15.63	€16.34	€12.98
	% change against 31 Dec 2016	-6%	-2%	+2%	-3%	+3%	-5%	-6%
Contract Customers' Contribution to Net Customer Service Margin (%)		87%	32%	93%	74%	91%	64%	66%
Contract Activity Ratio (%) (4)		98%	94%	100%	100%	100%	98%	97%
Average Monthly Churn Rate of Total Contract Registered Customer Base (%) (5)								
LTE Coverage by population (%)		94%	95%	84%	98%	99%	94%	

Note (1): Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note (2): Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs)(i.e. net customer service margin), divided by the average number of active customers during the year.

Note (3): Italy's net ARPU and net AMPU for 2017 were based on Wind Tre's figures and for 2016 were calculated based on approx. ten months (Jan to Oct-2016) of 3 Italy's standalone figures and approx. two months (Nov to Dec-2016) of Wind Tre's figures.

Note (4): Contract activity ratio represents active contract customers as a percentage of the total contract registered customer base.

Note (5): Italy's average monthly churn rate for 2017 was based on Wind Tre's figures and for 2016 was based on approx. ten months (Jan to Oct-2016) of 3 Italy's standalone figures and approx. two months (Nov to Dec-2016) of Wind Tre's figures.

Note (6) 3 Group Europe net ARPU, net AMPU and contract customers' contribution to net customer service margin (%) in 2017 were calculated based on 50% contribution from Wind Tre.

Telecommunications – HTHKH

	2017 HK$ million	2016 HK$ million	% Change
Total Revenue	9,685	12,133	-20%
- Mobile operation	6,730	8,299	-19%
- Discontinued Fixed operation	2,955	3,834	-23%
EBITDA	4,337	2,607	+66%
- Mobile operation	1,314	1,346	-2%
- Discontinued Fixed operation	989	1,261	-22%
- Disposition gain	2,034	-	N/A
EBIT	707	1,055	-33%
- Mobile operation	445	569	-22%
- Discontinued Fixed operation	410	486	-16%
- Disposition gain & accelerated depreciation	(148)	-	N/A
Active Mobile Customer	3.3 million	3.2 million	+3%

- HTHKH announced profit attributable to shareholders of HK$4,766 million and earnings per share of 98.90 HK cents, which includes:
  - Gain on disposal of its fixed-line telecommunication business in October 2017 of HK$5,614 million; and
  - Accelerated depreciation charges on certain mobile telecommunication fixed assets of HK$1,391 million
  - The mobile operations earnings shortfall was primarily driven by:
    - reduction in low margin hardware sales;
    - lower net customer service margin from a decrease in net AMPU; and
    - higher amortisation of licence fees for renewed and new spectrum licences which commenced in October 2016.
- As the Group rebased HTHKH's assets to their fair values in the 2015 Reorganisation, the Group's 2017 total EBITDA included a lower disposal gain on the fixed-line telecommunication business of HK$2,034 million, which together with the accelerated depreciation effect of HK$2,182 million, resulting in a net loss of HK$148 million at EBIT level.

Telecommunications – HAT

	2017 HK$ million	2016 HK$ million	% Change	% Change in local currency
Total Revenue	7,695	8,200	-6%	-6%
EBITDA	558	2,298	-76%	-76%
EBIT	226	2,130	-89%	-90%
Active Mobile Customer	75.0 million	77.4 million	-3%	N/A

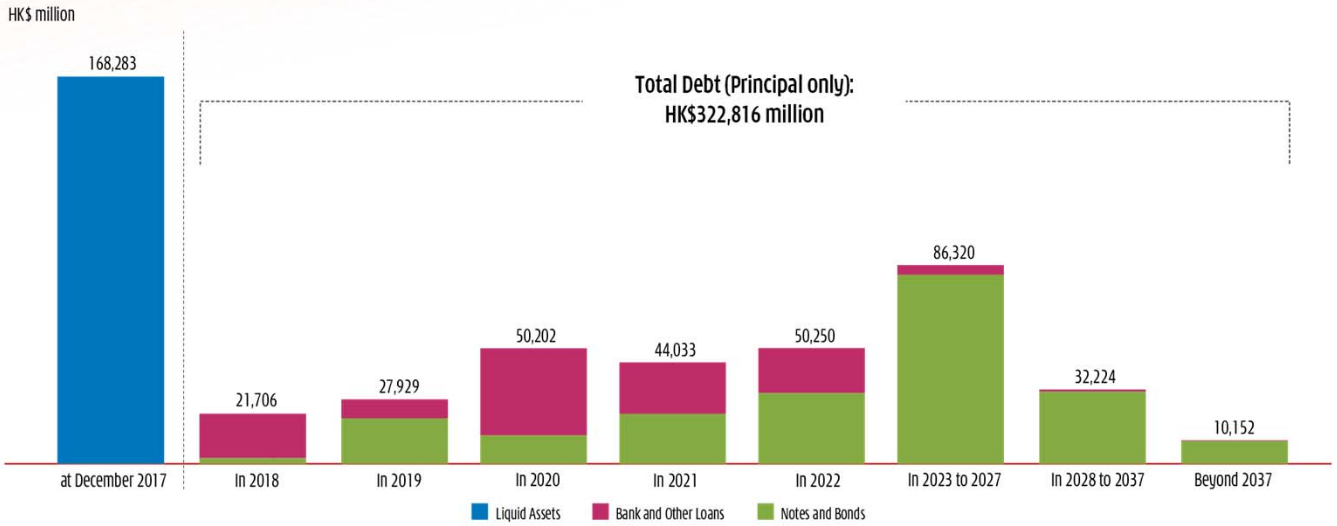
- Total revenue decreased 6% to HK$7,695 million primarily as the Indonesia operation was only able to offer competitive LTE price offerings upon the LTE network launch in May 2017, while other incumbents have offered aggressively priced LTE services since the beginning of 2017. EBITDA and EBIT decreased to HK$558 million and HK$226 million respectively, 76% and 89% below 2016. The decline reflects both the reduced service margin contribution and higher operating costs in Indonesia and Vietnam recognised after completion of major network rollout and expansion initiatives in late 2016 and 2017 respectively.

- Various network rollout plans in Vietnam and Sri Lanka are planned for 2018. With efficient network utilisation and rollout strategies, the operations are expected to offer services at the most competitive prices in their respective markets.

Financial Profile

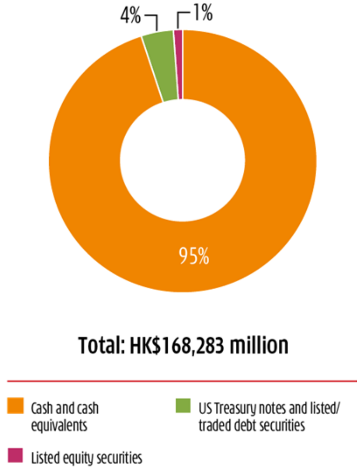
Healthy Maturity and Liquidity Profile

Debt Maturity Profile at 31 December 2017 – Principal Only (1)



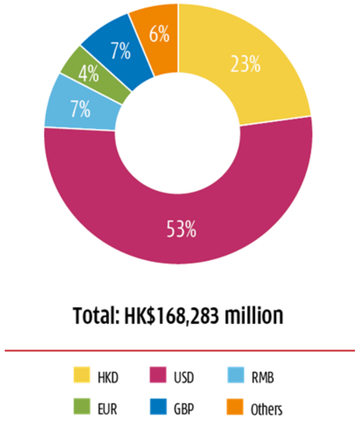
Liquid Assets by Type

as at 31 December 2017



Liquid Assets by Currency

as at 31 December 2017



Net Debt

Net debt as at 31 December 2017 (2)	HK$164,872m
Net debt to net total capital ratio(2)	21.7%

Credit Ratings

	2017	2016
Moody's	A2 (Stable)	A3 (Stable)
S & P	A- (Positive)	A- (Stable)
Fitch	A- (Stable)	A- (Stable)

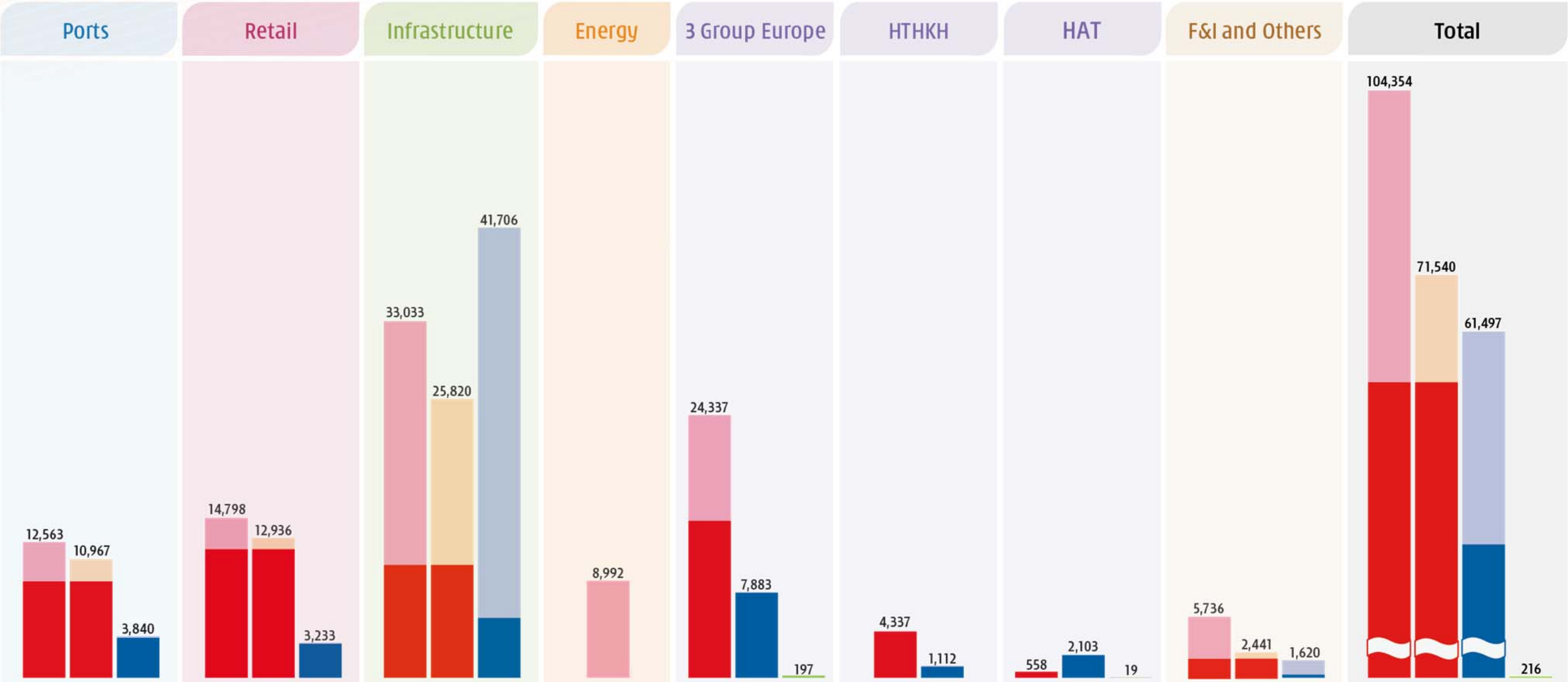
Note (1): Excludes unamortised fair value adjustments arising from acquisitions of HK$10,339 million.

Note (2): Net debt is defined on the Consolidated Statement of Cash Flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts and unamortised fair value adjustments arising from acquisitions. Net total capital is defined as total bank and other debts plus total equity and loans from non-controlling shareholders net of total cash, liquid funds and other listed investments.

Financial Profile

2017 EBITDA, Dividends from Associated Companies & JVs less Capex of Company & Subsidiaries and Investments in Associated Companies & JVs by division

HK$ million



	Ports	Retail	Infrastructure	Energy	3 Group Europe	HTHKH	HAT	F&I and Others	Total
EBITDA (1) - Co & Subsid	8,921	11,911	10,451	-	14,546	4,272	558	1,852	52,511
EBITDA (1) - Asso. & JVs	3,642	2,887	22,582	8,992	9,791	65	-	3,884	51,843
Dividends from Asso. & JVs	2,046	1,025	15,369	-	-	-	-	589	19,029
Capex(2)	3,703	3,148	5,549	-	7,883	1,027	2,103	286	23,699
Investment in Asso. & JVs	137	85	36,157	-	-	85	-	1,334	37,798
Capex - Telecom Licences	-	-	-	-	197	-	19	-	216

Note (1): EBITDA excludes non-controlling interests' share of results of HPH Trust.

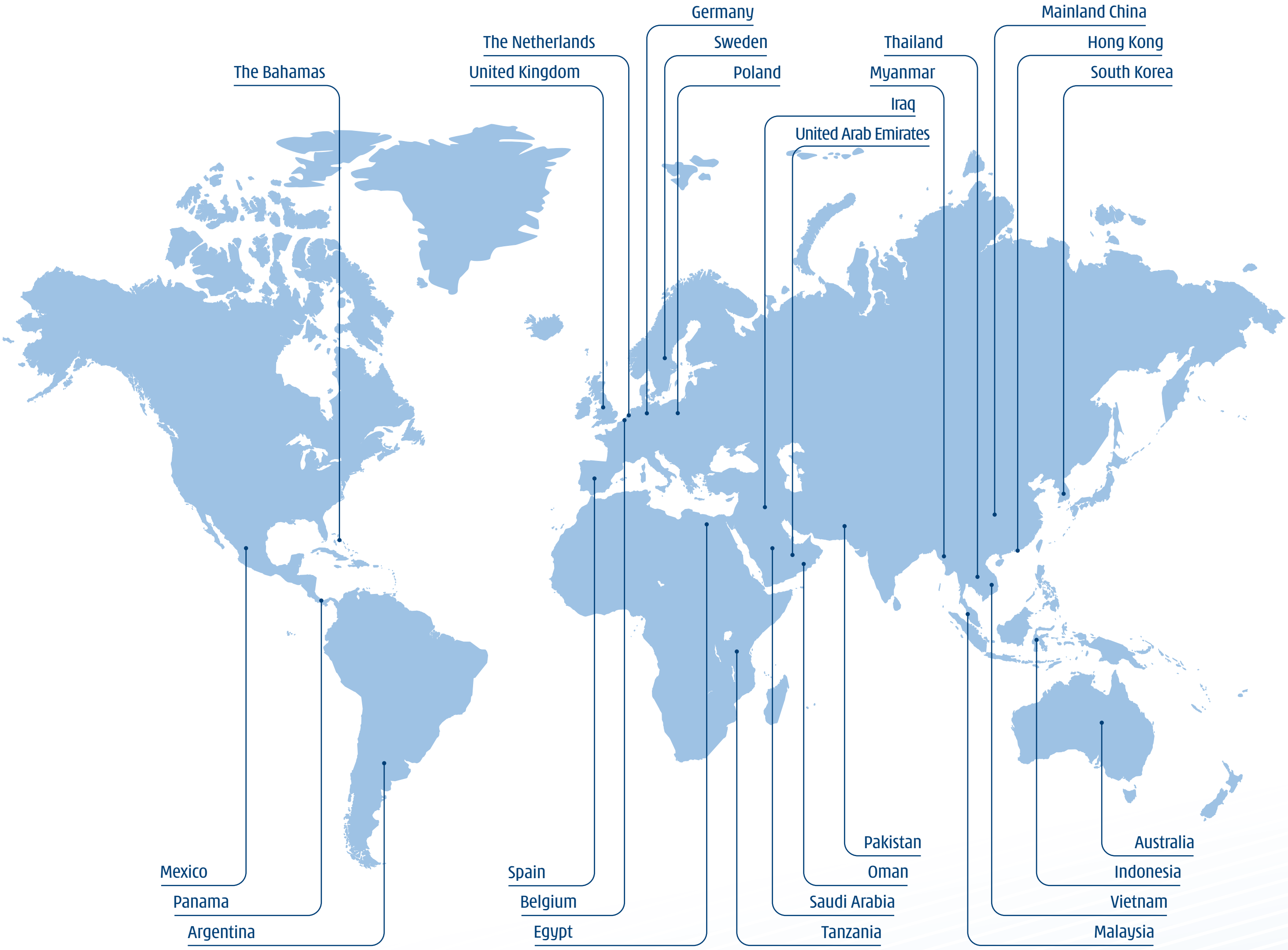
*Note (2): Excluding **3** UK's acquisition of UKB for £300 million in May 2017 and **3** Austria's acquisition of Tele2 for €100 million in November 2017.*

Operations Review

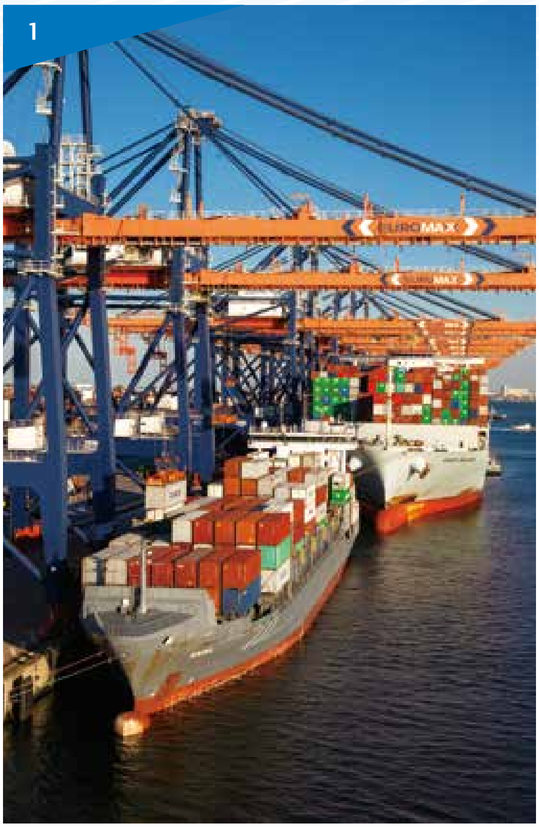
The Port of Felixstowe celebrates its 50 years of operations.

Ports

and Related Services



1



2

3

4

1. Hutchison Ports ECT Euromax is designed for the fast, safe and efficient handling of the ultra-large container vessels.

2. The new Berth 16 in Hutchison Ports Yantian – 886 metres in length with a water depth of 17.6 metres – contains eight cranes, four of which can handle 150,000-ton ultra-large container vessels.

3. Hutchison Ports LCT has excellent intermodal connections to the Mexico's hinterland and cities.

5

4. The two ports operated by Hutchison Ports in Egypt are located by the Mediterranean Sea and support both local and international trade activities in the region.

5. Container Terminal 9 North is the first container terminal in Hong Kong where all yard cranes are operated remotely and the stacking of containers is fully automated.

This division is one of the world's leading port investors, developers and operators, and has interests in 52 ports comprising 287 operational berths in 26 countries.

Group Performance

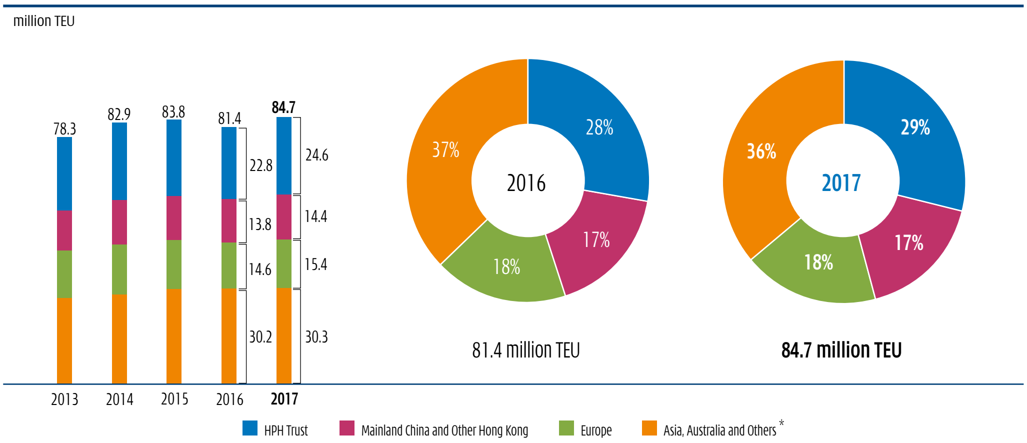
The Group operates container terminals in five of the 10 busiest container ports in the world. The division comprises the Group's 80% interest in the Hutchison Ports group of companies and its 30.07% interest in the HPH Trust, which together handled a total of 84.7 million twenty-foot equivalent units ("TEU") in 2017.

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue [(1)]	**34,146**	32,184	+6%	+6%
EBITDA [(1)]	**12,563**	11,639	+8%	+8%
EBIT [(1)]	**8,219**	7,567	+9%	+9%
Throughput (million TEU)	**84.7**	81.4	+4%	

Note 1: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Overall throughput increased 4% to 84.7 million TEU in 2017, mainly due to steady volume pick up in Mainland China and Hong Kong, Barcelona in Spain, Panama as well as contribution from the new deep water port in Karachi, Pakistan, partly offset by volume reduction in Klang in Malaysia, Jakarta in Indonesia, Dammam in Saudi Arabia and Freeport in the Bahamas.

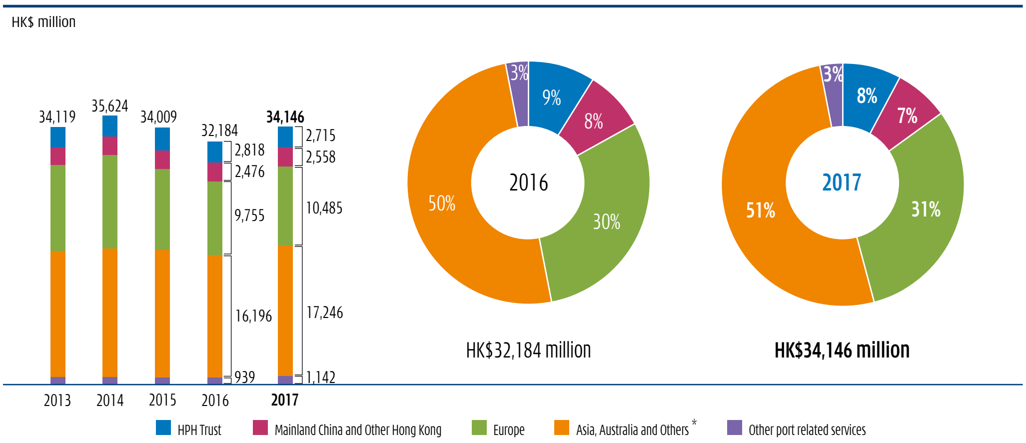
Total Container Throughput (+4%)
by Subdivision



* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Total revenue increased 6% to HK$34,146 million in 2017 driven primarily by higher throughput in the Mainland and the European divisions, Laem Chabang in Thailand, Sohar in Oman and Panama, as well as the commencement of operation of the new Pakistan port, partly offset by lower throughput in Klang, Jakarta, Dammam and Freeport.

Total Revenue [2] (+6%)
by Subdivision

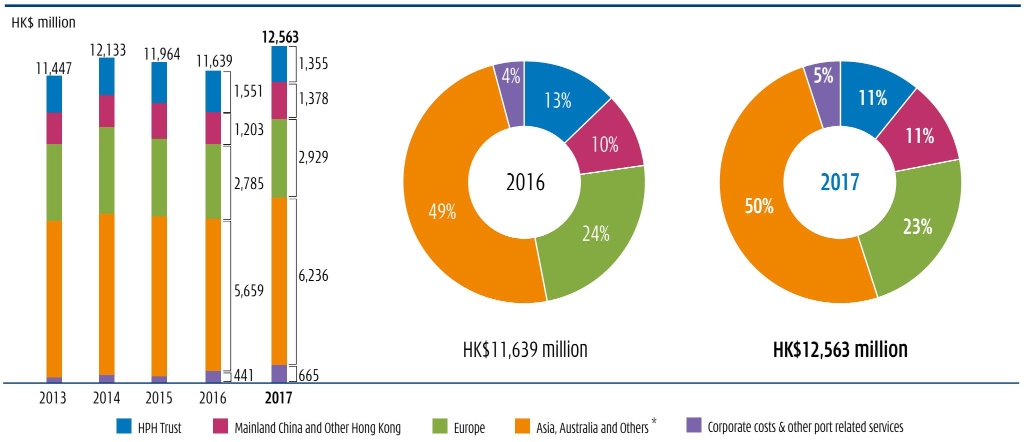


* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Note 2: Total revenue has been adjusted to exclude non-controlling interests' share of revenue of HPH Trust.

EBITDA and EBIT increased 8% and 9% to HK$12,563 million and HK$8,219 million respectively, mainly due to higher revenue mentioned above, as well as continued focus on better cost management through improvements in productivity and efficiency with improved performances primarily in Barcelona, Alexandria in Egypt, Sohar and Panama. The improvements were partly offset by lower profitability of HPH Trust, Jakarta and Dammam.

Total EBITDA [3] (+8%)
by Subdivision



* Asia, Australia and Others includes Panama, Mexico and the Middle East.

Note 3: Total EBITDA has been adjusted to exclude non-controlling interests' share of EBITDA of HPH Trust.

The division had 287 operating berths [4] as at 31 December 2017, representing an increase of 12 berths during the year in Amsterdam in the Netherlands, Basra in Iraq, Klang, Karachi, Ras Al Khaimah and Umm Al Quwain in United Arab Emirates.

Note 4: Based on 300 metres per berth and is computed by dividing the total berth length by 300 metres.

Segment Performance

HPH Trust

	2017 HK$ million	2016 HK$ million	Change
Total Revenue (5)	**2,715**	2,818	-4%
EBITDA (5)	**1,355**	1,551	-13%
EBIT (5)	**648**	873	-26%
Throughput (million TEU)	**24.6**	22.8	+8%

Note 5: Total revenue, EBITDA and EBIT have been adjusted to exclude non-controlling interests' share of results of HPH Trust.

Total revenue of the ports operated by HPH Trust decreased 4%, mainly due to the change in revenue contribution of Hong Kong under the co-management arrangement commencing in 2017 and lower average tariffs. The Group's share of EBITDA and EBIT were 13% and 26% lower respectively due to the decrease in revenue, the inclusion of a rent and rates refund in Hong Kong in 2016 as well as cost inflation, partly offset by cost savings synergies from the co-management arrangement.

Mainland China and Other Hong Kong

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**2,558**	2,476	+3%	+4%
EBITDA	**1,378**	1,203	+15%	+16%
EBIT	**1,122**	902	+24%	+26%
Throughput (million TEU)	**14.4**	13.8	+4%	

The Mainland China and other Hong Kong segment's revenue, EBITDA and EBIT growth was mainly contributed by the increase in throughput in Shanghai ports as well as business interruption compensation in Ningbo.

Europe

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**10,485**	9,755	+7%	+6%
EBITDA	**2,929**	2,785	+5%	+5%
EBIT	**1,947**	1,828	+7%	+6%
Throughput (million TEU)	**15.4**	14.6	+5%	

The improvement in performance in the Europe segment during the year was mainly due to higher contributions from the ports in the UK and Barcelona, while ECT Rotterdam partly compensated lower revenue year on year through cost control measures.

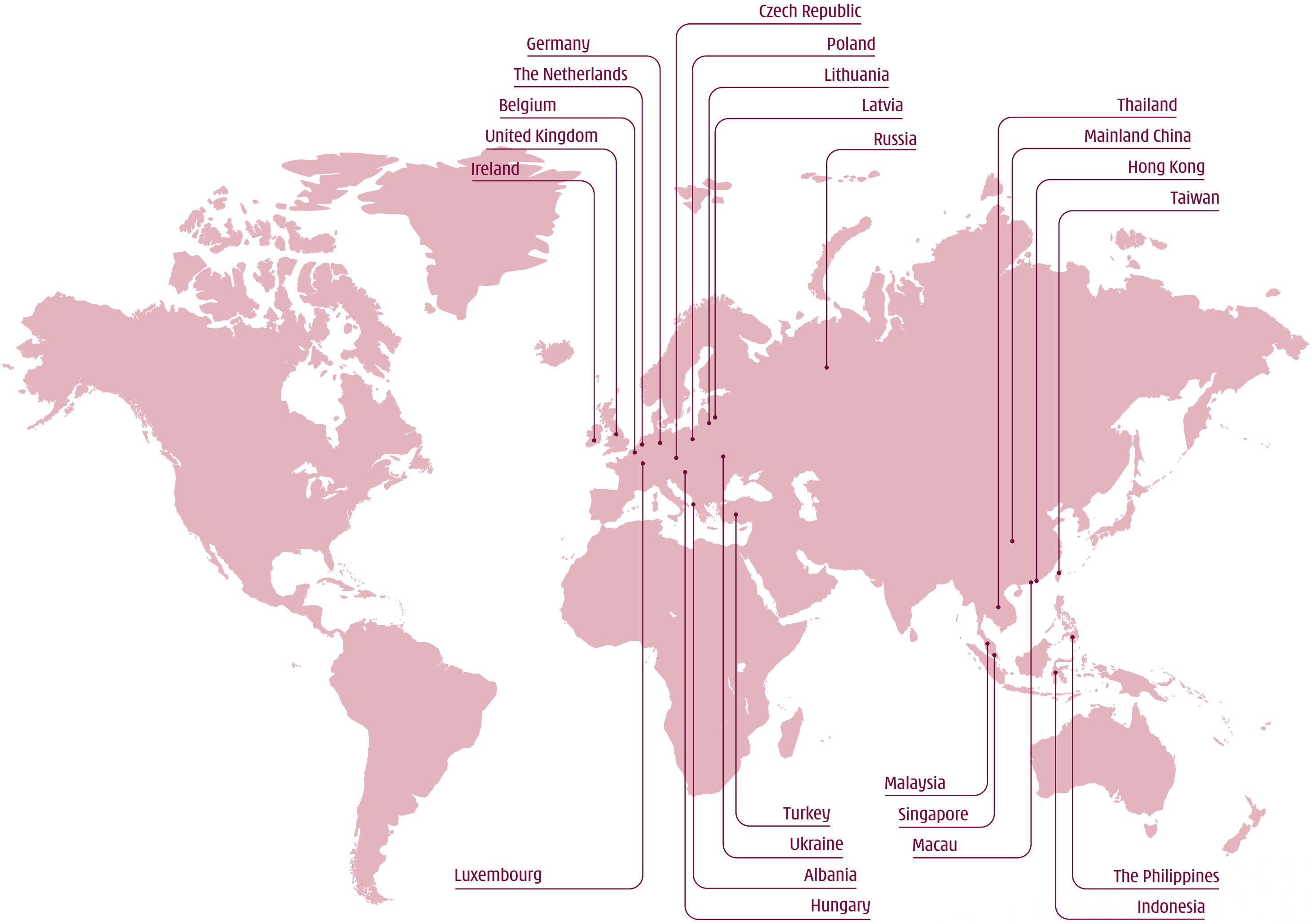
Asia, Australia and Others

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**17,246**	16,196	+6%	+6%
EBITDA	**6,236**	5,659	+10%	+10%
EBIT	**4,085**	3,774	+8%	+8%
Throughput (million TEU)	**30.3**	30.2	–	

The growth in total revenue, EBITDA and EBIT was mainly driven by the new port in Karachi and improved performances in Alexandria and Panama, partly offset by the continued intense competition in the Jakarta and Damman ports.

Watsons rolls out the fun and youth-oriented G Next store in Shanghai to bring a new shopping experience to young customers.

Retail


Czech Republic
Germany
Poland
The Netherlands
Lithuania
Belgium
Latvia
Thailand
United Kingdom
Mainland China
Russia
Ireland
Hong Kong
Taiwan
Malaysia
Turkey
Singapore
Ukraine
Macau
Luxembourg
Albania
The Philippines
Hungary
Indonesia

1

2

3

4

1. The Perfume Shop is the largest fragrance-only retailer in the UK and Ireland.

2. The number of Superdrug's stores exceeds 800 in the UK and Ireland.

3. ICI PARIS XL opens a stylish and luxurious new concept store to give beauty-lovers a refreshing experience.

5

4. Watsons Malaysia offers a wide range of health and beauty products.

5. Savers offers competitively priced health and beauty products in over 400 stores on the High Street in the UK.

The retail division consists of the A S Watson ("ASW") group of companies, the largest health and beauty retailer in Asia and Europe in terms of store numbers.

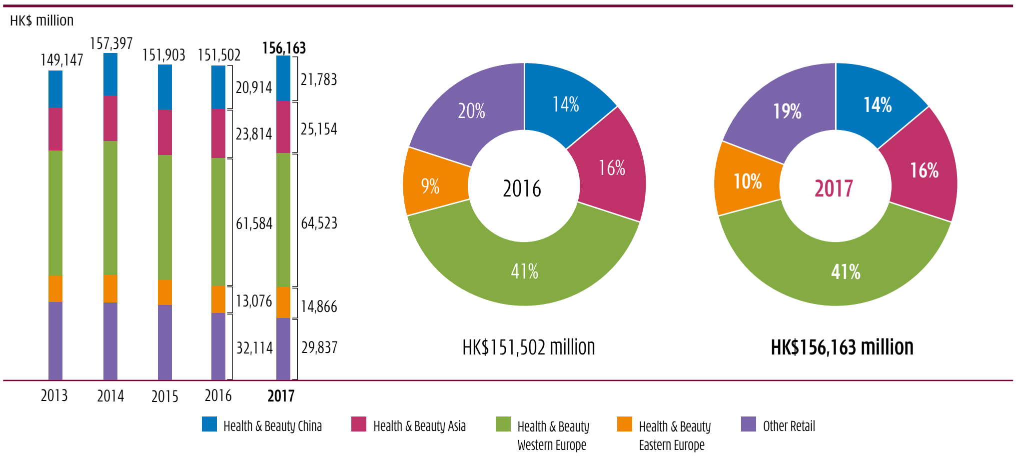
Group Performance

ASW operated 13 retail brands with over 14,000 stores in 24 markets worldwide in 2017, providing high quality personal care, health and beauty products; food and fine wines; as well as consumer electronics and electrical appliances. ASW also manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**156,163**	151,502	+3%	+2%
EBITDA	**14,798**	14,567	+2%	–
EBIT	**12,089**	12,059	–	-2%
Total Store Numbers	**14,124**	13,331	+6%	

Total reported revenue was 3% ahead of last year, driven by a 6% increase in store numbers, primarily in Health and Beauty China and Asia, as well as an overall 0.9% comparable stores sales growth.

Total Revenue
by Subdivision



Total Revenue	**2017 HK$ million**	2016 HK$ million	Change	Change in Local Currency
Health & Beauty China	**21,783**	20,914	+4%	+5%
Health & Beauty Asia	**25,154**	23,814	+6%	+6%
Health & Beauty China & Asia Subtotal	**46,937**	44,728	+5%	+6%
Health & Beauty Western Europe	**64,523**	61,584	+5%	+3%
Health & Beauty Eastern Europe	**14,866**	13,076	+14%	+7%
Health & Beauty Europe Subtotal	**79,389**	74,660	+6%	+4%
Health & Beauty Subtotal	**126,326**	119,388	+6%	+5%
Other Retail (1)	**29,837**	32,114	-7%	-7%
Total Retail	**156,163**	151,502	+3%	+2%

Comparable Stores Sales Growth (%) (2)	**2017**	2016
Health & Beauty China	**-4.3% (3)**	-10.1% (3)
Health & Beauty Asia	**+3.8%**	+1.9%
Health & Beauty China & Asia Subtotal	**–**	-4.0%
Health & Beauty Western Europe	**+2.1%**	+3.7%
Health & Beauty Eastern Europe	**+4.4%**	+4.6%
Health & Beauty Europe Subtotal	**+2.5%**	+3.8%
Health & Beauty Subtotal	**+1.6%**	+1.0%
Other Retail (1)	**-2.3%**	-8.2%
Total Retail	**+0.9%**	-0.8%

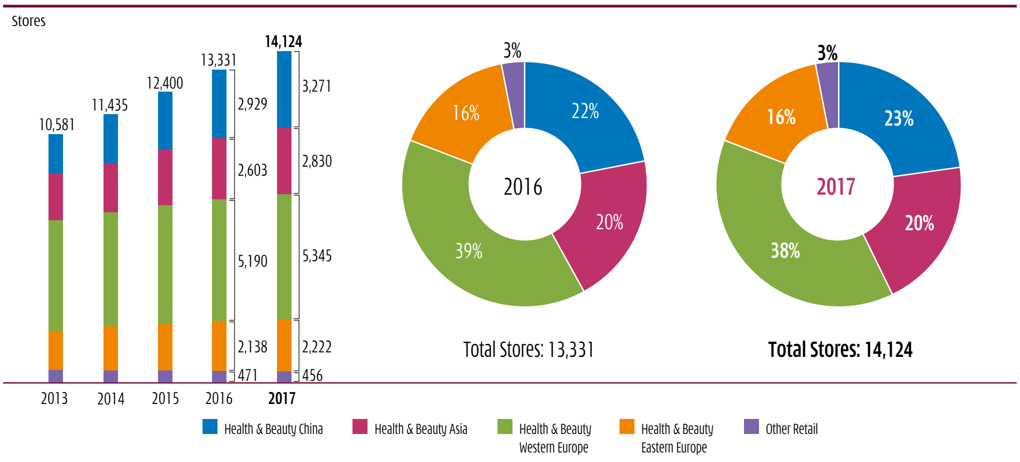
Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

Note 2: Comparable stores sales growth represents the percentage change in revenue contributed by stores which, as at the first day of the relevant financial year (a) have been operating for over 12 months and (b) have not undergone major resizing within the previous 12 months.

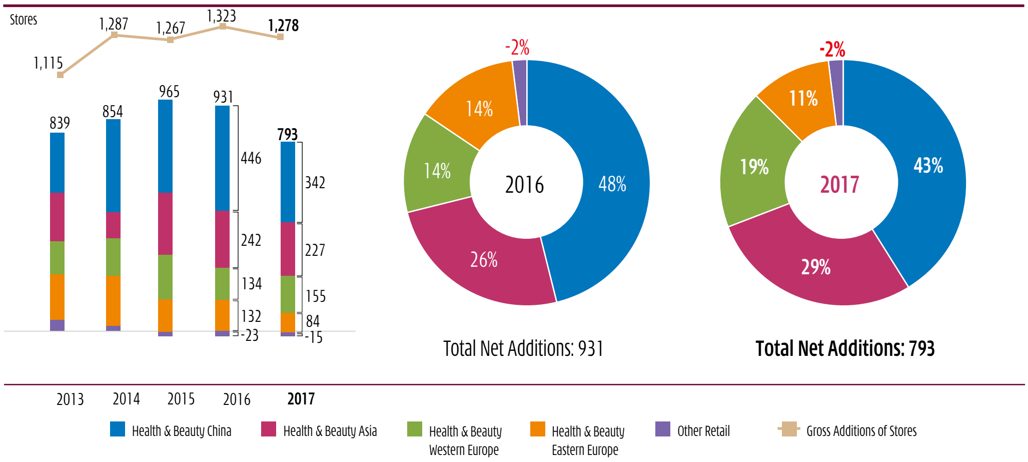
Note 3: Adjusted for the CRM sales recovered in the new stores opened in proximity, comparable stores sales grew by 0.3% instead of a decline of 4.3% in 2017 (2016: comparable stores sales declines reduced from 10.1% to 5.0%).

Group Performance (continued)

Total Retail Store Numbers by Subdivision



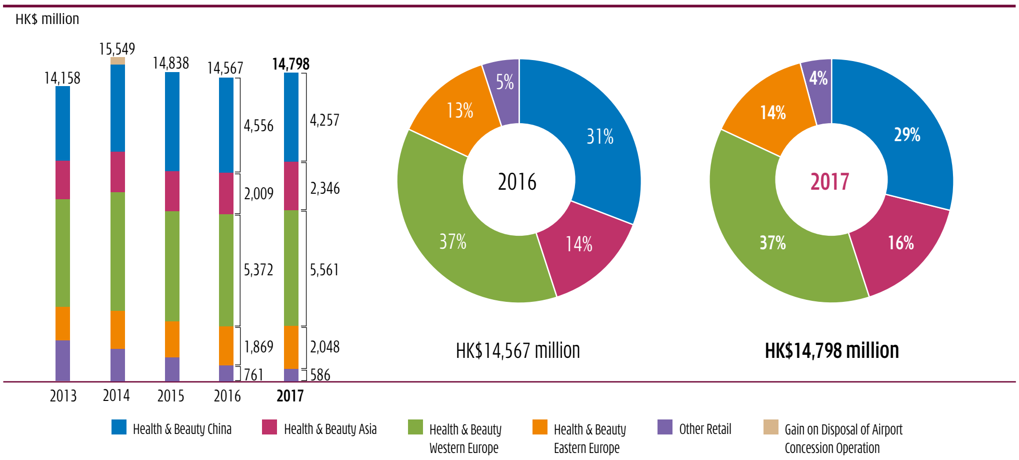
Total Net Additions of Retail Store by Subdivision



Store Numbers	**2017**	2016	Change
Health & Beauty China	**3,271**	2,929	+12%
Health & Beauty Asia	**2,830**	2,603	+9%
Health & Beauty China & Asia Subtotal	**6,101**	5,532	+10%
Health & Beauty Western Europe	**5,345**	5,190	+3%
Health & Beauty Eastern Europe	**2,222**	2,138	+4%
Health & Beauty Europe Subtotal	**7,567**	7,328	+3%
Health & Beauty Subtotal	**13,668**	12,860	+6%
Other Retail (1)	**456**	471	-3%
Total Retail	**14,124**	13,331	+6%

Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The retail division's EBITDA increased by 2% but EBIT remained flat in reported currency against 2016. Revenue growth in the Health and Beauty segment was partly offset by higher operating costs associated with the store portfolio expansion, as well as lower contribution from Other Retail operations. The EBITDA improvements were largely offset by the higher depreciation charge from the expansion of stores and investments in system enhancement and development for data management and e-commerce platforms.



EBITDA
by Subdivision

EBITDA	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Health & Beauty China	**4,257**	4,556	-7%	-6%
Health & Beauty Asia	**2,346**	2,009	+17%	+16%
Health & Beauty China & Asia Subtotal	**6,603**	6,565	+1%	+1%
Health & Beauty Western Europe	**5,561**	5,372	+4%	–
Health & Beauty Eastern Europe	**2,048**	1,869	+10%	+3%
Health & Beauty Europe Subtotal	**7,609**	7,241	+5%	+1%
Health & Beauty Subtotal	**14,212**	13,806	+3%	+1%
Other Retail (1)	**586**	761	-23%	-23%
Total Retail	**14,798**	14,567	+2%	–

Note 1: Other Retail includes PARKnSHOP, Fortress, Watson's Wine and manufacturing operations for water and beverage businesses.

The overall health and beauty subdivision, which represented 96% of the division's EBITDA, continued to deliver healthy performances in 2017 with a reported EBITDA growth by 3%. In particular, Health and Beauty Asia reported a 17% EBITDA growth supported by an improved EBITDA margin. The health and beauty subdivision continued to expand its portfolio with 808 net addition of stores. The quality of new store openings remains high with an average new store cash payback period of 11 months. The average capex per new store for the health and beauty subdivision was HK$0.9 million.

Segment Performance

Health and Beauty China

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**21,783**	20,914	+4%	+5%
EBITDA	**4,257**	4,556	-7%	-6%
EBITDA Margin %	***20%***	*22%*		
EBIT	**3,674**	4,055	-9%	-8%
EBIT Margin %	***17%***	*19%*		
Total Store Numbers	**3,271**	2,929	+12%	
Comparable Stores Sales Growth (%)	**-4.3%**	-10.1%		

The Watsons business continued to be the leading health and beauty retail chain in the Mainland. Total revenue increased by 4% with a 12% increase in store numbers, partly offset by a negative 4.3% comparable stores sales decline in mature stores. With various initiatives, including store segmentation, refit and re-layout, comparable store sales decline gradually improved from a negative 10.1% for 2016 to negative 4.3% for 2017, and returned to marginal positive 0.1% comparable store sales growth in the last quarter. Through continuous expansion of store portfolio which also follows closely with shifts of trade zones and customer demographics, sales declines in mature stores during 2017 were fully recovered in new stores opened in the proximity of such mature stores. Recovery of sales is measured by tracking the operation's extensive CRM customer base sales performances. Taking into account the CRM sales recovery, the comparable stores sales growth is 0.3 % for 2017.

Despite the revenue growth, both EBITDA and EBIT declined by 6% and 8% in local currency respectively in 2017 mainly due to higher inflation resulting in higher overall store operating cost base. However, EBITDA margin remained strong at 20%.

Health and Beauty China increased its total number of stores by 342 during the year with an average new store cash payback period of 10 months and had more than 3,200 stores operating in 454 cities in the Mainland as at year end.

Health and Beauty Asia

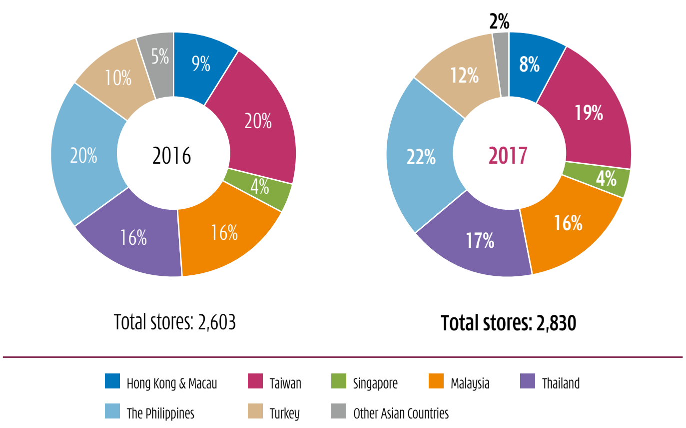
	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**25,154**	23,814	+6%	+6%
EBITDA	**2,346**	2,009	+17%	+16%
EBITDA Margin %	***9%***	*8%*		
EBIT	**1,955**	1,643	+19%	+18%
EBIT Margin %	***8%***	*7%*		
Total Store Numbers	**2,830**	2,603	+9%	
Comparable Stores Sales Growth (%)	**+3.8%**	+1.9%		

Watsons is the leading health and beauty retail chain in Asia with strong brand name recognition and extensive geographical coverage. The majority of its businesses in this region reported strong performances, particularly Watsons Thailand, Malaysia and Philippines. Watsons Hong Kong reported a double digit increment in both EBITDA and EBIT despite the pressure from lower tourist arrivals in the first half of the year and higher operating costs in Hong Kong.

Health and Beauty Asia increased its total number of stores by 227 during the year achieving an average new store cash payback period of 13 months. The subdivision had more than 2,800 stores operating in 9 markets in 2017.

Health and Beauty Asia (continued)

Health and Beauty Asia (+9%)
Number of Retail Stores by Market



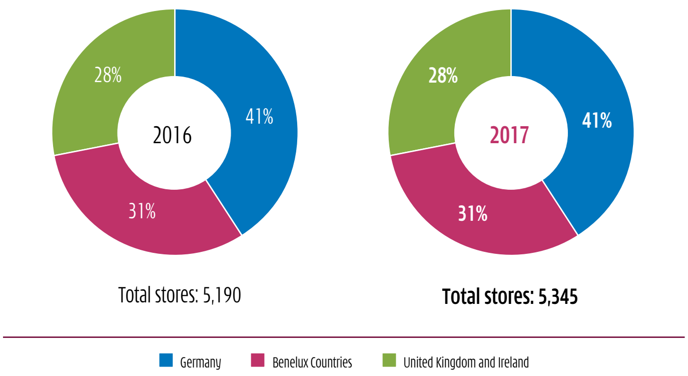
Health and Beauty Western Europe

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**64,523**	61,584	+5%	+3%
EBITDA	**5,561**	5,372	+4%	–
EBITDA Margin %	***9%***	*9%*		
EBIT	**4,543**	4,428	+3%	-1%
EBIT Margin %	***7%***	*7%*		
Total Store Numbers	**5,345**	5,190	+3%	
Comparable Stores Sales Growth (%)	**+2.1%**	+3.7%		

Health and Beauty Western Europe continued to report good revenue growth in both reported and local currencies during the year. Health and Beauty UK, continued its improved performance with a healthy comparable stores sales growth of 3.2% in 2017, while the Benelux countries experienced intense competition resulting in slightly lower contributions despite sales growth running above market levels in 2017.

Health and Beauty Western Europe added 155 stores and operated more than 5,300 stores in 2017. The average new store cash payback period of this subdivision was 11 months.

Health and Beauty Western Europe (+3%)
Number of Retail Stores by Market



Segment Performance (continued)

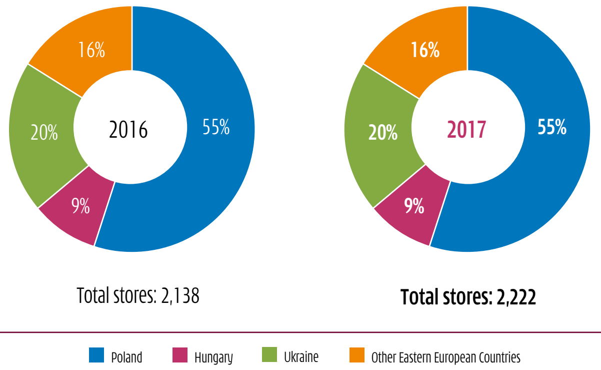
Health and Beauty Eastern Europe

	2017 **HK$ million**	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**14,866**	13,076	+14%	+7%
EBITDA	**2,048**	1,869	+10%	+3%
EBITDA Margin %	***14%***	*14%*		
EBIT	**1,785**	1,623	+10%	+3%
EBIT Margin %	***12%***	*12%*		
Total Store Numbers	**2,222**	2,138	+4%	
Comparable Stores Sales Growth (%)	**+4.4%**	+4.6%		

Health and Beauty Eastern Europe continued to report healthy growth during the year. The 10% growth in both EBITDA and EBIT was mainly attributable to strong sales of the Rossmann joint venture in Poland.

Health and Beauty Eastern Europe added 84 stores and operated more than 2,200 stores in 7 markets in 2017.

Health and Beauty Eastern Europe (+4%)
Number of Retail Stores by Market

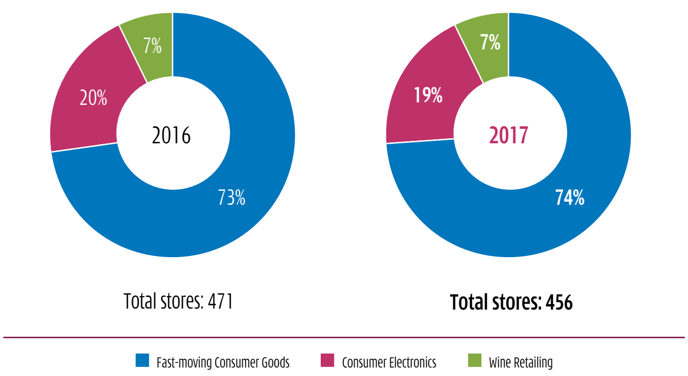


Other Retail

	2017 **HK$ million**	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**29,837**	32,114	-7%	-7%
EBITDA	**586**	761	-23%	-23%
EBITDA Margin %	***2%***	*2%*		
EBIT	**131**	311	-58%	-58%
EBIT Margin %	***1%***	*1%*		
Total Store Numbers	**456**	471	-3%	
Comparable Stores Sales Growth (%)	**-2.3%**	-8.2%		

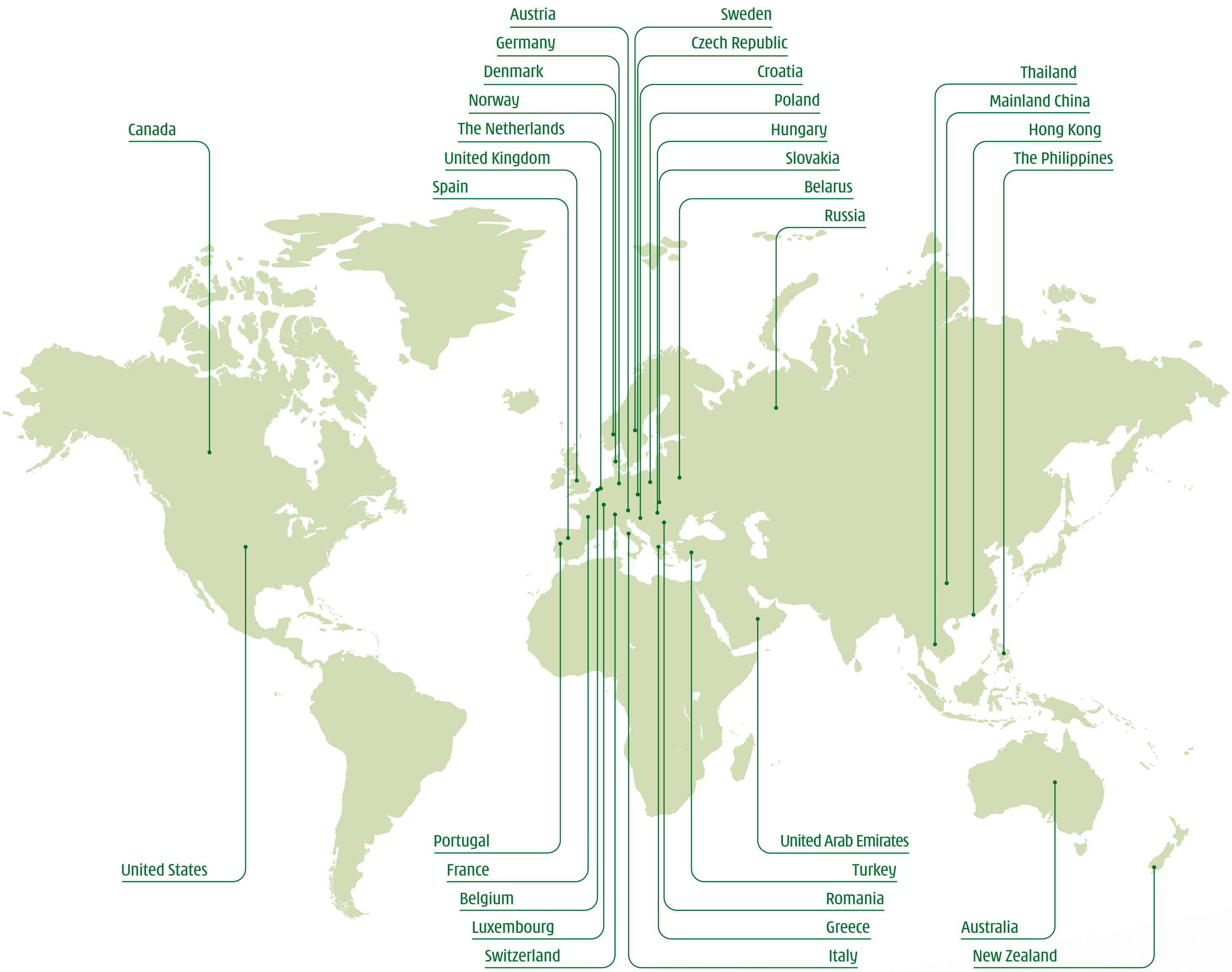
Other Retail subdivision, which only represented 4% of the division's EBITDA, reported lower total revenue, EBITDA and EBIT which declined by 7%, 23% and 58% respectively, mainly due to cost inflation and stagnant visitor consumption. Encouragingly, a pickup of tourist arrivals was seen in the second half of the year and positive sales growth momentum was reported by the Hong Kong Operations, particularly Fortress. Other Retail currently operates over 450 retail stores in 3 markets, as well as manufactures and distributes bottled water and other beverages in Hong Kong and the Mainland.

Other Retail (-3%)
Number of Retail Stores by Segment



A consortium comprising CKI, CK Asset Holdings Limited ("CKA") and Power Assets acquires 100% of DUET Group in Australia for approximately HK$42.4 billion. DUET owns and operates a gas distribution company, electricity distribution company, gas transmission pipeline, and a clean and remote energy solutions provider.

Infrastructure

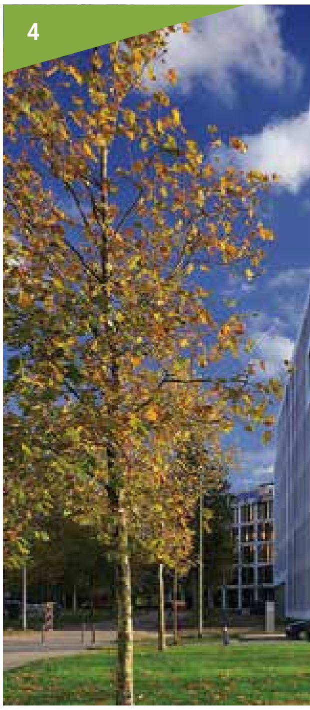


2

1

3

4



1. Reliance Home Comfort, a CKI member company, is principally engaged in the building equipment services sector in Canada and the United States.

2. HK Electric has entered into a new 15-year Scheme of Control Agreement that provides the certainty needed to support the Hong Kong government's energy and environmental policy objectives.

3. UK Rails' first train test run for the Great Western Railway new order is being carried out.

©KrischerFotografie

5

4. CKI and CKA form a joint venture to acquire leading fully integrated energy management services provider ista in Germany for approximately HK$41.4 billion.

5. Australian Gas Networks is developing a system to add hydrogen into their gas network and decarbonise Australia's gas supply.

The infrastructure division comprises the Group's 75.67% [1] interest in CK Infrastructure Holdings Limited ("CKI") and the Group's additional interests in six co-owned infrastructure joint ventures ("JVs").

	2017 **HK$ millions**	2016 [2] HK$ millions	Change	Change in Local Currency
Total Revenue	**57,369**	53,211	+8%	+9%
EBITDA	**33,033**	31,128	+6%	+8%
EBIT	**23,449**	22,162	+6%	+7%

Note 1: In January 2015, CKI completed a share placement and share subscription transaction that resulted in the Group's interest in CKI reducing from 78.16% to 75.67%. On 1 March 2016, CKI issued new shares in connection with an issue of perpetual capital securities. Subsequent to this transaction, the Group holds a 71.93% interest. As these new shares are disregarded for the purpose of determining the number of shares held by the public, the Group's profit sharing in CKI continues to be 75.67%.

Note 2: The aircraft leasing business was disposed of in December 2016. During 2016, the operation contributed revenue, EBITDA and EBIT of HK$1,820 million, HK$1,705 million and HK$879 million respectively.

CKI

CKI is the largest publicly listed infrastructure company on the SEHK, with diversified investments in energy, transportation and water infrastructure, waste management, waste-to-energy, household infrastructure and infrastructure-related businesses. CKI operates in Hong Kong, the Mainland, the UK, Continental Europe, Australia, New Zealand, Canada and the United States.

CKI announced profit attributable to shareholders of HK$10,256 million, 6% higher than HK$9,636 million reported last year, which includes the accretive contributions from the acquisitions of DUET Group, Reliance and ista during the year. Together with full year contribution from Canadian Midstream Assets, which was acquired in July 2016, and steady performances from the majority of CKI's businesses across the globe, the growth was achieved despite the gain on disposal of Spark Infrastructure Group and a UK deferred tax credit recognised in 2016, as well as the depreciation of Sterling in 2017.

Power Assets, a company listed on the SEHK and in which CKI holds a 38.01% interest, announced profit attributable to shareholders of HK$8,319 million, an increase of 30% compared to last year's profit of HK$6,417 million.

In May 2017, CKI acquired 40% interest in the DUET Group, owner and operator of energy utility assets in Australia, the United States, the UK, Canada and Europe, which was listed on the Australian Securities Exchange, for a consideration of approximately A$3.0 billion.

In September 2017, CKI acquired 25% interest in Reliance, with its subsidiaries principally engaged in building equipment services business in Canada and the United States, for a consideration of approximately C$715 million.

In October 2017, CKI acquired 35% interest in ista, a fully integrated energy management services provider operating mainly in Europe, for a consideration of approximately €1,543 million.

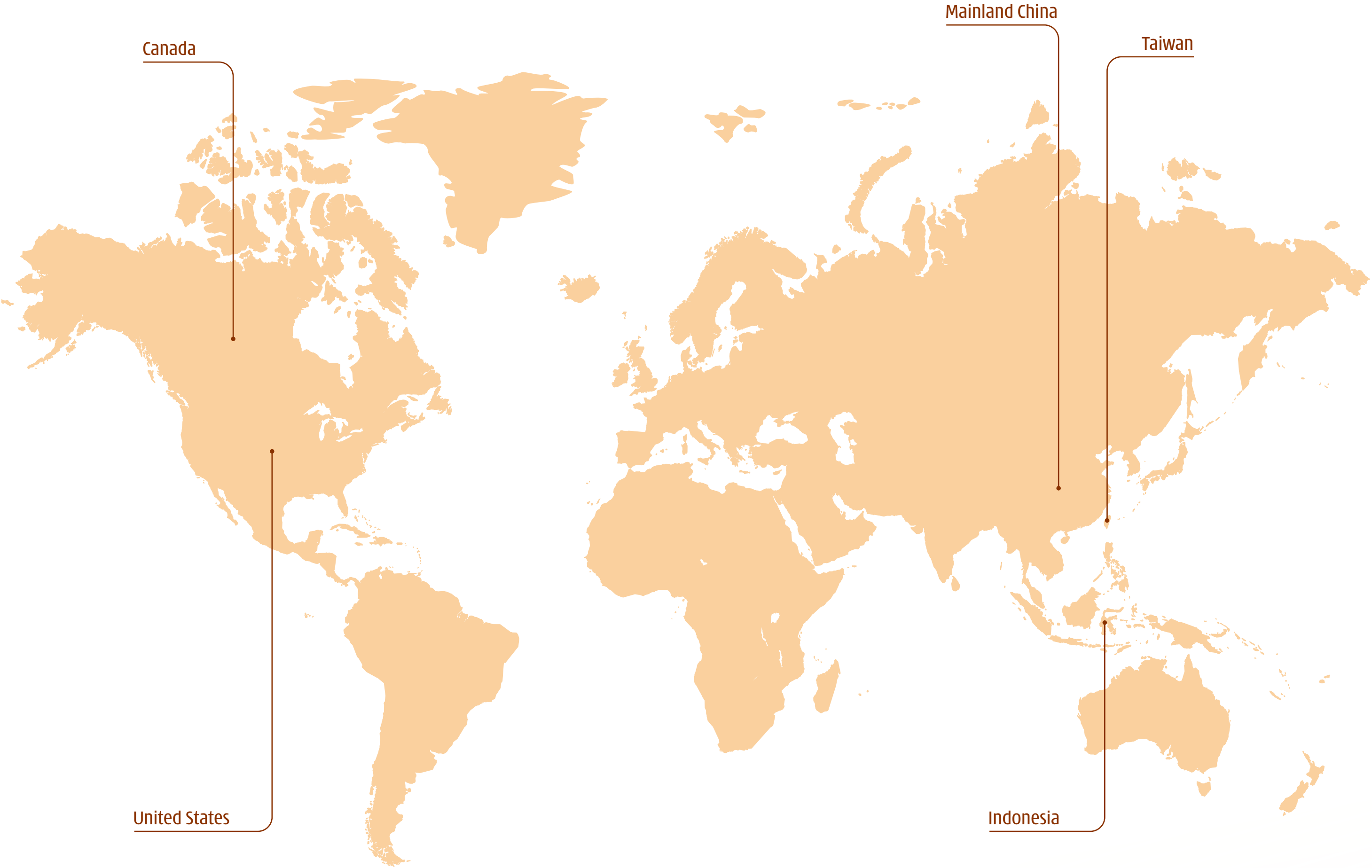
Co-owned joint ventures with CKI

The Group's six co-owned JVs with CKI include Northumbrian Water, Park'N Fly, Australian Gas Networks, Dutch Enviro Energy, Wales & West Utilities and UK Rails. The co-owned operations contributed additional revenue, EBITDA and EBIT of HK$10,772 million, HK$6,617 million and HK$4,613 million respectively in the year.

Operations Review

The liquids-rich BD Project offshore Indonesia achieves first production.

Energy



1. Husky acquires Superior Refinery in Wisconsin, USA for US$435 million.

2. The Sunrise Energy Project in Alberta, Canada continues to ramp up production.

3. Husky implements a second pilot project at its Pikes Peak South thermal project testing carbon capture technology. The captured CO_2 is used for enhanced oil recovery.

4

5

4. The West White Rose Project, the largest oil project sanctioned in Canada in 2017, will produce up to 75,000 barrels of oil per day by 2025.

5. Liuhua 29-1, the third deepwater gas field at the Liwan Gas project, is sanctioned; first production anticipated in 2021.

The energy division comprises of the Group's 40.19% interest in Husky Energy, an integrated energy company listed on the Toronto Stock Exchange.

	2017 HK$ million	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**44,948**	30,467	+48%	+44%
EBITDA	**8,992**	9,284	-3%	-6%
EBIT	**2,703**	3,429	-21%	-24%
Production (mboe/day)	**322.9**	321.2	+1%	

Husky Energy ("Husky"), our associated company, announced net earnings of C$786 million in 2017, 15% lower than 2016 net earnings of C$922 million, mainly due to an after-tax gain of C$1,316 million on disposal of 65% ownership interest of the midstream asset in the Lloydminster region of Alberta and Saskatchewan to CKI and Power Assets, and an after-tax gain of C$140 million on disposal of certain legacy crude oil and natural gas properties in Western Canada. Underlying operations recovered strongly, particularly in the second half of 2017, due to higher commodity prices and increasing contributions from higher margin thermal developments in Western Canada and the Liwan Gas Project in Asia Pacific. Adjusted net earnings (1) of C$882 million in 2017, represented a 235% turnaround from the adjusted net loss of C$655 million in 2016. Husky also recognised a one-time deferred tax credit of C$436 million related to the reduction in U.S. Federal corporate tax rate. Husky also announced a quarterly dividend of C$0.075 per common share for the three-month period ended 31 December 2017.

As the Group rebased Husky Energy's assets to their fair values in the 2015 Reorganisation, the Group's share of after-tax gain on the disposals in 2016 were approximately HK$3,646 million.

After translation into Hong Kong dollars and including consolidation adjustments, the Group's share of EBITDA and EBIT decreased 3% and 21% against 2016 respectively, which reflect the aforementioned disposal gains being recognised by the Group in 2016 offset by the strong operational growth from better market prices during 2017.

Average production increased 1% to 322.9 thousand barrels of oil equivalent per day ("mboe/day") in 2017, mainly due to increased production from thermal developments including production ramp up at the Sunrise Energy Project, new production from Edam West, Vawn and Edam East thermal developments and strong production performance from the Tucker Thermal Project, as well as increased natural gas and NGLs production from the Liwan Gas Project in Asia Pacific. Healthy production increases in 2017 were offset by the sale of selected low margin legacy crude oil and natural gas assets which together contributed 31.9 mboe/day production in 2016.

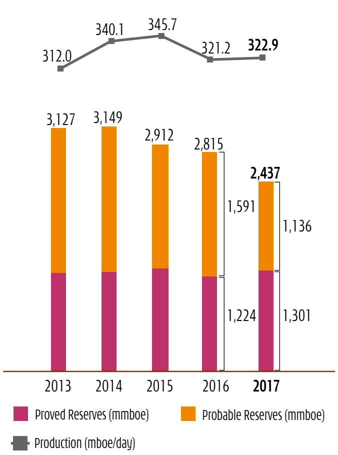
At 31 December 2017, Husky's proved oil and gas reserves were 1,301 million barrels of oil equivalent ("mmboe"), compared to 1,224 mmboe at the end of 2016. Probable reserves were 1,136 mmboe compared to 1,591 mmboe at the end of 2016. Husky's 2017 reserves replacement ratio was 167% excluding economic revisions (165% including economic revisions). The proved reserves additions were mainly related to the sanction of the West White Rose Project, three new Lloyd thermal bitumen projects, and improved performance in heavy oil and bitumen production and Asia Pacific gas production.

Note 1: 2017 adjusted net earnings equals to after-tax net earnings before gain on sale of assets of C$34 million, impairment of C$126 million, exploration & evaluation asset and inventory write-downs of C$4 million. 2016 adjusted net loss equals to after-tax net loss before gain on sale of assets of C$1,456 million, impairment reversal of C$190 million and exploration & evaluation asset and inventory write-downs of C$69 million.

In November 2017, Husky acquired the 50,000 barrels per day Superior Refinery in Wisconsin, U.S.. This facility is expected to increase Husky's Downstream processing capacity for its own heavy crude to approximately 395,000 barrels per day and will contribute accretive earnings and cashflow.

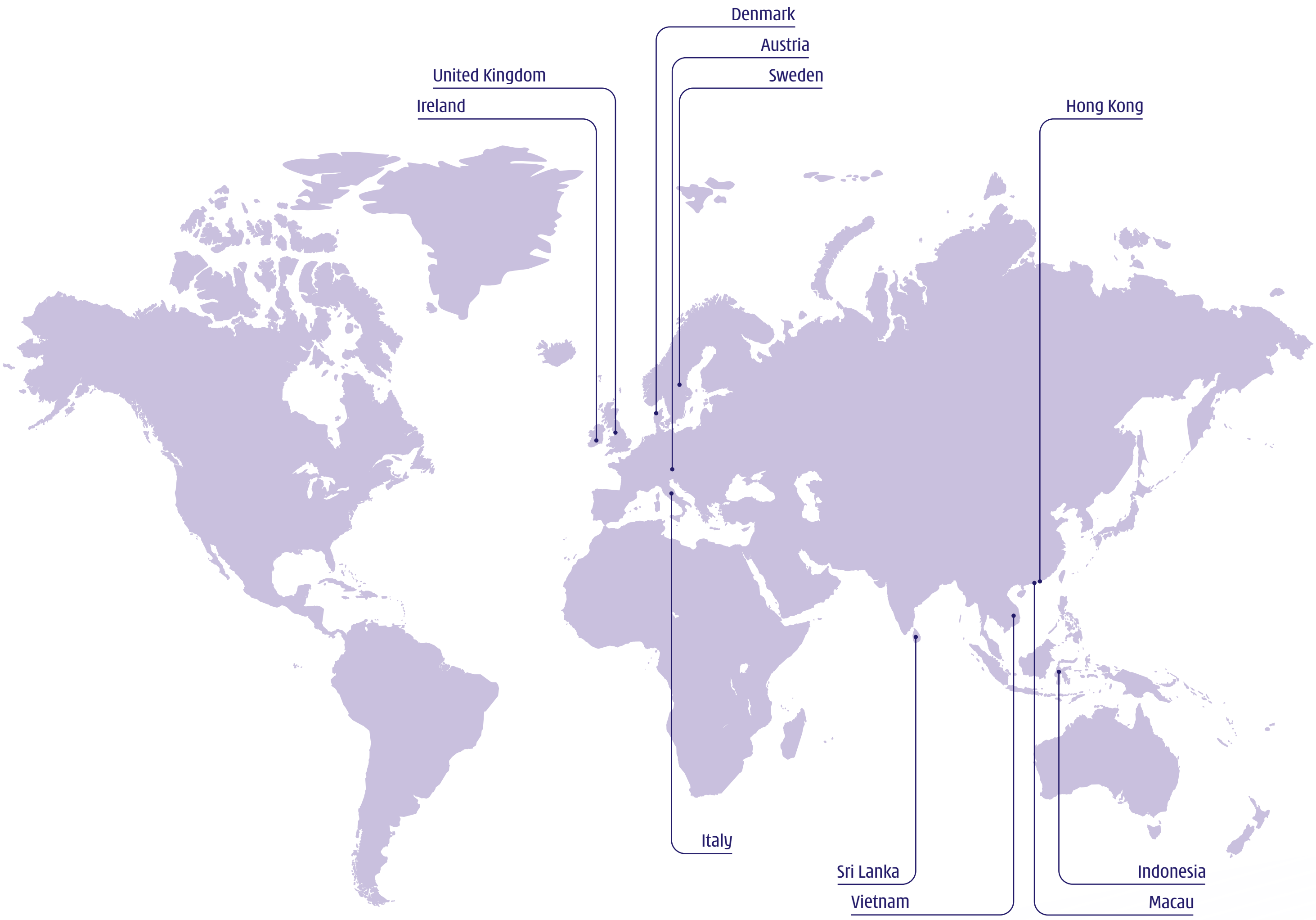
Since 2015, Husky's management has been focused on transforming its resource base to achieve lower operating and sustaining capital costs. This program progressed well in 2017 and will continue. Concurrently, Husky's balance sheet, which was substantially restructured in 2016, has continued to improve with net debt to funds from operations currently below 0.9 times compared to 1.8 times in 2016.

Proved and Probable Reserves & Production



3 UK rolls out concept stores to draw customers.

Telecommunications



1. Wind Tre joins a partnership with ZTE and Open Fiber to build Europe's first 5G network.
2. **3** Hong Kong opens its flagship store "3LIVE" in Causeway Bay.
3. **3** Denmark's 3LikeHome roaming plan is extended to 53 countries.

4

5

4. **3** Sweden has been ranked one of the best places to work.

5. **3** Ireland is the only operator to secure uniform national 5G spectrum across Ireland.

Operations Review – Telecommunications

The Group's telecommunications division consists of the **3** Group businesses in Europe ("**3** Group Europe"), a 66.09% interest in Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), which is listed on the SEHK, and Hutchison Asia Telecommunications ("HAT"). **3** Group Europe is a pioneer of high-speed mobile telecommunications and mobile broadband technologies with businesses in six countries across Europe. HTHKH holds the Group's interests in mobile operations in Hong Kong and Macau, with the fixed operation fully disposed of in October 2017. HAT holds the Group's interests in the mobile operations in Indonesia, Vietnam and Sri Lanka.

Group Performance

3 Group Europe

	2017 **HK$ million**	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**70,734**	62,415	+13%	+13%
- Net customer service revenue	**56,002**	47,877	+17%	+16%
- Handset revenue	**11,295**	11,446	-1%	
- Other revenue	**3,437**	3,092	+11%	
Net Customer Service Margin (1)	**46,756**	40,121	+17%	+16%
Net customer service margin %	***84%***	*84%*		
Other Margin	**1,646**	1,632	+1%	
Total CACs	**(16,296)**	(17,354)	+6%	
Less: Handset revenue	**11,295**	11,446	-1%	
Total CACs (net of handset revenue)	**(5,001)**	(5,908)	+15%	
Operating Expenses	**(19,064)**	(16,901)	-13%	
Opex as a % of net customer service margin	***41%***	*42%*		
EBITDA	**24,337**	18,944	+28%	+27%
EBITDA Margin % (2)	***41%***	*37%*		
Depreciation & Amortisation	**(7,770)**	(6,106)	-27%	
EBIT	**16,567**	12,838	+29%	+27%

Note 1: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 2: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

3 Group Europe continued to contribute growth to the Group in 2017 and was the largest growth contributor to the Group's earnings in the year. The division's registered customer base decreased by 1% to 52.3 million, while the active customer base stood at 44.8 million as at 31 December 2017, a 3% drop against last year due to alignment of inactive customer definitions in Italy following the merger and intense competition during the year for lower value customers in Wind Tre's base.

The proportion of contract customers as a percentage of the registered customer base increased from 37% in 2016 to 39% at 31 December 2017. Margin generated by contract customers accounted for approximately 66% of overall net customer service margin, a decrease from 79% in 2016 due to the higher contribution of the non-contract customers in the Wind Tre joint venture. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base was steady at 1.6% for the year.

As a result of the full year accretive contribution of the Wind Tre joint venture, net customer service revenue and net customer service margin in local currencies both increased by 16% compared to last year. However, **3** Group Europe's net ARPU and net AMPU decreased by 7% and 6% to €15.25 and €12.98 respectively compared to 2016, primarily due to the higher proportion of non-contract customers after the Italian merger.

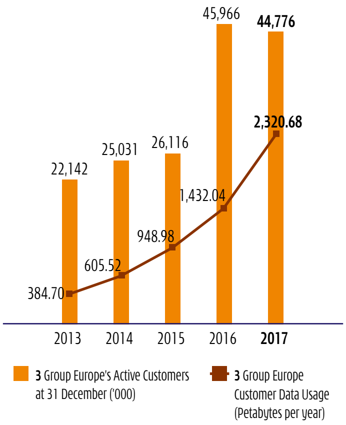
Total data usage increased 62% compared to last year to approximately 2,321 petabytes in 2017. Data usage per active customer was approximately 53.8 gigabytes per user in 2017 compared to 51.0 gigabytes per user in 2016.

Total CACs, net of handset revenue in contract bundled plans, totalled HK$5,001 million in 2017, 15% lower than 2016, while operating expenses increased 13% to HK$19,064 million from increased spending on IT system transformation and digitalisation.

The EBITDA and EBIT growth reflected the accretive contribution from the Wind Tre joint venture, improved net customer service margins, disciplined spending on customer acquisition costs and continued realisation of post-merger cost synergies in **3** Ireland, as well as increased spending on digital transformation to build a more agile, flexible and sustainable operating model to cater for the future.

In May 2017, **3** UK completed the acquisition of UK Broadband ("UKB") for a total consideration of approximately £300 million. UKB provides wireless home and business broadband services in Central London and Swindon, and has spectrum holdings in the 3.4GHz and 3.6 to 3.8GHz bandwidths. In November 2017, **3** Austria completed the acquisition of Tele2, a fixed-network provider in Austria, for a total consideration of approximately €100 million.

3 Group Europe's Active Customers and Data Usage



3 Group Europe - Results by operations

In million	UK		Italy (3)		Sweden		Denmark		Austria		Ireland		3 Group Europe (3)	
	GBP		EURO		SEK		DKK		EURO		EURO		HK$	
	2017	2016	**2017 Wind Tre (50%)**	2016 Wind Tre & **3** Italy	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total Revenue	**2,425**	2,276	**2,734**	2,042	**7,508**	7,221	**2,246**	2,127	**812**	772	**603**	655	**70,734**	62,415
% change	***+7%***		***+34%***		***+4%***		***+6%***		***+5%***		***-8%***		***+13%***	
											Local currency growth %		***+13%***	
- Net Customer Service Revenue	**1,636**	1,599	**2,590**	1,742	**4,868**	4,854	**1,936**	1,913	**655**	624	**465**	504	**56,002**	47,877
% change	***+2%***		***+49%***		**–**		***+1%***		***+5%***		***-8%***		***+17%***	
											Local currency growth %		***+16%***	
- Handset Revenue	**622**	531	**105**	261	**2,396**	2,047	**126**	86	**120**	125	**74**	81	**11,295**	11,446
- Other Revenue	**167**	146	**39**	39	**244**	320	**184**	128	**37**	23	**64**	70	**3,437**	3,092
Net Customer Service Margin (4)	**1,427**	1,399	**2,061**	1,379	**4,149**	4,149	**1,613**	1,591	**553**	529	**401**	420	**46,756**	40,121
% change	***+2%***		***+49%***		**–**		***+1%***		***+5%***		***-5%***		***+17%***	
											Local currency growth %		***+16%***	
Net Customer Service Margin %	***87%***	*87%*	***80%***	*79%*	***85%***	*85%*	***83%***	*83%*	***84%***	*85%*	***86%***	*83%*	***84%***	*84%*
Other margin	**52**	35	**32**	33	**124**	139	**135**	82	**22**	20	**43**	44	**1,646**	1,632
TOTAL CACs	**(848)**	(751)	**(217)**	(489)	**(3,187)**	(2,790)	**(350)**	(311)	**(159)**	(166)	**(118)**	(122)	**(16,296)**	(17,354)
Less: Handset Revenue	**622**	531	**105**	261	**2,396**	2,047	**126**	86	**120**	125	**74**	81	**11,295**	11,446
Total CACs (net of handset revenue)	**(226)**	(220)	**(112)**	(228)	**(791)**	(743)	**(224)**	(225)	**(39)**	(41)	**(44)**	(41)	**(5,001)**	(5,908)
Operating Expenses	**(551)**	(495)	**(876)**	(696)	**(1,332)**	(1,429)	**(716)**	(705)	**(194)**	(166)	**(231)**	(235)	**(19,064)**	(16,901)
Opex as a % of net customer service margin	***39%***	*35%*	***43%***	*51%*	***32%***	*34%*	***44%***	*44%*	***35%***	*31%*	***58%***	*56%*	***41%***	*42%*
EBITDA	**702**	719	**1,105**	488	**2,150**	2,116	**808**	743	**342**	342	**169**	188	**24,337**	18,944
% change	***-2%***		***+126%***		***+2%***		***+9%***		**–**		***-10%***		***+28%***	
											Local currency growth %		***+27%***	
EBITDA margin % (5)	***39%***	*41%*	***42%***	*27%*	***42%***	*41%*	***38%***	*36%*	***49%***	*53%*	***32%***	*33%*	***41%***	*37%*
Depreciation & Amortisation	**(265)**	(223)	**(298)**	(165)	**(595)**	(607)	**(289)**	(283)	**(100)**	(97)	**(79)**	(76)	**(7,770)**	(6,106)
EBIT	**437**	496	**807**	323	**1,555**	1,509	**519**	460	**242**	245	**90**	112	**16,567**	12,838
% change	***-12%***		***+150%***		***+3%***		***+13%***		***-1%***		***-20%***		***+29%***	
											Local currency growth %		***+27%***	
			Wind Tre (50%)											
Capex (excluding licence) (6)	**(459)**	(352)	**(596)**		**(836)**	(796)	**(201)**	(209)	**(115)**	(90)	**(109)**	(103)	**(13,211)**	
EBITDA less Capex (6)	**243**	367	**509**		**1,314**	1,320	**607**	534	**227**	252	**60**	85	**11,126**	
Licence (7)	**(2)**	–	**–**		**–**	(100)	**–**	(292)	**–**	–	**(19)**	–	**(197)**	

Note 3: **3** Group Europe 2017 includes 50% share of Wind Tre's results, of which fixed line business revenue was €542 million and EBITDA was €193 million. 2016 includes approximately ten months results from January to October 2016 of **3** Italy as well as the Group's 50% share of approximately two months results from November to December 2016 of Wind Tre, of which revenue and EBITDA of fixed line business amounted to €94 million and €38 million respectively. **3** Group Europe 2017 Capex and EBITDA less Capex each includes 50% share of Wind Tre's capex for illustrative purpose only.

Note 4: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs).

Note 5: EBITDA margin % represents EBITDA as a % of total revenue excluding handset revenue.

Note 6: Excluding **3** UK's acquisition of UKB for £300 million in May 2017 and **3** Austria's acquisition of Tele2 for €100 million in November 2017.

Note 7: 2017 licence cost for UK represents incidental costs to acquire licence whereas the cost for Ireland relates to investment for 3.6 GHz licence. Licence costs for Sweden and Denmark in 2016 represent investment for 2 x 5 MHz and 2 x 30 MHz (both in 1800 MHz band) respectively.

	UK		Italy (8)		Sweden		Denmark		Austria		Ireland		3 Group Europe	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Total registered customer base (million)	**12.6**	11.4	**29.5**	31.3	**2.0**	2.1	**1.3**	1.2	**3.6**	3.8	**3.2**	3.0	**52.3**	52.8
Total active customer base (million)	**10.1**	9.2	**26.6**	28.6	**1.9**	2.0	**1.3**	1.2	**2.9**	2.9	**2.1**	2.1	**44.8**	46.0
Contract customers as a % of the total registered customer base	**55%**	56%	**25%**	23%	**82%**	86%	**61%**	64%	**69%**	66%	**38%**	40%	**39%**	37%
Contract customers' contribution to the net customer service margin (%) (9)	**87%**	87%	**32%**	65%	**93%**	94%	**74%**	75%	**91%**	91%	**64%**	67%	**66%**	79%
Average monthly churn rate of the total contract registered customer base (%)	**1.3%**	1.4%	**2.2%**	2.4%	**2.0%**	1.7%	**2.2%**	2.2%	**0.2%**	0.2%	**1.9%**	1.5%	**1.6%**	1.6%
Active contract customers as a % of the total contract registered customer base	**98%**	98%	**94%**	95%	**100%**	100%	**100%**	100%	**100%**	100%	**98%**	98%	**97%**	98%
Active customers as a % of the total registered customer base	**80%**	80%	**90%**	91%	**96%**	96%	**97%**	97%	**80%**	78%	**64%**	69%	**86%**	87%
Full year data usage per active customer (Gigabyte)													**53.8**	51.0

Note 8: 2017 key business indicators were calculated based on Wind Tre's figures and 2016 were calculated based on approximately ten months of **3** Italy's standalone figures from January to October 2016 and approximately two months of Wind Tre's figures from November to December 2016.

Note 9: **3** Group Europe contract customers' contribution to net customer service margin in 2017 was calculated based on 50% contribution from Wind Tre, whereas the ratio for 2016 was calculated based on approximately ten months of **3** Italy's standalone figures from January to October 2016 and approximately two months of Wind Tre's figures from November to December 2016.

Key Business Indicators

Registered Customer Base

	Registered Customers at 31 December 2017 ('000)			Registered Customer Growth (%) from 31 December 2016 to 31 December 2017		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	5,664	6,946	**12,610**	+14%	+8%	**+11%**
Italy (11)	22,273	7,267	**29,540**	-8%	+3%	**-6%**
Sweden	356	1,630	**1,986**	+22%	-8%	**-4%**
Denmark	512	799	**1,311**	+14%	+2%	**+6%**
Austria	1,123	2,513	**3,636**	-12%	–	**-4%**
Ireland	1,997	1,199	**3,196**	+12%	-1%	**+7%**
3 Group Europe Total	31,925	20,354	**52,279**	-3%	+3%	**-1%**

Active (10) Customer Base

	Active Customers at 31 December 2017 ('000)			Active Customer Growth (%) from 31 December 2016 to 31 December 2017		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	3,247	6,823	**10,070**	+14%	+8%	**+10%**
Italy (11)	19,722	6,848	**26,570**	-10%	+1%	**-7%**
Sweden	274	1,630	**1,904**	+29%	-8%	**-4%**
Denmark	475	799	**1,274**	+15%	+2%	**+6%**
Austria	396	2,507	**2,903**	-9%	–	**-1%**
Ireland	878	1,177	**2,055**	-1%	–	**-1%**
3 Group Europe Total	24,992	19,784	**44,776**	-6%	+2%	**-3%**

Note 10: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 11: Italy's customer base as at 31 December 2017 was calculated based on 100% of Wind Tre.

12-month Trailing Average Revenue per Active User [12] ("ARPU") to 31 December 2017

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2016
United Kingdom	£5.32	£24.61	**£18.07**	-6%
Italy [15]	€11.51	€15.67	**€12.55**	-5%
Sweden	SEK125.30	SEK323.60	**SEK298.50**	+3%
Denmark	DKK93.94	DKK164.84	**DKK139.13**	-4%
Austria	€10.72	€23.48	**€21.68**	+5%
Ireland	€15.60	€26.38	**€21.73**	-7%
3 Group Europe Average [16]	€10.60	€24.92	**€17.87**	-7%

12-month Trailing Net Average Revenue per Active User [13] ("Net ARPU") to 31 December 2017

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2016
United Kingdom	£5.32	£18.15	**£13.80**	-5%
Italy [15]	€11.51	€15.67	**€12.55**	-5%
Sweden	SEK125.30	SEK220.25	**SEK208.24**	+2%
Denmark	DKK93.94	DKK150.61	**DKK130.06**	-4%
Austria	€10.72	€19.70	**€18.43**	+3%
Ireland	€15.60	€21.46	**€18.93**	-8%
3 Group Europe Average [16]	€10.60	€19.75	**€15.25**	-7%

12-month Trailing Net Average Margin per Active User [14] ("Net AMPU") to 31 December 2017

	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2016
United Kingdom	£4.64	£15.83	**£12.04**	-6%
Italy [15]	€9.50	€13.30	**€10.45**	-2%
Sweden	SEK105.07	SEK187.89	**SEK177.41**	+2%
Denmark	DKK78.18	DKK125.43	**DKK108.30**	-3%
Austria	€9.45	€16.64	**€15.63**	+3%
Ireland	€13.56	€18.44	**€16.34**	-5%
3 Group Europe Average [16]	€8.88	€16.96	**€12.98**	-6%

Note 12: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 13: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 14: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

Note 15: Italy's ARPU, Net ARPU and Net AMPU for 2017 were calculated based on Wind Tre's figures and for 2016 were calculated based on approximately ten months (January to October 2016) of **3** Italy's standalone figures and approximately two months (November to December 2016) of Wind Tre's figures.

Note 16: **3** Group Europe ARPU, Net ARPU and Net AMPU in 2017 were calculated based on 50% contribution from Wind Tre.

United Kingdom

EBITDA decreased by 2% compared to 2016 mainly due to higher operating expenses due to network and IT infrastructure transformation program. This resulted in implementation and development costs, as well as dual system running costs. The adverse variance was partly offset by higher margin contribution from an enlarged customer base, as well as improvement in wholesale business. The 12% decrease in EBIT was due to additional depreciation on a higher asset base and accelerated depreciation charges on certain network assets.

Italy

In Italy, EBITDA and EBIT grew by 126% and 150% respectively over 2016, reflecting the full year accretive contribution from the merger of Wind Tre as well as synergy realisation during the year.

Wind Tre is the largest mobile operator in Italy with approximately 29.5 million registered mobile customers and approximately 2.7 million fixed-line customers as at 31 December 2017. Wind Tre's mobile active customer base decreased 7% when compared to 2016 mainly due to the alignment of inactive customer definitions following the merger and intense competition during the year for lower value customers. Encouragingly, Wind Tre's customer base was more stable in the fourth quarter of 2017.

Wind Tre announced total revenue and EBITDA decline 5% and 8% to €6,182 million and €1,945 million respectively, and LBIT increased by 20% to €1,414 million for 2017 when compared to the pro forma combined results for the full year 2016 (which assumed the formation of the joint venture was effective on 1 January 2016.)

The results of the telecommunications businesses in Italy included in the Group's consolidated income statement for the year ended 31 December 2017 represented the Group's 50% share of Wind Tre's results, whereas the results for 2016 represented approximately ten months results of **3** Italy and its subsidiaries prior to the formation of the joint venture that was completed on 5 November 2016 and the Group's 50% share of approximately two months results of Wind Tre post completion. In addition, upon formation of the joint venture, the accounting standards require the Group to account for the joint venture's assets and liabilities at fair value. Accordingly, adjustments to the results of the telecommunications businesses in Italy have been made when the Group's 50% interest in the joint venture is incorporated into the Group's consolidated results.

Sweden

Sweden, where the Group has a 60% interest, reported a 2% and 3% growth in EBITDA and EBIT respectively, primarily driven by lower operating cost as certain one-off staff incentive payments in 2016 that did not recur in 2017. Net customer service margin was flat against last year as the 2% increase in both net ARPU and net AMPU were fully offset by 4% decrease in active customer base from deactivating and clean up of multi-SIM customers.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported a 1% increase in net customer service margin, primarily driven by 6% growth in active customer base partly offset by 3% decrease in net AMPU as VAT reclaim was not recognised from August 2017 onwards. The 9% and 13% growth in EBITDA and EBIT respectively reflected higher wholesale contribution and implementation of cost controls measures.

Austria

EBITDA remained stable compared to 2016 at €342 million, mainly due to higher net customer service margin driven by the improved net AMPU, fully offset by increased operating expenses mainly from integration of the newly acquired Tele2 operations. EBIT marginally decreased by 1% to €242 million in 2017 as a result of higher depreciation and amortisation from network expansion.

Ireland

EBITDA and EBIT were 10% and 20% respectively lower than 2016 as a result of increase in voluntary churn in 2017 that follows the implementation of price changes on contract customers. The results reflect loss of revenue from churned customers as well as a write-off of receivables relating to them. **3** Ireland has stabilised its churn rate of contract customers, which lowered from 2.4% in the first half of 2017 to 1.9% for the year end. EBITDA and EBIT for the second half of 2017 improved by 19% and 43% respectively against the first half of 2017. **3** Ireland continues to realise synergies during the year and have fully achieved the target operating expense synergy run rate of €103 million.

Hutchison Telecommunications Hong Kong Holdings

	2017 **HK$ million**	2016 HK$ million	Change
Total Revenue	**9,685**	12,133	-20%
- Recurring operation	**6,730**	8,299	-19%
- Discontinued Fixed operation	**2,955**	3,834	-23%
EBITDA	**4,337**	2,607	+66%
- Recurring operation	**1,314**	1,346	-2%
- Discontinued Fixed operation	**989**	1,261	-22%
- Disposition gain	**2,034**	–	N/A
EBIT	**707**	1,055	-33%
- Recurring operation	**445**	569	-22%
- Discontinued Fixed operation	**410**	486	-16%
- Disposition gain and accelerated depreciation	**(148)**	–	N/A
Total active customer base ('000)	**3,328**	3,222	+3%

HTHKH announced 2017 profit attributable to shareholders of HK$4,766 million, which includes the gain on disposal of its fixed-line telecommunication business of HK$5,614 million, as well as accelerated depreciation charges, after tax and non-controlling interest, on certain mobile telecommunication fixed assets of HK$1,391 million.

As the Group rebased HTHKH's assets to their fair values in the 2015 Reorganisation, the Group's 2017 reported EBITDA included a lower disposal gain of the fixed-line telecommunication business of HK$2,034 million. Together with accelerated depreciation charges of HK$2,182 million, this resulted in a net loss of HK$148 million reported by the Group at EBIT level.

The lower total recurring revenue of HTHKH's mobile operation was primarily driven by the reduction in low margin handset sales in 2017. The lower recurring EBITDA was driven by a reduction in net customer service margin reflecting the decrease in net AMPU, which together with higher amortisation of licence fees for renewed and new spectrum licences applicable from October 2016, resulted in a 22% lower EBIT against 2016.

Hutchison Asia Telecommunications

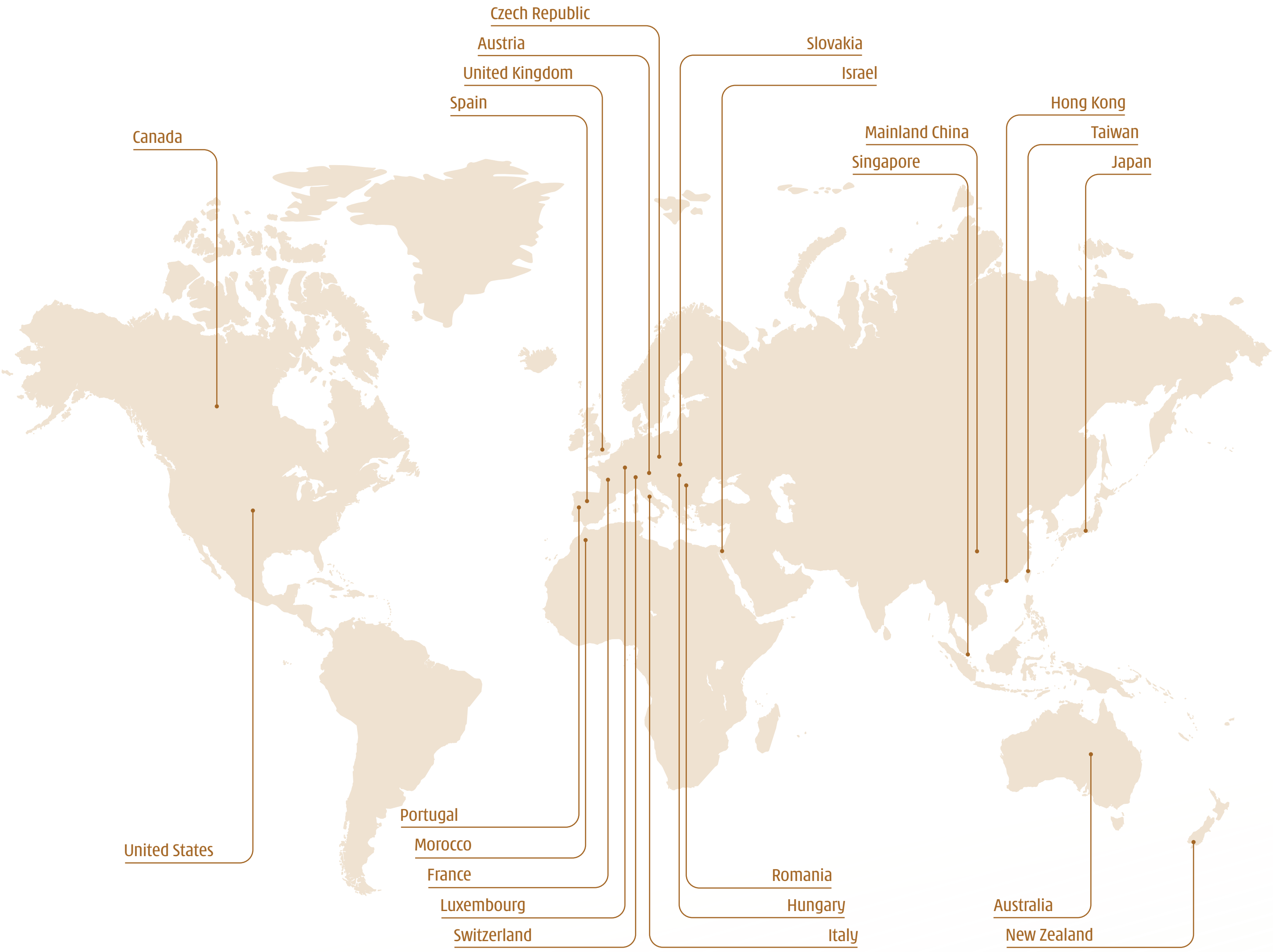
	2017 **HK$ million**	2016 HK$ million	Change	Change in Local Currency
Total Revenue	**7,695**	8,200	-6%	-6%
EBITDA	**558**	2,298	-76%	-76%
EBIT	**226**	2,130	-89%	-90%
Total active customer base ('000)	**74,959**	77,369	-3%	

HAT had an active customer base of approximately 75.0 million at the end of 2017, with Indonesia representing 85% of the base. Total revenue decreased 6% to HK$7,695 million, as the Indonesian operation was not able to offer competitive LTE price offerings until the launch of its LTE network in May 2017, while other incumbents offered aggressively-priced LTE services from the beginning of 2017. EBITDA and EBIT decreased to HK$558 million and HK$226 million respectively, 76% and 89% below 2016. The decline reflects both reduced service margin contribution and higher operating costs in Indonesia and Vietnam recognised after completion of the major network rollout and expansion initiatives in late 2016 and 2017 respectively.

Network rollout plans in Vietnam and Sri Lanka, as well as LTE network enhancement in Indonesia will continue in 2018. With efficient network utilisation and rollout strategies, the operations are expected to offer services at the most competitive prices in their respective markets.

Guangzhou Aircraft Maintenance Engineering Co completes China's first A380 six-year check, with over 140 engineers servicing on the aircraft at the peak.

Finance & Investments and Others



The finance & investments and others segment includes returns earned on the Group's holdings of cash and liquid investments, Hutchison Whampoa (China) Limited ("HWCL"), listed associate TOM Group ("TOM"), Hutchison Water (1), the Marionnaud businesses, listed associate CK Life Sciences Group ("CKLS") and listed subsidiary, Hutchison Telecommunications (Australia) Limited ("HTAL"), which has a 50% interest in Vodafone Hutchison Australia Pty Limited ("VHA").

	2017 HK$ million	2016 HK$ million	Change
Total Revenue	**34,097**	32,211	+6%
EBITDA	**5,736**	4,058	+41%
EBIT	**3,632**	1,879	+93%

Finance and Investments

Finance and investments mainly represents returns earned on the Group's holdings of cash and liquid investments, which totalled HK$168,283 million at 31 December 2017. Further information on the Group's treasury function can be found in the "Group Capital Resources and Liquidity" section of the 2017 annual results announcement. The EBITDA and EBIT contribution of this segment included a disposal gain relating to a manufacturing plant in the Mainland.

Note 1: Subsequent to December 2017, the Group's investment in the Hutchison Water Group was deconsolidated and is currently an unlisted investment.

Other Operations

Hutchison Whampoa (China) Limited

HWCL operates various manufacturing, service and distribution joint ventures in the Mainland and Hong Kong, and also has an investment in Hutchison China MediTech Limited ("Chi-Med"), currently a 60.4% owned subsidiary that is dual-listed on the AIM market of the London Stock Exchange in the UK and the Nasdaq Global Select Market ("Nasdaq") in the US. A secondary offering of Chi-Med's shares on Nasdaq was completed in October 2017 and raised gross proceeds of approximately US$300 million. Chi-Med is an innovative biopharmaceutical company which researches, develops, manufactures and sells pharmaceuticals and healthcare products. HWCL has completed the return of a manufacturing plant in the Mainland in December 2017 and recognised an after-tax disposal gain of approximately HK$1.5 billion.

In March 2018, HWCL completed the acquisition of 21.2% interest in Gama Aviation Plc, a global business aviation services provider listed on the AIM Market of the London Stock Exchange in the UK, for a total consideration of £33.0 million and simultaneously completed the disposal of its entire 20% interest in China Aircraft Services Limited and 50% interest in Gama Aviation Hutchison Holdings Limited to a subsidiary of Gama Aviation Plc for an aggregated consideration of £14.2 million.

TOM Group

TOM, a 36.73% associate, is a media and technology company listed on SEHK. In addition to its media businesses in publishing and advertising, TOM also has a technology platform with operations principally in e-commerce as well as investments in fintech and big data analytics sectors.

Marionnaud

Marionnaud currently operates approximately 1,000 stores in 11 European markets, providing luxury perfumery and cosmetic products.

CK Life Sciences Group

The Group has an approximate 45.32% interest in CKLS, a company listed on SEHK. CKLS is engaged in the business of research and development, manufacturing, commercialisation, marketing, sale of, and investment in, products and assets which are nutraceuticals, pharmaceuticals and agriculture-related.

HTAL, share of VHA

HTAL, an 87.87% owned subsidiary listed on the Australian Securities Exchange, has 50% interest of VHA, a mobile telecommunication joint venture with Vodafone Group in Australia. VHA's active customer base increased 4% to approximately 5.8 million (including MVNOs) at 31 December 2017. VHA's EBITDA increased 6.5% to A$971.8 million for the year and its loss attributable to shareholders was reduced from A$241.8 million in 2016 to A$177.8 million in 2017.

Interest Expense, Finance Costs and Tax

The Group's consolidated interest expenses and other finance costs for the year, including its share of associated companies' and joint ventures' interest expenses, amortisation of finance costs and after deducting interest capitalised on assets under development, amounted to HK$18,024 million, an increase of 36% when compared to last year mainly due to higher financing costs from the Group's share of interest expense and one-time major refinancing costs in the Wind Tre joint venture, as well as interest expense associated with the new acquisitions in the Infrastructure division. The Group's weighted average cost of debt for 2017 was 2.3%.

The Group recorded current and deferred tax charges totalling HK$6,055 million for the year, a decrease of 24% mainly due to the share of tax benefits recognised in Husky Energy following the corporate tax rate reduction in the U.S., as well as certain deferred tax benefits upon favourable settlement of prior year tax disputes.

Summary

The Group has continued to deliver good growth in earnings in 2017 through efficient and effective operational activities and well-executed strategic initiatives, while maintaining a healthy level of liquidity and a strong balance sheet.

The Group remains committed to maintain a stable earnings growth through our diversified core businesses and prudent financial strategy. Cautious and selective expansion and stringent capital expenditure and cost controls will continue across all of our businesses. Barring adverse external developments in the sectors and geographies in which we operate, I have full confidence that these objectives will be achieved in 2018.

Fok Kin Ning, Canning
Group Co-Managing Director

Hong Kong, 16 March 2018

Additional Information

Ports and Related Services

The following tables summarise the port operations for the four segments of the division.

HPH Trust

Name	**Location**	**The Group's Effective Interest**	**2017 Throughput (100% basis)**
			(million TEU)
Hongkong International Terminals/ COSCO-HIT Terminals/ Asia Container Terminals	Hong Kong	30.07% / 15.03% / 12.03%	11.7
Yantian International Container Terminals - Phase I and II/ Phase III/ West Port	Mainland China	16.96% / 15.53% / 15.53%	12.7
Huizhou International Container Terminals	Mainland China	12.42%	0.2
Ancillary Services - Asia Port Services/ Hutchison Logistics (HK)/ Shenzhen Hutchison Inland Container Depots	Hong Kong and Mainland China	30.07% / 30.07% / 23.35%	N/A

Mainland China and Other Hong Kong

Name	**Location**	**Hutchison Ports' Effective Interest** (1)	**2017 Throughput (100% basis)**
			(million TEU)
Shanghai Mingdong Container Terminals/ Shanghai Pudong International Container Terminals	Mainland China	50% / 30%	9.3
Ningbo Beilun International Container Terminals	Mainland China	49%	2.1
River Trade Terminal	Hong Kong	50%	1.0
Ports in Southern China - Nanhai International Container Terminals (2)/ Jiangmen International Container Terminals (2)/ Shantou International Container Terminals/ Huizhou Port Industrial Corporation/ Xiamen International Container Terminals/ Xiamen Haicang International Container Terminals	Mainland China	50% / 50% / 70% / 33.59% / 49% / 49%	2.0

Note 1: The Group holds an 80% interest in Hutchison Ports Holdings Group ("Hutchison Ports").

Note 2: Although HPH Trust holds the economic interest in the two River Ports in Nanhai and Jiangmen in Southern China, the legal interests in these operations are retained by this division.

Ports and Related Services (continued)

Europe

Name	Location	Hutchison Ports' Effective Interest [1]	2017 Throughput (100% basis)
			(million TEU)
Europe Container Terminals (ECT)/ Delta Terminal, ECT / Euromax Terminal, ECT Amsterdam Container Terminals/TMA logistics	Belgium, Germany and The Netherlands	93.5% / 89.37% / 60.78% 100% / 50%	8.9
Hutchison Ports (UK) – Port of Felixstowe/ Harwich International Port/ London Thamesport	United Kingdom	100% / 100% / 80%	4.3
Barcelona Europe South Terminal	Spain	100%	1.8
Gdynia Container Terminal	Poland	100%	0.3
Container Terminal Frihamnen [3]	Sweden	100%	0.1

Note 3: The Group holds the right to operate Container Terminal Frihamnen in Sweden.

Asia, Australia and Others

Name	Location	Hutchison Ports' Effective Interest [1]	2017 Throughput (100% basis)
			(million TEU)
Westports Malaysia	Malaysia	23.55%	9.0
Panama Ports Company	Panama	90%	4.2
Hutchison Korea Terminals / Korea International Terminals	South Korea	100% / 88.9%	2.9
Hutchison Laemchabang Terminal / Thai Laemchabang Terminal	Thailand	80% / 87.5%	2.8
Jakarta International Container Terminal / Koja Terminal	Indonesia	49% / 45.09%	2.7
Internacional de Contenedores Asociados de Veracruz/ Lazaro Cardenas Terminal Portuaria de Contenedores/ Lazaro Cardenas Multipurpose Terminal/ Ensenada International Terminal/ Terminal Internacional de Manzanillo	Mexico	100%	2.1
Karachi International Container Terminal / South Asia Pakistan Terminals	Pakistan	100% / 90%	1.5
International Ports Services	Saudi Arabia	51%	1.1
Freeport Container Port	The Bahamas	51%	0.9
Oman International Container Terminal	Oman	65%	0.8
Alexandria International Container Terminals	Egypt	80.33%	0.7
Tanzania International Container Terminal Services	Tanzania	66.5%	0.5
Sydney International Container Terminals	Australia	100%	0.4
Buenos Aires Container Terminal Services	Argentina	100%	0.2
Hutchison Ajman International Terminals	United Arab Emirates	100%	0.2
Myanmar International Terminals Thilawa	Myanmar	100%	0.2
Brisbane Container Terminals	Australia	100%	0.1
Hutchison Ports RAK	United Arab Emirates	60%	–
Hutchison Ports UAQ	United Arab Emirates	60%	–
Hutchison Ports Basra	Iraq	51%	–
Saigon International Terminals Vietnam	Vietnam	70%	–

Retail

Brand list by Market

Market	Brand
Albania	Rossmann
Belgium	ICI PARIS XL, Kruidvat
Czech Republic	Rossmann
Germany	ICI PARIS XL, Rossmann
Hong Kong	Watsons, PARKnSHOP, Fortress, Watson's Wine, Watsons Water, Mr Juicy
Hungary	Rossmann
Indonesia	Watsons
Ireland	The Perfume Shop, Superdrug
Latvia	Drogas
Lithuania	Drogas
Luxembourg	ICI PARIS XL
Macau	Watsons, PARKnSHOP, Fortress, Watson's Wine
Mainland China	Watsons, PARKnSHOP, Watson's Wine, Watsons Water, Mr Juicy
Malaysia	Watsons
The Netherlands	ICI PARIS XL, Kruidvat, Trekpleister
The Philippines	Watsons
Poland	Rossmann
Russia	Spektr
Singapore	Watsons
Taiwan	Watsons
Thailand	Watsons
Turkey	Watsons
United Kingdom	The Perfume Shop, Superdrug, Savers
Ukraine	Watsons

Note: The Group's 50% interest in Watsons Korea has been disposed of in February 2017.

Additional Information

Infrastructure

CKI Project Profile by Geographical Location

Geographical Location	Company/Project	Type of Business	Shareholding Interest within CKHH Group
Australia	SA Power Networks	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Powercor Australia Limited	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	CitiPower I Pty Ltd.	Electricity Distribution	CKI: 23.07%; Power Assets: 27.93%
	Australian Gas Networks Limited	Gas Distribution	CKHH: 27.51%; CKI: 44.97%; Power Assets: 27.51%
	Transmission Operations (Australia) Pty Ltd	Electricity Transmission	CKI: 50%; Power Assets: 50%
	DUET Group	Electricity distribution, gas transmission and distribution, and provision of electricity generation solutions	CKI: 40%; Power Assets: 20%
Canada	Canadian Power Holdings Inc.	Electricity Generation	CKI: 50%; Power Assets: 50%
	Park'N Fly	Off-airport Parking	CKHH: 50%; CKI: 50%
	Husky Midstream Limited Partnership	Oil pipelines and storage	CKI: 16.25%;Power Assets: 48.75%
	Reliance	Building Equipment Services	CKI: 25%
Germany	ista	Energy Management Services	CKI: 35%
Hong Kong	Power Assets Holdings Limited ("Power Assets")	Holding company of a 33.37% interest in HKEI, a listed electricity generation and transmission business in HK, and power and utility-related businesses overseas	CKI: 38.01%
	Alliance Construction Materials Limited	Infrastructure Materials	CKI: 50%
	Green Island Cement Company, Limited	Infrastructure Materials	CKI: 100%
	Anderson Asphalt Limited	Infrastructure Materials	CKI: 100%
Mainland China	Green Island Cement (Yunfu) Company Limited	Infrastructure Materials	CKI: 100%
	Guangdong Gitic Green Island Cement Co. Ltd.	Infrastructure Materials	CKI: 66.5%
	Shen-Shan Highway (Eastern Section)	Toll Road	CKI: 33.5%
	Shantou Bay Bridge	Toll Bridge	CKI: 30%
	Tangshan Tangle Road	Toll Road	CKI: 51%
	Jiangmen Chaolian Bridge	Toll Bridge	CKI: 50%
	Panyu Beidou Bridge	Toll Bridge	CKI: 40%
The Netherlands	Dutch Enviro Energy Holdings B.V.	Energy-from-Waste	CKHH: 35%; CKI: 35%; Power Assets: 20%
New Zealand	Wellington Electricity Lines Limited	Electricity Distribution	CKI: 50%; Power Assets: 50%
	Enviro (NZ) Limited	Waste Management	CKI: 100%
The Philippines	Siquijor Limestone Quarry	Infrastructure Materials	CKI: 40%
Portugal	Portugal Renewable Energy	Generation and Sale of Wind Energy	CKI: 50%; Power Assets: 50%
United Kingdom	UK Power Networks Holdings Limited	Electricity Distribution	CKI: 40%; Power Assets: 40%
	Northumbrian Water Group Limited	Water Supply, Sewerage and Waste Water businesses	CKHH: 40%; CKI: 40%
	Northern Gas Networks Limited	Gas Distribution	CKI: 47.06%; Power Assets: 41.29%
	Wales & West Utilities Limited	Gas Distribution	CKHH: 30%; CKI: 30%; Power Assets: 30%
	Seabank Power Limited	Electricity Generation	CKI: 25%; Power Assets: 25%
	Southern Water Services Limited	Water and Wastewater Services	CKI: 4.75%
	UK Rails S.à r.l.	Leasing of Rolling Stock	CKHH: 50%; CKI: 50%

Energy

Husky Energy is one of Canada's largest integrated energy companies with a diverse oil and gas portfolio in Canada and Asia Pacific. Western Canada production is connected to upgrading and transportation infrastructure in Western Canada, plus refining operations in the United States. The table below summarises the major projects and activities of the division.

Operations	Project	Status/Production Timeline	Husky Energy's Working Interest
UPSTREAM			
Western Canada			
- Oil Resource Plays	Viking, Alberta and S.W. Saskatchewan	In production	Varies
	N. Cardium, Wapiti, Alberta	In production	Varies
	Muskwa, Rainbow, Northern Alberta	In production	Varies
	Montney, Karr, Alberta	First Oil in October 2017	100%
	Slater River Canol Shale, Northwest Territories	Under evaluation	100%
- Liquids-Rich Gas Resource Plays	Ansell Multi-zone, Alberta	In production	Varies
	Duvernay, Kaybob, Alberta	In production	Varies
	Montney, Wembley, Alberta	First Gas in August 2017	100%
- Heavy Oil Thermal Projects	Pikes Peak	In production	100%
	Bolney/Celtic	In production	100%
	Paradise Hill	In production	100%
	Pikes Peak South	In production	100%
	Sandall	In production	100%
	Rush Lake	In production	100%
	Vawn	In production	100%
	Edam West	In production	100%
	Edam East	In production	100%
	Rush Lake II	Q4 2018	100%
	Dee Valley	Q4 2019	100%
	Spruce Lake Central	2020	100%
	Spruce Lake North	2020	100%
	Westhazel	2021	100%
	Edam Central	2021	100%
- Other	Rainbow Lake Gas Processing Plant	In operation	100%
Atlantic Region	Terra Nova	In production	13%
	South Avalon	In production	72.5%
	North Amethyst	In production	68.875%
	South White Rose Extension	In production	68.875%
	West White Rose	2022	68.875%
	Flemish Pass Basin	Under evaluation	35%
	Northwest White Rose	Under evaluation	93.232%
Oil Sands	Tucker, Alberta	In production	100%
	Sunrise (Phase 1), Alberta	In production	50%
Asia Pacific	Liwan 3-1, Block 29/26, South China Sea	In production	49%
	Liuhua 34-2, Block 29/26, South China Sea	In production	49%
	Liuhua 29-1, Block 29/26, South China Sea	2021	49%
	Block 15/33, South China Sea	Under evaluation	100%
	Block 16/25, South China Sea	Production Sharing Contract signed in 2017	100%
	Madura Strait, BD, Indonesia	First Gas in July 2017	40%
	Madura Strait,, MDA, MBH & MDK, Indonesia	2019	40%
	Madura Strait, MAC, MAX & MBJ, Indonesia	Under evaluation	40%
	Madura Strait, MBF, Indonesia	Under evaluation	50%
	Anugerah, Indonesia	Production Sharing Contract signed in 2014	100%
	Offshore Taiwan	Joint Venture Contract signed in 2012	75%
DOWNSTREAM	Lima Refinery, Ohio, USA	In production	100%
	Toledo Refinery, Ohio, USA	In production	50%
	Superior Refinery, Wisconsin, USA	In production	100%
	Lloydminster Upgrader, Saskatchewan	In production	100%
	Lloydminster Asphalt Refinery, Alberta	In production	100%
	Prince George Refinery, British Columbia	In production	100%
	Lloydminster Ethanol Plant, Saskatchewan	In production	100%
	Minnedosa Ethanol Plant, Manitoba	In production	100%
	Cold Lake Pipeline System, Alberta	In operation	35%
	Saskatchewan Gathering System	In operation	35%
	Mainline Pipeline System, Alberta	In operation	35%
	Hardisty Terminal	In operation	35%
	LLB Pipeline	2018	35%

Additional Information

Telecommunications

Summary of licence investments

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
United Kingdom	800 MHz	5 MHz	1	Paired	10 MHz
	1400 MHz	5 MHz	4	Unpaired	20 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	3.5 MHz	1	Paired	7 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3.5 GHz	40 MHz	1	Unpaired	40 MHz
	3.6 GHz	84 MHz	1	Unpaired	84 MHz
	3.9 GHz	84 MHz	1	Unpaired	84 MHz
	28 GHz	224 MHz	1	Unpaired	224 MHz
	40 GHz	2000 MHz	1	Unpaired	2000 MHz
Italy	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	2	Paired	20 MHz
	900 MHz (1)	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	1800 MHz (1)	5 MHz	2	Paired	20 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz (1)	5 MHz	2	Paired	20 MHz
	2100 MHz	5 MHz	2	Unpaired	10 MHz
	2600 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	15 MHz	2	Unpaired	30 MHz
Austria	900 MHz (from 2016)	5 MHz	1	Paired	10 MHz
	1800 MHz (to 2017)	200 kHz	145	Paired	58 MHz
	1800 MHz (from 2014 to 2017)	3.5 MHz	1	Paired	7 MHz
	1800 MHz (from 2016 to 2017)	3 MHz	1	Paired	6 MHz
	1800 MHz (from 2018)	5 MHz	4	Paired	40 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	5 MHz	5	Paired	50 MHz
	2600 MHz	25 MHz	1	Unpaired	25 MHz
Sweden	800 MHz	10 MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	1	Paired	10 MHz
	2100 MHz	20 MHz	1	Paired	40 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	50 MHz	1	Unpaired	50 MHz
Denmark	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	10 MHz	2	Paired	40 MHz
	2100 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	5 MHz	5	Unpaired	25 MHz
Ireland	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	5 MHz	7	Paired	70 MHz
	2100 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3600 MHz	5 MHz	20	Unpaired	100MHz

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
HTHKH - Hong Kong	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz	11.6 MHz	1	Paired	23.2 MHz
	2100 MHz	14.8 MHz	1	Paired	29.6 MHz
	2300 MHz	30 MHz	1	Unpaired	30 MHz
	2600 MHz (2)	5 MHz	1	Paired	10 MHz
	2600 MHz (2)	15 MHz	1	Paired	30 MHz
HTHKH - Macau	900 MHz	7.8 MHz	1	Paired	15.6 MHz
	1800 MHz	4.4 MHz	1	Paired	8.8 MHz
	1800 MHz (3)	15 MHz	1	Paired	30 MHz
	2100 MHz (3)	10 MHz	1	Paired	20 MHz
HAT - Indonesia	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
HAT - Sri Lanka	900 MHz	7.5 MHz	1	Paired	15 MHz
	1800 MHz	7.5 MHz	1	Paired	15 MHz
	2100 MHz	5 MHz	2	Paired	20 MHz
HAT - Vietnam	900 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz (4)	15 MHz	1	Paired	30 MHz
Australia (5)	700 MHz	5 MHz	1	Paired	10 MHz
	850 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	8.2 MHz	1	Paired	16.4 MHz
	1800 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz

Note 1: For divestment to Iliad under the remedy taker contract.

Note 2: Spectrum held by 50/50 joint venture with PCCW.

Note 3: Included above are one pair of 5 MHz block in the 1800MHz licence and a pair of 5 MHz block in the 2100 MHz licence have been returned to Macau government with effect from 1 January 2018.

Note 4: Spectrum shared with Viettel Mobile.

Note 5: VHA's spectrum holdings vary across different locations, hence the above reflects spectrum allocated in Sydney and Melbourne only.