Hutchison Telecom
Hong Kong Holdings

2015 Annual Report

STRIVING FOR BETTER

臻善

Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 0215)

A member of CK Hutchison Holdings

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

FOK Kin Ning, Canning, BA, DFM, FCA (ANZ)
(also Alternate to CHOW WOO Mo Fong, Susan)

Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

Executive Director

WONG King Fai, Peter, MSc, FHKIE
Chief Executive Officer & Group Managing Director

Non-executive Directors

CHOW WOO Mo Fong, Susan, BSc

Frank John SIXT, MA, LLL

LAI Kai Ming, Dominic, BSc, MBA
(also Alternate to Frank John SIXT)

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

Independent Non-executive Directors

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

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry

COMPANY SECRETARY

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

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Highlights

	For the year ended 31 December 2015 HK$ millions	For the year ended 31 December 2014 HK$ millions	2015 vs 2014 Change
Consolidated revenue	**22,042**	16,296	+35%
Consolidated EBITDA[(1)]	**2,788**	2,679	+4%
Consolidated EBIT[(2)]	**1,430**	1,358	+5%
Profit attributable to shareholders	**915**	833	+10%
Earnings per share (in HK cents)	**18.99**	17.29	+10%
Final dividend per share (in HK cents)	**9.00**	8.70	+3%
Full year dividend per share (in HK cents)	**14.20**	12.95	+10%

- Consolidated revenue increased by 35% to HK$22,042 million mainly driven by an increase in mobile business total revenue.
- Consolidated EBITDA increased by 4% to HK$2,788 million mainly as a result of an increase in consolidated revenue together with enhanced operational efficiency.
- Profit attributable to shareholders increased by 10% to HK$915 million.
- Final dividend per share is 9.00 HK cents.

Notes:

(1) EBITDA is defined as earnings before net interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.

(2) EBIT is defined as earnings before net interest and other finance costs, taxation and share of results of joint ventures.

Corporate Profile

SETS
MARKET
TRENDS

Serving customers at **home**, on the **move** and in the **workplace**

Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 0215) ("HTHKH" or the "Company") is an established integrated telecommunications operator with a reputation for setting market trends and steering local industry development.

The Company and its subsidiaries (together, the "Group") provide mobile service in Hong Kong and Macau under the **3** brand, as well as **HGC**-branded fixed-line service locally and internationally. The Group serves customers at home, on the move and in the workplace by integrating mobile, fixed-line and Wi-Fi networks.

The Group is part of CK Hutchison Holdings Limited (stock code: 0001) and listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is included in various Hang Seng indexes such as the Composite Index, Composite Industry Index – Telecommunications, Composite LargeCap & MidCap Index, Composite MidCap Index, Composite MidCap & SmallCap Index, Corporate Sustainability Benchmark Index, High Dividend Yield Index and Global Composite Index.

Mobile Business in Hong Kong and Macau

The Group draws on more than 30 years' experience in the Hong Kong mobile market and was first to offer 3G mobility in 2004, followed by 4G Long Term Evolution ("4G LTE") in 2012. **3** Hong Kong provides advanced voice, data and roaming services, which include a high-definition Voice over LTE facility that went live in 2014 to enhance the overall 4G LTE user experience. The enhanced networks of the Group now support more than 17,000 Wi-Fi hotspots, making the Group one of Hong Kong's largest-scale Wi-Fi service providers. **3** Hong Kong also launched VoWi-Fi in 2015 to enhance indoor voice call quality.

3 Macau launched 4G LTE service in December 2015 and is one of the largest telecommunications operators offering mobile services in Macau.

Fixed-line Business

Hutchison Global Communications Limited ("HGC") provides carriers, mobile operators and corporations of all sizes with a diversity of one-stop solutions. In fact, year 2015 marked HGC's 20th year of service to Hong Kong and beyond, following award of a telecommunications network service licence back in 1995.

Internationally, HGC runs an advanced voice, data and IP network with premium routings via global and local submarine and terrestrial cables. The Group specialises in wholesale provision of international connectivity, while serving the corporate market with managed services, and over-the-top players with the Application and Content Provider ("ACP") Solution.

HGC also tailors telecommunications solutions to unique needs and offers the highest-standard data centre facilities to meet demands from corporate and business customers. The carrier-grade network has been extended to serve 1.8 million households in Hong Kong, the majority of which have access to speeds ranging from 100Mbps to 1Gbps.

As an integrated telecoms operator, HTHKH combines the strengths of mobile, fixed-line and Wi-Fi networks.

Awards

PASSION AND INNOVATION

Corporate

10 Years+ Caring Company
The Hong Kong Council of Social Service

Asia Best Employer Brand Awards 2015 - Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress & Stars of the Industry Group

Asia's Best Companies (Hong Kong) 2015
- Most Committed to Paying Good Dividends: Ranked 5th
- Best Managed Public Company: Ranked 6th
- Best Investor Relations: Ranked 5th

FinanceAsia

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

Environmental Campaign Committee

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

World Green Organisation and Junior Chamber International Hong Kong

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

Mobile

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

Hong Kong Computer Brand Awards - Mobile Broadband and Communications Service
MetroInfo and The Chamber of Hong Kong Computer Industry

Yahoo! Emotive Brand Awards (Telecommunications Category)
Yahoo! Hong Kong

Platinum Brand – Mobile Telecom Service
PC3 magazine, IT Pro and e-Choice

Stevie Awards - The International Business Awards
- Best New Product or Service of the Year - Telecommunications - Service - Bronze: **3** Hong Kong's Flexi Pass
- Communications or PR Campaign of the Year - Reputation / Brand Management - Bronze: **3** Hong Kong's "Making Better" Campaign

The Stevies

Metro Creative Awards - The Best Creative Ad
Metro Daily

Fixed-Line

Asia-Pacific Stevie Awards - New Products and Services: Telecommunications - Product - Gold: HGC's Application and Content Provider ("ACP") Solution for 4K Home Broadband and Entertainment Content Services
The Stevies

CAHK STAR Awards - Best Data Centre
Communications Association of Hong Kong

Carriers World Awards - Best Cloud Offering
Total Telecom

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

Global Telecoms Business Innovation Awards - Consumer Service Innovation Award: Hong Kong's first bundling of 4K home broadband and entertainment content by HGC and Letv
Global Telecoms Business Magazine

Hong Kong Computer Brand Awards - Residential Broadband Entertainment Service
MetroInfo and The Chamber of Hong Kong Computer Industry

Hong Kong ICT Awards - Best Smart Hong Kong (Big Data Application) Gold Award: HGC Cloud Audience Analytics
Office of the Government Chief Information Officer and GS1 Hong Kong

IAIR Awards – Best Company for Leadership – Telecoms Service Innovation: Global
International Alternative Investment Review Magazine

Internet Data Centre Industry - Innovative Enterprise Award
China Internet Data Centre Conference Organising Committee

Platinum Brand – Residential Broadband Service
PC3 magazine, IT Pro and e-Choice

SMBWorld Awards - The Best Technological Product for SME (Software) - Retail Management Software
SMBWorld magazine

Stevie Awards - The International Business Awards (Best New Product or Service of the Year - Telecommunications - Service) - Bronze
- 3Home Broadband's 4K Home Broadband and Entertainment Content Services
- HGC's ACP Solution

The Stevies

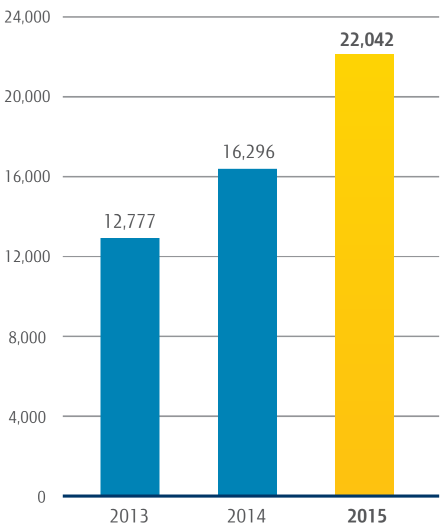
Telecom.com Awards - Best Cloud Innovation
Informa

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

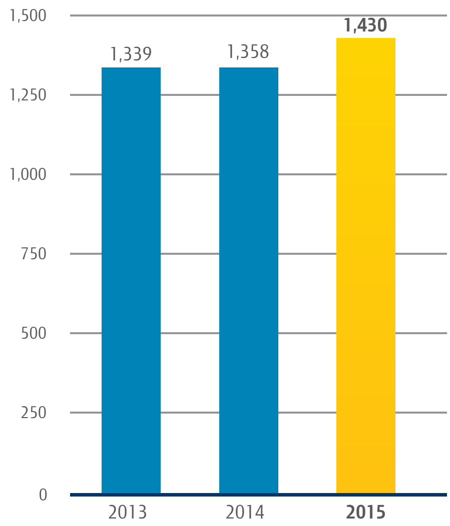
Key Financial Information

(in HK$ millions)

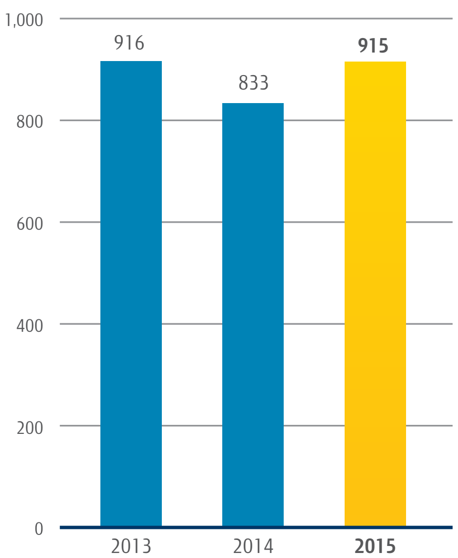
Consolidated Revenue



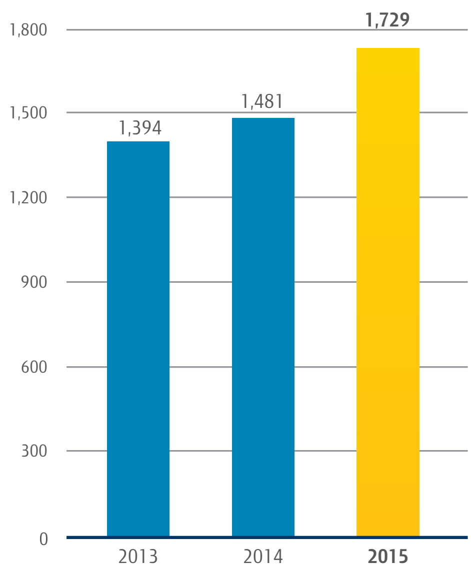
Consolidated EBIT



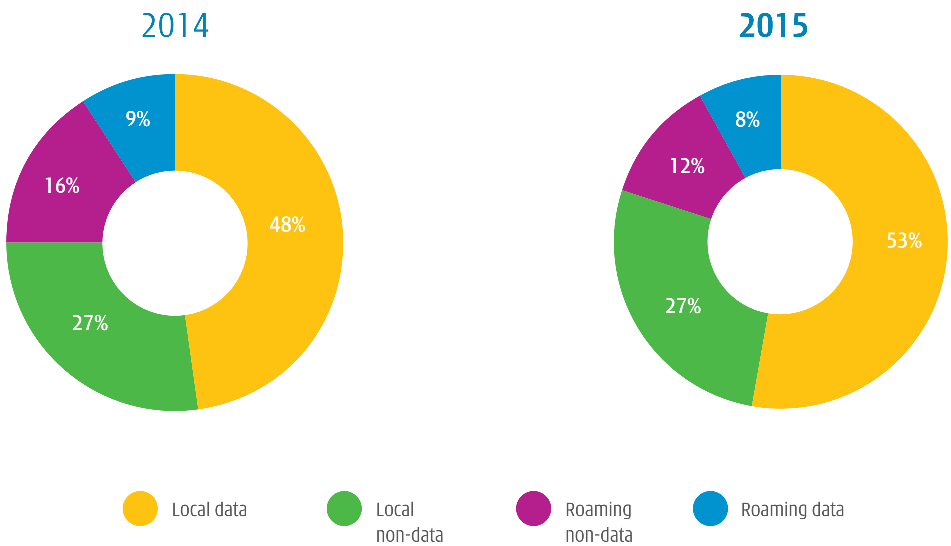
Profit Attributable to Shareholders of the Company



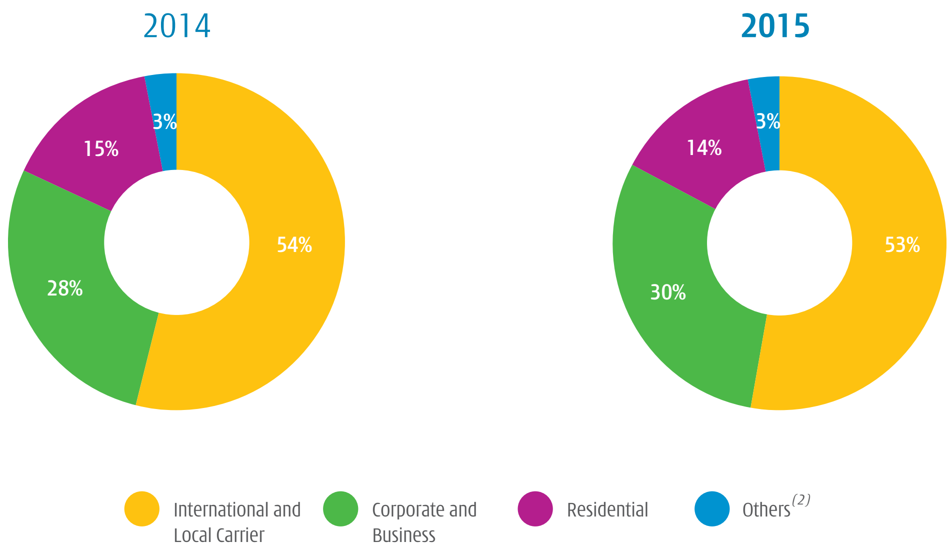
EBITDA less Capital Expenditure



Mobile Service Revenue [(1)] Mix by Segments



Fixed-line Revenue Mix by Segments



Notes:

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

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

Chairman's Statement

The 2015 financial year results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") shows the commitment of the Group to focus on service and operation. The Group as a whole benefited from increased revenue, margin and profitability.

Results

Consolidated revenue in 2015 was HK$22,042 million, an increase of 35% compared to HK$16,296 million in 2014. Profit attributable to shareholders in 2015 amounted to HK$915 million, an increase of 10% compared to HK$833 million in 2014. Basic earnings per share in 2015 were 18.99 HK cents compared to 17.29 HK cents in 2014.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 9.00 HK cents (2014: 8.70 HK cents) per share for the year ended 31 December 2015. The proposed final dividend will be payable on Thursday, 26 May 2016, following shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Tuesday, 17 May 2016, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 5.20 HK cents per share, full year dividend amounts to 14.20 HK cents per share. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

Business Review

Mobile business – Hong Kong and Macau

Mobile business total revenue in 2015 was HK$18,477 million, an increase of 46% compared to HK$12,632 million in 2014. Mobile hardware revenue in 2015 was HK$14,371 million, an increase of 80% compared to 2014 as a result of the popularity of smartphones. Mobile net customer service revenue in 2015 was HK$4,106 million, a 12% decline compared to HK$4,646 million in 2014 as a result of a 27% decrease in roaming revenue. Corresponding net customer service margin declined by 8% to HK$3,823 million compared to 2014. Nevertheless, with the dedicated effort to reduce direct roaming cost, the net customer service margin percentage in 2015 improved to 93% (2014: 89%). Excluding the roaming factors in both years, the local net customer service margin in 2015, after deducting direct variable costs, was in line with 2014 as a result of better local net ARPU[(1)] by upgrading customers to use 4G Long-Term-Evolution ("4G LTE") services partially offset by the negative effect brought from the churn of low-margin postpaid customers in 2015.

EBITDA and EBIT in 2015 were HK$1,637 million and HK$976 million respectively, an improvement of 9% and 11% respectively, compared to those in 2014. Service EBITDA[(2)] in 2015 improved by 9% to HK$1,329 million from HK$1,224 million in 2014 with corresponding service EBITDA margin percentage[(2)] improved to 32% in 2015 from 26% in 2014, mainly as a result of continued focus on operational efficiency.

As at 31 December 2015, the Group was serving approximately 3.0 million customers in Hong Kong and Macau (30 June 2015: 2.9 million), of which the number of postpaid customers was approximately 1.5 million (30 June 2015: 1.5 million). The churn of low-margin postpaid customers was reduced in the second half of 2015.

Notes:

(1) *Local net ARPU is defined as monthly average spending per user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model.*

(2) *Service EBITDA represents EBITDA excluding standalone handset sales margin. Service EBITDA margin percentage is service EBITDA as a percentage of net customer service revenue.*

With more upgrade of customers to use 4G LTE service, blended local postpaid net ARPU[(3)] for 2015 was HK$161, an increase of 17% compared to HK$138 for 2014, while the blended local postpaid net AMPU[(4)] improved by 18% to HK$154 compared to HK$130 in 2014.

4G LTE-Advanced service has been deployed since the second half of 2015, while construction of the Time Division Duplexing network is in good progress and targets to launch in the second half of 2016. In addition, the Group is in the process of enhancing the indoor coverage by refarming part of its existing 900MHz spectrum for 4G LTE services. Together with the extensive Wi-Fi coverage, customer experience on mobile connectivity would be further enhanced.

Fixed-line business

Fixed-line service revenue in 2015 was HK$3,973 million, a decrease of 3% compared to HK$4,102 million in 2014. The decrease was mainly due to a 5% reduction in revenue in the international and local carrier market and 7% reduction in the residential market. The decline in revenue from the carrier market was mainly due to reduced demand for international direct dialing which was partially offset by gradual increase in data demand as a result of growing popularity of "Over-the-Top" ("OTT") applications and "Internet-of-Things" ("IoT") related devices. The decreases were partially offset by a 3% increase in revenue generated from the corporate and business market as a result of growth in demand of high speed data connectivity. EBITDA and EBIT in 2015 were HK$1,274 million and HK$577 million respectively, reduced by 3% and 5% respectively, compared to those in 2014. EBITDA margin maintained at 32% as a result of continued focus on the provision of high margin solution based offerings as well as savings from operational efficiency.

The Group anticipates a strong need for sophisticated and advanced telecommunications network solutions to meet the customer demand in carrier, corporate and business markets. The Group continues to focus on enhancing residential coverage and expanding Wi-Fi presence in coming years in order to cope with customers' growing infotainment needs. With further technology development and a state-of-the-art network infrastructure including high speed optical fibre backbone network, advanced Wi-Fi presence and cloud-based platform, the Group is in a solid position to capture further data demand and growth from the increasing popularity of OTT applications and IoT related devices.

Outlook

Against a backdrop of uncertainties in both local and international economies, the Group is cautiously planning ahead. With the increasing popularity of viewing infotainment contents on smart devices, there is a growing need for one-stop lifestyle solutions. The Group serves customers at home, on the move and in the workplace by integrating mobile, fixed-line and Wi-Fi networks to offer mobility, broadband, digital entertainment and fixed-line connectivity, at the same time expanding indoor and outdoor coverage in a seamless manner to generate more revenue, while enhancing shareholder value.

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

FOK Kin Ning, Canning
Chairman

Hong Kong, 29 February 2016

Notes:

(3) *Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model. Prior year figure has been adjusted to conform to current year presentation.*

(4) *Local postpaid net AMPU represents average net margin per postpaid user. Local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges). Prior year figure has been adjusted to conform to current year presentation.*

Operations Review
Mobile Business

CUSTOMER-
CENTRIC
SERVICES

Three.com.hk

3 aims to provide customers with the **benefits of innovation** via advanced mobile networks and services

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

3 served approximately 3.0 million customers in Hong Kong and Macau as at 31 December 2015, of which approximately 1.5 million were postpaid customers.

Striving for a Better Customer Experience

In 2015, **3** Hong Kong launched a campaign comprising various initiatives to focus on a fully-rounded mobility experience that features enhanced services and superior 4G Long Term Evolution ("4G LTE") network infrastructure. Our retail and online services put customers at the centre of our business, building on **3** Hong Kong's commitment to providing ever-rising levels of service.

3 Hong Kong upgraded the "3iChat" online service to allow existing and prospective customers to enquire about our services and the latest offers. The Super Switch data transfer service was also enhanced so customers could transfer information from old to new smartphones more quickly. An electronic point-of-sale application has been deployed throughout all 3Shops to enhance the sales flow and boost efficiency, thereby reducing the need to print on paper. In addition, **3** Hong Kong introduced the new easy-to-remember four-digit customer service hotline 1033 and sales hotline 1032 to facilitate prompt connection with our representatives.

3 Hong Kong and **3** Macau launch the "Making Better" marketing campaign to promote the "Better at 3" philosophy.

Data Roaming Daily Pass coverage now extends to more than over 150 destinations and over 210 networks

3's retail operation places special emphasis on customer centricity.

3's cross-platform Super Switch performs rapid transfer of data from one handset to another.

Innovative Products and Services

3 Hong Kong draws on more than 30 years' experience in the Hong Kong mobile market and brings focus to bear on customer needs and the quality of our mobile communications products and services. Mobility and flexibility are critical to today's on-the-move lifestyle. With this in mind, **3** Hong Kong introduced various top-up Data Pack options to meet differing customer demands.

Growing popularity of mobile commerce, including purchase of applications and games, prompted **3** Hong Kong to launch billing options so customers can use various devices and different operating systems to make purchases as conveniently as possible. This is achieved by eliminating the need to disclose credit card details and having charges clearly presented in monthly mobile bills.

3 Hong Kong customers are also entitled to year-round privileges in the form of numerous flagship smartphone launch offers, handset functionality workshops, pre-ordered gifts and special bundle bargains.

Full Range of Data and Roaming Packages

3 Hong Kong collaborated with the rest of the **3** Group, as well as other global carriers, to provide preferential roaming services and a unique value proposition for millions of customers worldwide. This collaboration enables **3** Hong Kong users to enjoy competitive roaming offers, supreme network coverage and enhanced quality of service.

3 Hong Kong's Data Roaming Daily Pass coverage now extends to more than 150 destinations and 210 networks. In order to serve a variety of customer needs, **3** Hong Kong developed an Asia roaming package that includes data roaming and voice features for making roaming calls. **3** Hong Kong also collaborated with leading instant messaging developer WhatsApp to launch the WhatsApp Premium Roaming Pass for voice and messaging communications.

VoWi-Fi enhances indoor voice-calling quality and facilitates seamless handover between VoWi-Fi and VoLTE

Ongoing Network Enhancement

Network excellence is at the very heart of this mobile world and is therefore the primary focus of **3** Hong Kong. **3** Hong Kong is currently the only local operator commanding a collection of spectrum in the 900MHz, 1800MHz, 2100MHz, 2300MHz and 2600MHz bands. **3** Hong Kong deploys carrier aggregation in the 1800MHz and 2600MHz paired spectrum, enabling us to utilise valuable resources to the full and devise long-term plans for LTE-A network deployment. This enables **3** Hong Kong to continue enhancing data services. We are also in the process of refarming part of the 900MHz spectrum for 4G service enhancement, boosting indoor LTE coverage, network capacity and speed to deliver yet more value to customers.

In another technological development, **3** Hong Kong is developing TDD spectrum in the 2300MHz band, which was acquired in 2012, to enhance our 4G LTE network infrastructure. **3** Hong Kong also launched VoWi-Fi in 2015 for customers seeking a better voice-calling experience. VoWi-Fi enhances indoor voice-calling quality and facilitates seamless handover between VoWi-Fi and VoLTE.

Macau

3 Macau celebrated 15 years of service to customers in 2015 and continues to launch innovative data offerings to attract yet more high-value smartphone users. A succession of attractive international direct dialing, roaming and data offers have been developed in Macau.

December 2015 saw launch of 4G LTE service with coverage exceeding 90% of outdoor areas including all major hotels, casinos, business districts and other busy locations. **3** Macau is committed to continuous improvement of customer service and network quality – laying the groundwork for greater growth in subscriber numbers and higher volumes of data traffic.

3 Hong Kong launches the WhatsApp Voice Data Pack.

3 Macau launched 4G LTE service in December 2015.

Operations Review
Fixed-line Business

CONNECTED
ANYWHERE
ANYTIME

HGC

HGC marks 20 years of providing Hong Kong with a comprehensive array of service offerings.

2015 marked Hutchison Global Communications Limited ("HGC") 20th year of providing Hong Kong and beyond with a diversity of innovative services. The last two decades have seen HGC enriching a portfolio that serves customer organisations of all sizes via an extensive fibre network. Today's customers include local and international carriers, corporations and households.

HGC services are made available via more than 1.43 million kilometres of fibre-optic cable cores along with about 6,000 kilometres of cable ducts, while fibre infrastructure has been enhanced to enable rollout of Fibre-to-the-Home ("FTTH") and Fibre-to-the-Office services, as well as "HGC On Air" Wi-Fi hotspots.

International and Local Carrier Business

As one of Asia's leading telecommunications players, HGC continues to pursue a strategy of geographical expansion and customer segment development. HGC has grown from a network infrastructure operator into a total solutions provider offering value-added services. HGC has enriched service portfolios around the world, horizontally and vertically.

From a horizontal perspective, HGC's business reach extended in 2015 to include many more niche markets. The Greater Mekong Subregion remains one of HGC's sharpest niche market focuses, where HGC has achieved deeper market penetration by delivering total solutions and multi-layered service.

Vertically, HGC provides new services in technology areas such as cloud computing, instant connectivity, cloud connectivity service and data centre hosting to satisfy modern-day international corporate market demands. HGC's IP internet backbone has expanded to establish more than 1,000 direct interconnects to provide high-performance and providing customised IP routes for customers.

HGC's Application and Content Provider ("ACP") Solution targets Over-The-Top ("OTT") players, game providers and eCommerce enterprises. The result is a suite of one-stop solutions covering needs that range from project management to hosting and networking with the aim of extending business reach to global markets.

Soaring popularity of smart mobile devices has also sparked growth in the application of data technologies, prompting HGC to concentrate more on solutions to serve mobile network operators ("MNOs"). As well as meeting the needs of MNOs around the world including the rest of the **3** Group, HGC's Internet Packet Exchange (IPX) platform solution delivers reach to a rising number of MNOs. These can now exchange all kinds of mobile traffic at higher speeds in a more cost-effective manner – and their end customers are better able to roam seamlessly.

HGC now benefits from voice interconnections with more than 400 carriers, along with direct mobile connections to 200-plus mobile operators in excess of 100 countries. In addition, video coverage is provided in 59 countries via 160 carriers.

HGC's Retail Cloud Solution helps boost sales and marketing power of retailers.

HGC leads the Hong Kong market in provision of backhaul facilities. In this regard, advent of 4G service triggered a spurt in demand for high bandwidth so data can be carried at higher speeds. HGC solution was to launch a Gigabit Access Network offering to provide MNOs with bandwidth up to 1Gbps per mobile base station for backhaul purposes.

Corporate and SME Market

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

New 10G technology prompted HGC to introduce cost-effective Dense Wavelength Division Multiplexing connectivity with a view to providing global carriers, mobile operators, data centres, cloud service providers and large enterprises with fast and reliable network service.

The cloud service product, namely WiseNET CloudConnect service, has been made readily available to the HGC cloud platform in order to meet the most demanding customer requirements. Increasing demand from connectivity customers led to HGC raising Gigabit-capable Passive Optical Network speeds from 1Gbps to 10Gbps, resulting in an unparalleled Internet surfing experience.

Turning to the retail industry, HGC built a large client base and continued to penetrate large organisations. And the Retail Cloud Service Suite, which includes Cloud Surveillance and Cloud Audience Analytics, was developed to meet the day-to-day operational needs of retail chains.

2015 also saw HGC launching the "HGC On Air" service, a city-wide Wi-Fi network to address the commercial market, as well as individuals. Numbers of outdoor "HGC On Air" Wi-Fi hotspots exceeded 17,000, making HGC one of the largest-scale Wi-Fi service providers in Hong Kong. Most of these hotspots are now served by 1Gbps optical-fibre backhaul.

In order to facilitate eLearning, HGC partnered with leading equipment providers and systems integrators, while investing substantial resources in helping schools build their own campus Wi-Fi networks.

More 3Home Broadband customers are opting for 1Gbps Fibre-to-the-Home service.

HGCGC satisfies the **most stringent mission-critical** requirements of clients

Residential Market

HGC is committed to providing superior residential broadband services. FTTH technology, for example, equips residential customers with high-quality indoor broadband at speeds up to 1Gbps. Ongoing extension of FTTH technology to major residential buildings has made HGC's broadband coverage available to more than 1.8 million homes.

In 2015, HGC developed an even more synergistic relationship with mobile consumer business to offer special packages combining the advantages of high-speed broadband and 4G LTE mobile data service.

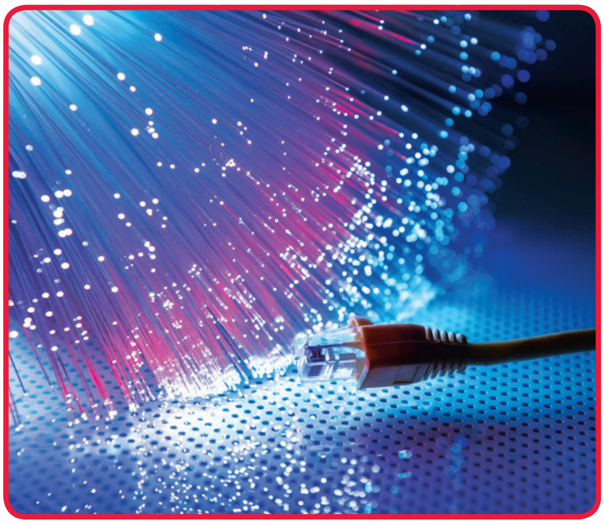
HGC also bundled 4K home broadband with entertainment, based on an innovative OTT model. A dedicated broadband channel now enables HGC users to stream 4K ultra-HD video content, so they can enjoy a smoother and faster home entertainment experience backed by level of service guarantees.

Data Centre Market

HGC GlobalCentre Limited ("HGCGC"), a joint venture between the Company and CK Hutchison Holdings Limited, owns two data centres, designed according to the Telecommunications Industry Association TIA-942 tier-3, or higher, standard. Each of them was also accredited with ISO 27001 information security management certification. HGCGC satisfies the most stringent mission-critical requirements of clients throughout a variety of sectors including government departments, international banks and multinational corporations, as well as cloud service and Internet content providers.

HGCGC was awarded "Best Data Centre" honours in recognition of environment-friendly facilities in 2015, while HGCGC Kwai Chung data centre was accredited with ISO 50001 energy management certification. The energy management measures adopted position HGCGC data centres as new generation facilities capable of even greener sustainability.

HGCGC provides world-class data centre facilities for customer organisations throughout a variety of industries.



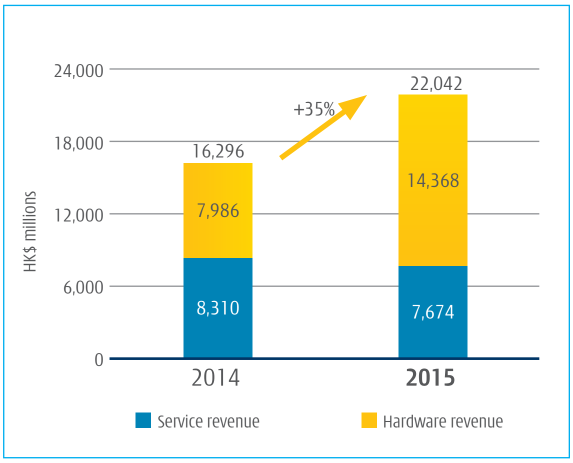
HGC's fibre-optic cable cores add up to more than 1.43 million km – enough to circle the earth 36 times.

Financial Review

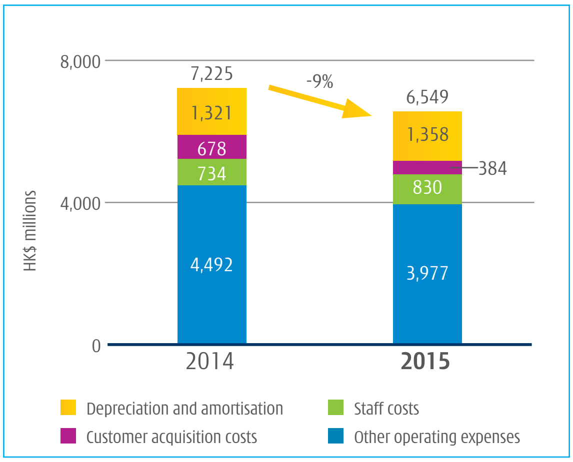
Consolidated revenue in 2015 was HK$22,042 million, an increase of 35% compared to HK$16,296 million in 2014. The increase was mainly due to an 80% increase in hardware revenue from HK$7,986 million in 2014 to HK$14,368 million in 2015. Total service revenue in 2015 was HK$7,674 million, a decrease of 8% compared to HK$8,310 million in 2014, mainly due to the drop in mobile roaming revenue as consistent with global declining trend.

Total operating expenses, excluding cost of inventories sold, amounted to HK$6,549 million in 2015, a decrease of 9% compared to HK$7,225 million in 2014, mainly as a result of adoption of more cost-effective promotional channels on customer acquisition as well as a reduction in direct variable expenses including roaming costs.

Consolidated revenue



Key cost items



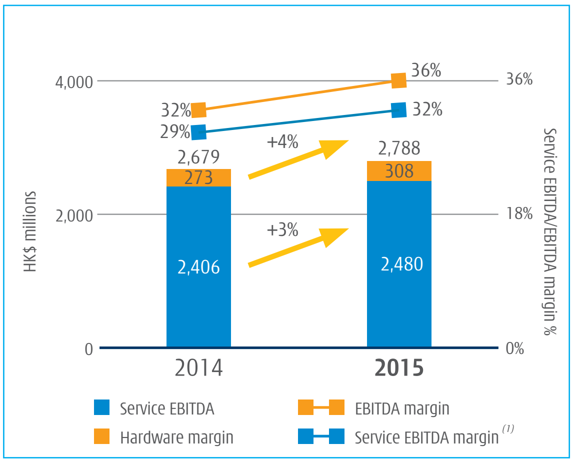
Consolidated EBITDA in 2015 was HK$2,788 million, an increase of 4% compared to HK$2,679 million in 2014 while the consolidated service EBITDA in 2015 was HK$2,480 million, an increase of 3% compared to HK$2,406 million in 2014. Service EBITDA margin increased to 32% in 2015 from 29% in 2014, mainly due to efficiency achieved from various automation initiatives on internal procedures and processes including customer order handling and customer service of the mobile and fixed-line businesses. Depreciation and amortisation amounted to HK$1,358 million in 2015, compared to HK$1,321 million in 2014, a slight increase primarily due to the enhancement of 4G LTE network infrastructure. Consolidated EBIT was HK$1,430 million in 2015, an increase of 5% compared to HK$1,358 million in 2014.

Net interest and other finance costs decreased by 34% from HK$155 million in 2014 to HK$103 million in 2015 mainly as a result of favourable interest rate subsequent to the refinancing completed in December 2014. Gearing ratio as at 31 December 2015, calculated by dividing net debt by net total capital, was 20% (2014: 23%).

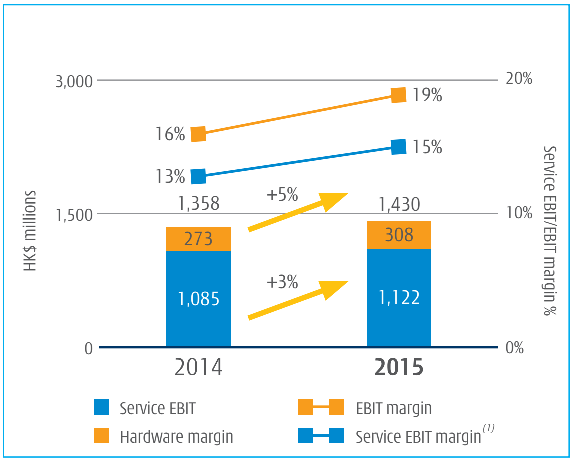
Share of losses of joint ventures in 2015 recorded at HK$34 million, comparable to HK$35 million in 2014, mainly due to a developing scale of operation in the data centres.

Overall, profit attributable to shareholders of the Company in 2015 was HK$915 million, an increase of 10% compared to HK$833 million in 2014.

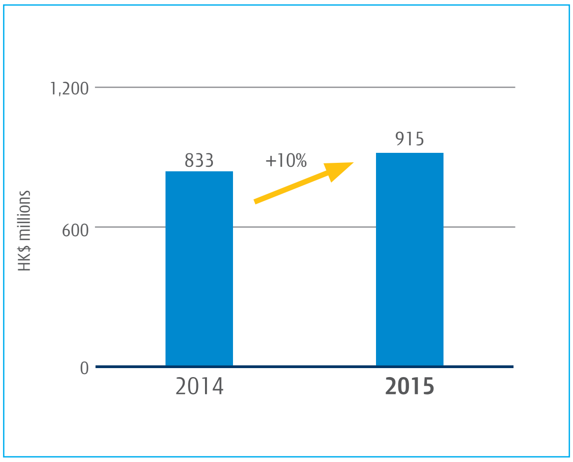
Consolidated EBITDA



Consolidated EBIT



Profit attributable to shareholders



Note:

(1) Service EBITDA margin or service EBIT margin represents EBITDA or EBIT excluding standalone handset sales margin as a percentage of total service revenue.

Business Review

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

Hong Kong and Macau mobile business highlights

	For the year ended 31 December 2015 HK$ millions	For the year ended 31 December 2014 HK$ millions	Favourable/ (unfavourable) change
Total revenue	**18,477**	12,632	+46%
- Net customer service revenue	**4,106**	4,646	-12%
- Hardware revenue	**14,371**	7,986	+80%
- Bundled sales revenue	**815**	1,164	-30%
- Standalone handset sales revenue	**13,556**	6,822	+99%
Net customer service margin[(2)]	**3,823**	4,152	-8%
Net customer service margin %	***93%***	*89%*	*+4% points*
Standalone handset sales margin	**308**	273	+13%
Total CACs[(3)]	**(1,085)**	(1,719)	+37%
Less: Bundled sales revenue	**815**	1,164	-30%
Total CACs (net of handset revenue)	**(270)**	(555)	+51%
Operating expenses	**(2,224)**	(2,373)	+6%
Opex as a % of net customer service margin	***58%***	*57%*	*-1% point*
EBITDA	**1,637**	1,497	+9%
Service EBITDA[(4)]	**1,329**	1,224	+9%
Service EBITDA Margin %	***32%***	*26%*	*+6% points*
Depreciation and amortisation	**(661)**	(620)	-7%
EBIT	**976**	877	+11%
CAPEX (excluding licence)	**(574)**	(664)	+14%
EBITDA less CAPEX	**1,063**	833	+28%
Licence	**(3)**	(3)	-

Notes:

(2) Net customer service margin is defined as net customer service revenue less direct variable costs (including interconnection charges and roaming costs).

(3) CACs represents customer acquisition costs.

(4) Service EBITDA is defined as EBITDA less standalone handset sales margin.

Mobile business total revenue in 2015 was HK$18,477 million, an increase of 46% compared to HK$12,632 million in 2014. Mobile hardware revenue in 2015 was HK$14,371 million, an increase of 80% compared to 2014 as a result of the popularity of smartphones. Mobile net customer service revenue in 2015 was HK$4,106 million, a 12% decline compared to HK$4,646 million in 2014 as a result of a 27% decrease in roaming revenue. Corresponding net customer service margin declined by 8% to HK$3,823 million compared to 2014. Nevertheless, with the dedicated effort to reduce direct roaming cost, the net customer service margin percentage in 2015 improved to 93% (2014: 89%). Excluding the roaming factors in both years, the local net customer service margin in 2015, after deducting direct variable costs, was in line with 2014 as a result of better local net ARPU by upgrading customers to use 4G LTE services partially offset by the negative effect brought from the churn of low-margin postpaid customers in 2015.

EBITDA and EBIT in 2015 were HK$1,637 million and HK$976 million respectively, an improvement of 9% and 11% respectively when compared to 2014. The increases were mainly due to growth in mobile business total revenue and continued focus on operational efficiency. Service EBITDA margin percentage improved to 32% in 2015 from 26% in 2014.

As at 31 December 2015, the Group was serving approximately 3.0 million customers in Hong Kong and Macau (30 June 2015: 2.9 million), of which the number of postpaid customers was approximately 1.5 million (30 June 2015: 1.5 million). The churn of low-margin postpaid customers was reduced in the second half of 2015. The churn rate of postpaid customers was 1.8% in 2015, which was comparable to 2.0% recorded in 2014.

Blended local postpaid net ARPU[(5)] in 2015 was HK$161 compared to HK$138 in 2014, reflecting increased data usage of customers. Blended local postpaid net AMPU[(6)] in 2015 was HK$154, compared to HK$130 in 2014, following improved local ARPU and good control over direct variable costs.

Notes:

(5) Local postpaid net ARPU is defined as monthly average spending per postpaid user excluding roaming revenue and revenue related to handset under the non-subsidised handset business model. Prior year figure has been adjusted to conform to current year presentation.

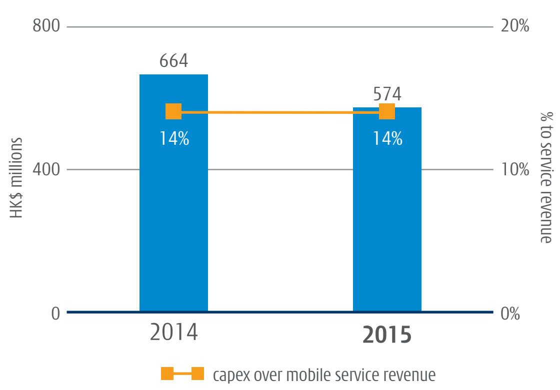
(6) Local postpaid net AMPU represents average net margin per postpaid user. Local postpaid net AMPU equals local postpaid net ARPU less direct variable costs (including interconnection charges). Prior year figure has been adjusted to conform to current year presentation.

Key performance indicators for mobile business

	For the year ended 31 December 2015	For the year ended 31 December 2014	Favourable/ (unfavourable) change
Number of postpaid customers ('000)	**1,484**	1,660	-11%
Number of prepaid customers ('000)	**1,547**	1,537	+1%
Total customers ('000)	**3,031**	3,197	-5%
Postpaid customers to the total customer base (%)	**49%**	52%	-3% points
Postpaid customers' contribution to the net customer service revenue (%)	**93%**	94%	-1% point
Monthly postpaid churn rate (%)	**1.8%**	2.0%	+0.2% point
Local postpaid gross ARPU[(7)] (HK$)	**212**	188	+13%
Local postpaid net ARPU (HK$)	**161**	138	+17%
Local postpaid net AMPU (HK$)	**154**	130	+18%

Capital expenditure on property, plant and equipment in 2015 amounted to HK$574 million (2014: HK$664 million), accounting for 14% (2014: 14%) of mobile service revenue, reflecting a disciplined level of capital expenditure spending.

Mobile capex



Summary of spectrum investment *as of 31 December 2015*

Spectrum band	Bandwidth	Year of expiry
Hong Kong		
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2020
1800 MHz	23.2 MHz	2021
2100 MHz	34.6 MHz	2016[(8)]
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028
Macau		
900 MHz	15.6 MHz	2023
1800 MHz	38.8 MHz	2023
2100 MHz	20 MHz	2023

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

Notes:

(7) Local postpaid gross ARPU is defined as monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan, excluding roaming revenue. Prior year figure has been adjusted to conform to current year presentation.

(8) Related licence will be extended to year 2031 for the spectrum with a total bandwidth of 29.6 MHz.

Fixed-line business highlights

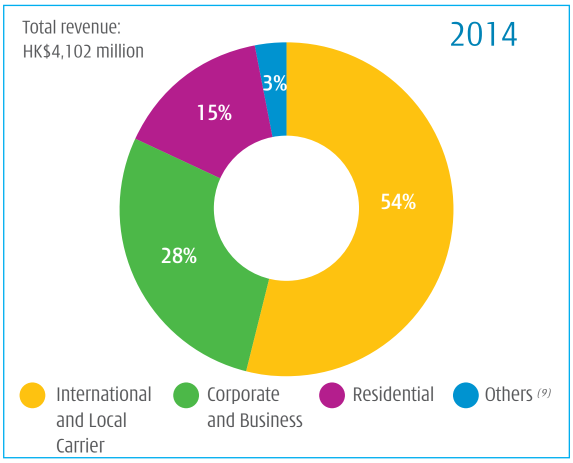
	For the year ended 31 December 2015 HK$ millions	For the year ended 31 December 2014 HK$ millions	Favourable/ (unfavourable) change
Revenue	3,973	4,102	-3%
Total CACs and Operating expenses	(2,699)	(2,795)	+3%
Total CACs and Opex as % of revenue	*68%*	*68%*	-
EBITDA	1,274	1,307	-3%
EBITDA margin %	*32%*	*32%*	-
Depreciation and amortisation	(697)	(701)	+1%
EBIT	577	606	-5%
CAPEX (excluding licence)	(485)	(534)	+9%
EBITDA less CAPEX	789	773	+2%

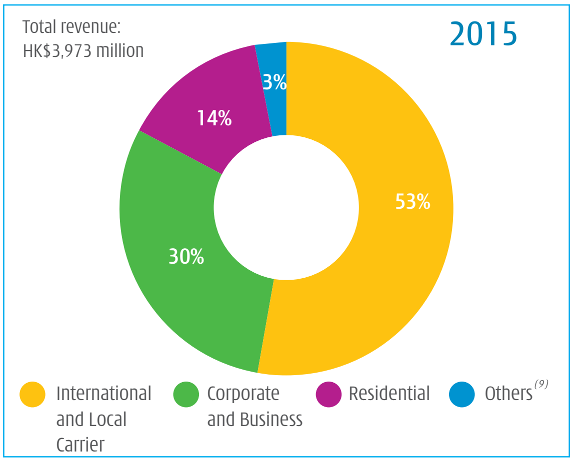
Fixed-line service revenue in 2015 was HK$3,973 million, a decrease of 3% compared to HK$4,102 million in 2014. Revenue from the international and local carrier market in 2015 decreased by 5% to HK$2,106 million mainly due to reduced demand in international direct dialing ("IDD"), which was partially offset by gradual increase in data demand as a result of growing popularity of "Over-the-Top" applications and "Internet-of-Things" related devices. Revenue from the corporate and business market in 2015 increased by 3% to HK$1,180 million as a result of continued increasing demand on bandwidth capacity and solution-based products. Revenue from the residential market in 2015 decreased by 7% to HK$557 million as a result of competitive pricing in certain segments. The Group will continue to focus on penetrating market segments requiring high data speed.

EBITDA in 2015 was HK$1,274 million, a decrease of 3% compared to HK$1,307 million in 2014 mainly as a result of drop in IDD revenue and local backhaul leased line revenue, which was partially offset by operational efficiency savings on overhead costs. EBITDA margin, on the other hand, maintained at 32% in both years. EBIT in 2015 amounted to HK$577 million, a decrease of 5% compared to HK$606 million in 2014.

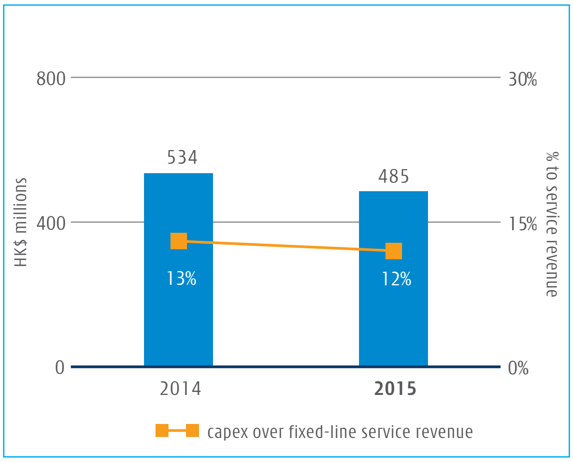
Capital expenditure on property, plant and equipment in 2015 amounted to HK$485 million (2014: HK$534 million), representing 12% (2014: 13%) of fixed-line service revenue.

Fixed-line service revenue





Fixed-line capex



Note:

(9) "Others" includes revenue from interconnection charges and others.

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. The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities' exposure to interest rate and foreign exchange rate fluctuations. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash management and funding

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

Interest rate exposure

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

Foreign currency exposure

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

Credit exposure

The Group's holdings of surplus funds with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, such risks are continuously monitored by the management.

Capital and Net Debt

As at 31 December 2015, the Group recorded share capital of HK$1,205 million and total equity of HK$12,091 million.

The cash and cash equivalents of the Group amounted to HK$1,021 million as at 31 December 2015 (2014: HK$359 million), 76% of which were denominated in Hong Kong dollars, 14% in Macau Patacas, 4% in United States dollars with remaining in various other currencies. Correspondingly, the Group's carrying amount of bank borrowings amounted to HK$3,962 million at 31 December 2015 (2014: HK$3,952 million), which were denominated in Hong Kong dollars and repayable in November 2019.

At 31 December 2015, the consolidated net debt of the Group was HK$2,941 million (2014: HK$3,593 million). The Group's net debt to net total capital ratio at 31 December 2015 was 20% (2014: 23%).

Charges on Group Assets

As at 31 December 2015, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

Committed borrowing facilities available to the Group but not drawn at 31 December 2015 amounted to HK$1,000 million (2014: HK$1,000 million).

Contingent Liabilities

At 31 December 2015, the Group provided performance and other guarantees of HK$326 million (2014: HK$520 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of the spectrum licence obligations.

Commitments

As at 31 December 2015, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK$1,437 million (2014: HK$1,568 million) and telecommunications licences of HK$1,777 million (2014: Same).

As at 31 December 2015, the Group had total operating lease commitments for building and other assets amounting to HK$575 million (2014: HK$760 million).

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

Risk Factors

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

Market Economy

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

Highly-competitive Market

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

Accounting

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

Strategic Partners

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

Impact of Regulatory Decisions

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

Rapid Technological Changes

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

Network Performance

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

Natural Disasters

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

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

Past Performance and Forward-looking Statements

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

Environmental, Social and Governance Report

WE
CARE

The Group seeks to balance the views and interests of stakeholder groups via constructive conversation with a view to charting a course for **long-term prosperity**

Overview

The Group is committed to the compliance of laws and regulations and the long-term sustainability of its various businesses, as well as supporting the communities in which it operates. Quality products and services are delivered to customers as a result of the business being managed prudently and according to a sound decision-making process. Dialogue is maintained with various constituencies such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholder groups via constructive conversation with a view to charting a course for long-term prosperity.

Environmental Protection

Use of resources

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

The Make Greener Committee, comprising representatives from core business units, has been established to promote staff awareness of environmental protection. Special "Let's Go Green" workshops were arranged to encourage employees to volunteer fresh ideas on energy-saving and carbon emission reduction measures. A companywide competition was organised during 2015 resulted in a number of measures such as lengthen the designated hours for automatic switch off of office lights and air conditioners, and set up recycling bins on each floor.

During 2015, the Group was awarded Green Office and Better World Company status by World Green Organisation, and again took part in Earth Hour organised by the World Wide Fund for Nature Hong Kong. This involved switching off 3Shop neon signs and billboards for an hour on the designated day.

Environmental sustainability

As part of a long-term strategy to reduce paper consumption, the Group ran a large-scale "Go Paperless" campaign in 2015, encouraging customers to opt for electronic billing via email or SMS.

Data centre facility at Kwai Chung was accredited with ISO 50001 energy management system certification. This exemplifies the pioneering efforts in

Employees are our most precious asset

conserving energy and developing data centre facilities in sustainable fashion.

Social Commitment

Employment and labour practices

The Group is committed to complying with the Employment Ordinance and associated guidelines. Every act of employment is subject to a stringent internal review process that involves a well-defined monitoring procedure designed to verify a candidate's personal information in order to avoid misrepresentation and any form of forced labour. An official employment contract clearly states relevant terms and conditions, and each individual is well briefed and duly assigned. The Group takes tremendous efforts to be in compliance with laws and regulations in the daily operations. The Code of Ethics of the Group requires the staff to comply with applicable governmental and regulatory laws, rules, codes and regulations.

Health and safety

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

Development and training

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

Educational sponsorship is available to employees in the form of job-related courses provided by external institutions.

The Group encourages employees to take part in work-life balance activities and community service. These include employee outings, sports events and community volunteering activities.

Recruitment and promotion

The Group has adopted equal employment opportunity policies and maintains programmes so that employees are hired, promoted and assigned on the basis of their skills and abilities. The selection process affords equal opportunities to all persons sharing the Group's commitment to excellence – and is carried out regardless of race, colour, sex or religious belief. This non-discrimination policy continues throughout a staff member's career and applies to all employment relations matters such as placement, transfer, promotion and compensation.

Operating Practices

Supply chain management

The Group always adheres to

Employees are encouraged to get involved in activities benefitting charities.

Members of staff immerse themselves in a "Let's Go Green" workshop and offer suggestions to save energy.

A high priority for the Group is to ensure customer satisfaction in terms of the **products and services**

international best practices and conducts fair and unbiased tender processes in dealings with vendors.

When selecting vendors and suppliers, the Group takes factors into account such as quality of products and services, past performance, financial standing and capacity assessment. The Group expects suppliers to observe the same environmental, social, health and safety and governance considerations in their operating practices as those listed by our corporate website. Procurement teams are trained to take into account each and every aspect of such policies and procedures when assessing suppliers, and tendering procedures are carefully communicated to vendors. The Group also provides stakeholders, including vendors, with procedures such that they can report any suspected impropriety.

Consumer protection

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

Protecting consumers and safe-guarding their privacy are some of the top priorities of the Group. In addition to guidelines and handbooks, the Group issues periodic reminders and run workshops to customer-facing employees to continuously remind

The 3iChat digital customer service platform helps strengthen communications with customers.

them of the importance of protecting personal data. In addition, the retail business reviews and maintains a range of customer communication channels so that customers' feedback can be heard and complaints handled efficiently. Customer complaints are thoroughly investigated and root causes are identified and acted upon.

Anti-corruption

The Group takes anti-corruption responsibilities very seriously. Anti-Bribery and Anti-Corruption Policy sets out standards of conduct to which all employees are required to adhere. The Group has established confidential channels through which the stakeholders can report illegal or excessively-risky activities to the Board of Directors. Persons making such reports are assured of protection. The Group organised periodic corporate governance seminars and trainings for staff on anti-corruption measures and guidelines, as well as sound operating practices and business ethics.

Stakeholder Engagement

Shareholders

The Group has on-going dialogues with the financial community including analysts, fund managers and other investors. In order to increase transparency, over the past years, the Group has enhanced the level of its financial presentation with detailed analysis in the Company's annual and interim results. The Group also encourages shareholders to participate in shareholders' meetings in-person or appoint proxies to attend and vote at the meetings.

The Shareholder Communication Policy is available on the corporate website: http://www.hthkh.com.

Customers

A high priority for the Group is to ensure customer satisfaction in terms of the products and services. The Group has developed a range of channels to engage the customers such as customer service centre, focus groups, social networking pages and smartphone applications. Strenuous efforts are made to ensure compliance with the laws and regulations of the jurisdictions the Group operates into.

Various initiatives have been introduced as part of the efforts to educate customers on understanding and keeping up to speed with their mobile data usage habits. For example, a

The Group always adheres to international best practices and conducts fair and unbiased tender processes in dealings with vendors

user-friendly application was designed and introduced to help customers manage their data needs. During 2015, the "Making Better" campaign reinforced the commitment to provide a high level of customer service.

Employees

As at 31 December 2015, the Group employed 2,355 full-time staff members.

Employees are the most precious asset of the Group. Loyal and industrious staff members are able to take advantage of many career opportunities as the Group expands. The Group adopts non-discriminatory employment practices and provides a safe and healthy workplace.

Suppliers and Creditors

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

Laws and regulations

As a Group operating in the telecommunications sector, both in Hong Kong and in other jurisdictions, the Group has to ensure that it is fully aware of, and compliant with, the many regulations which apply to this sector. These include the Hong Kong's Telecommunications Ordinance, Macau's Basic Telecommunications Law, and the telecommunications rules and regulations in the various jurisdictions in which the Group operates.

Over the past several years, the Group have conducted tailor-made workshops, reviewed practices and guidelines, developed and implemented policies in areas including data privacy law, anti-bribery and anti-corruption law, and competition law, to strengthen the internal controls and compliance regime of the Group. These measures are subject to regular review and update to ensure their effectiveness.

On the listed company level, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Group adheres to and ensure that they are vigilant with the legal requirements under the statutes.

Community Involvement

The Group has been awarded the "Caring Company" title by the Hong Kong Council of Social Service year after year for a substantial period of time. The public engagement and donation policy helps us uphold a commitment to serving the community by way of cash and in-kind donations, as well as staff participation.

A donation-matching programme raises money for the needy.

The Group ran a donation-matching programme in October 2015 by uniting staff to serve needy sectors of the community. Donations from staff members were matched dollar-for-dollar by the Group. The proceeds were shared among seven charitable organisations. They were Eco Association, Fu Hui Education Foundation, Hong Kong Alzheimer's Disease Association, Hong Kong Rehabilitation Power, Mission of Love, The Intellectually Disabled Education and Advocacy League Limited and Youth Outreach. The Group also

1 **3** Hong Kong launches the Kelly Chen X iPANDAS charity set to support education and welfare for children.

2 A volunteer explains smartphone functionality to a senior citizen to promote digital inclusion.

3 Volunteers hand out thermos flasks to help keep the elderly in hot drinks.

4 Like-minded HTHKH employees unite to raise funds for community programmes.

sponsored staff to participate in various charity sports events including the Standard Chartered Hong Kong Marathon and Oxfam Trailwalker.

In 2015, a total donation of approximately HK$0.8 million was made to charitable organisations in Hong Kong and Macau, covering community projects across four focus areas of community, education, youth and the elderly.

The Group made in-kind donations to benefit individuals in various walks of life. Year 2015 saw continuation of the Lo-Yau-Kee Monthly Service Plans Sponsorship Programme, which was launched in 2010, while senior citizens from a number of participating charitable organisations benefitted from a waiver of service fee from the Group. The Group also joined hands with the Senior Citizen Home Safety Association ("SCHSA") and Oriental Daily News Charitable Fund to organise the Safety Phones and Service Packages Sponsorship Programme. This distributes safety phones and service packages free of charge to senior citizens at the True Light Villa District Elderly Community Centre. In order to promote digital inclusion throughout Hong Kong society, the Group donated numerous sets of 4K smart TV to 12 charitable organisations, enabling their beneficiaries to receive up-to-date information and enjoy entertainment content.

The Group also collaborated with the SCHSA to launch the 4G LTE Family plan plus "e-Care Link" package. This enables family members to enjoy closer contact with the elderly, complete with the peace of mind engendered by the SCHSA's 24/7 call-and-care service. Moreover, the Group introduced the Elderly Time Slot concept to help senior citizens get the best from smartphone functionality. At the same time, the Group extended collaboration with the SCHSA to launch the "safety phone" as a meaningful and practical aid to the elderly.

In Macau, the Group continued to sponsor the Asia-Pacific Telecommunication and ICT Development Forum, while encouraging youngsters to equip themselves with the latest mobile applications technology by sponsoring the Mobile Application Software Technologies Training Plan.

Information on Directors

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 64, has been Chairman and a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company since 11 May 2010. He is also a member of the Remuneration Committee of the Company. Mr Fok has been a non-executive director of CK Hutchison Holdings Limited ("CKHH") since 9 January 2015 and was re-designated as executive director and group co-managing director of CKHH on 3 June 2015. Mr Fok has been a director of Cheung Kong (Holdings) Limited ("Cheung Kong") since 1985 and became a non-executive director in 1993. The listing status of Cheung Kong on The Stock Exchange of Hong Kong Limited (the "SEHK") was replaced by CKHH on 18 March 2015 and he was re-designated as director of Cheung Kong on 3 June 2015. Mr Fok has been an executive director of Hutchison Whampoa Limited ("HWL") since 1984, group managing director since 1993 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. He is also the chairman of Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPHM") (as trustee-manager of Hutchison Port Holdings Trust), Power Assets Holdings Limited ("Power Assets"), HK Electric Investments Manager Limited ("HKEIM") (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited ("HKEIL"), and co-chairman of Husky Energy Inc. ("Husky Energy"). He is also deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"). In addition, he is a director of CK Hutchison Global Investments Limited ("CKHGI"), which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"); and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mr Fok acts as chairman, co-chairman, deputy chairman or director for the purpose of overseeing the management of such businesses. Mr Fok holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a Fellow of the Chartered Accountants Australia and New Zealand.

LUI Dennis Pok Man

Deputy Chairman and Non-executive Director

Lui Dennis Pok Man, aged 64, has been Deputy Chairman and a Non-executive Director of the Company since 4 March 2009. He is a director of Hutchison Telecommunications Group Holdings Limited and heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also oversees the telecommunications operations in Ireland and Austria and generally assists in other telecommunications operations and related investments within the group of HWL (which was privatised by way of a scheme of arrangement on 3 June 2015) ("HWL Group"). Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was managing director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK", a subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in China, Hong Kong, Macau and Taiwan from 1996 to April 2000. From May 2001, he oversaw a number of the telecommunications operations and new business development of the HWL Group in particular as an executive director and chief executive officer of Hutchison Telecommunications International Limited ("HTIL") from 2004 to 2010. He is also a director of certain companies controlled by certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Lui holds a Bachelor of Science degree.

WONG King Fai, Peter

Executive Director and Chief Executive Officer & Group Managing Director

Wong King Fai, Peter, aged 67, has been Executive Director and Chief Executive Officer of the Company since 4 March 2009 and Chief Executive Officer & Group Managing Director of the Company since 10 September 2012. He joined the HWL Group in 1996 as technical director of HTHK and was promoted to the position of fixed network director of HTHK in 1998 where he was responsible for the establishment of infrastructure, service and market development of its fixed network business. He is a director of HTHK and Hutchison Global Communications Limited (a subsidiary of the Company). Before joining HTHK, Mr Wong gained extensive telecommunications experience with Cable & Wireless Hongkong Telecom through various senior roles. Mr Wong holds a Master's degree in Telecommunications from the University of Birmingham, the United Kingdom and is a Fellow of The Hong Kong Institution of Engineers.

CHOW WOO Mo Fong, Susan

Non-executive Director

Chow Woo Mo Fong, Susan, aged 62, has been a Director of the Company since 2007 and was designated as Non-executive Director of the Company on 4 March 2009. Mrs Chow has been an executive director and group deputy managing director of CKHH since 3 June 2015. Mrs Chow has been an executive director of HWL since 1993, deputy group managing director since 1998 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. Mrs Chow is also an executive director of CKI and a director of HTAL. She is also an alternate director to directors of CKI, HKEIM (as trustee-manager of HK Electric Investments), HKEIL, HTAL and TOM Group Limited ("TOM"). In addition, she is a director of CKHGI, Hutchison Telecommunications Investment Holdings Limited ("HTIHL") and Hutchison Telecommunications Holdings Limited ("HTHL"), all of which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mrs Chow acts as director for the purpose of overseeing the management of such businesses. Mrs Chow is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

Non-executive Director

Frank John Sixt, aged 64, has been a Non-executive Director of the Company since 4 March 2009. Mr Sixt has been a non-executive director of CKHH since 9 January 2015 and was re-designated as executive director, group finance director and deputy managing director of CKHH on 3 June 2015. Mr Sixt has been an executive director of Cheung Kong since 1991 and became a non-executive director in 1998. The listing status of Cheung Kong on the SEHK was replaced by CKHH on 18 March 2015 and he was re-designated as director of Cheung Kong on 3 June 2015. He has been an executive director of HWL since 1991, group finance director since 1998 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. He is also the non-executive chairman of TOM, an executive director of CKI, a non-executive director of HPHM (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets, and a director of HTAL and Husky Energy. He is also an alternate director to directors of HTAL, HKEIM (as trustee-manager of HK Electric Investments) and HKEIL. In addition, he is a director of CKHGI, HTIHL and HTHL, all of which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mr Sixt acts as chairman or director for the purpose of overseeing the management of such businesses. Mr Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and the Law Society of the Provinces of Quebec and Ontario, Canada.

LAI Kai Ming, Dominic

Non-executive Director

Lai Kai Ming, Dominic, aged 62, has been a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mr Frank John Sixt, a Non-executive Director of the Company since 11 May 2010. He has been an executive director and deputy managing director of CKHH since 3 June 2015. Mr Lai has been an executive director of HWL since 2000 and was re-designated as director on 8 June 2015 when HWL was privatised by way of a scheme of arrangement on 3 June 2015. He is also a director of HTAL and an alternate director to directors of HTAL. In addition, he is a director of CKHGI, which together with CKHH are substantial shareholders of the Company within the meaning of Part XV of the SFO; and director of certain companies controlled by certain substantial shareholders of the Company. The aforementioned companies are either the ultimate holding company of the Company or subsidiaries or associated companies of CKHH in which Mr Lai acts as director for the purpose of overseeing the management of such businesses. He has over 30 years of management experience in different industries. Mr Lai holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

CHEONG Ying Chew, Henry

Independent Non-executive Director

Cheong Ying Chew, Henry, aged 68, has been an Independent Non-executive Director of the Company since 3 April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company since 8 March 2010. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of Cheung Kong Property Holdings Limited ("Cheung Kong Property"), CKI, CNNC International Limited, Greenland Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM. He is also an independent director of BTS Group Holdings Public Company Limited, and an executive director and deputy chairman of Worldsec Limited. He was previously an independent non-executive director of CKHH, Cheung Kong (whose listing status on the SEHK was replaced by CKHH on 18 March 2015), and Creative Energy Solutions Holdings Limited. Mr Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

LAN Hong Tsung, David, GBS, ISO, JP

Independent Non-executive Director

Lan Hong Tsung, David, aged 75, has been an Independent Non-executive Director of the Company since 3 April 2009. He is Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently chairman of David H T Lan Consultants Limited. He is an independent non-executive director of CKI, ARA Asset Management (Fortune) Limited ("ARA (Fortune)") (as manager of Fortune Real Estate Investment Trust), ARA Asset Management (Prosperity) Limited ("ARA (Prosperity)") (as manager of Prosperity Real Estate Investment Trust) and SJM Holdings Limited. He is also president of The International Institute of Management Limited, senior advisor of Mitsui & Company (Hong Kong) Limited, supervisor of Nanyang Commercial Bank (China), Limited and an independent non-executive director of Nanyang Commercial Bank, Limited. He was previously a non-executive director and the co-chairman of Aurum Pacific (China) Group Limited. Dr Lan was Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1 July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr Lan is a Chartered Secretary, and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford. Dr Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University and Visiting Professorships of Bulacan State University and Tarlac State University.

WONG Yick Ming, Rosanna, DBE, JP

Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 63, has been an Independent Non-executive Director of the Company since 3 April 2009. She is a member of the Audit Committee of the Company. She has been an independent non-executive director of CKHH since 9 January 2015. She was an independent non-executive director of Cheung Kong from 2001 until her resignation on 3 June 2015. The listing status of Cheung Kong on the SEHK was replaced by CKHH on 18 March 2015. She was previously an alternate director to director of CKHH and Cheung Kong. CKHH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Dr Wong is an independent non-executive director of The Hongkong and Shanghai Hotels, Limited. She is also the executive director of The Hong Kong Federation of Youth Groups, and a member of the 12th session of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and The Hong Kong University of Science and Technology Business School Advisory Council. In addition, she is the non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation, an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited, a director of The Committee of Youth Activities in Hong Kong Limited, honorary chairman of World Vision Hong Kong and a global advisor to Mars, Incorporated. Dr Wong holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates from The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada.

MA Lai Chee, Gerald

Alternate Director

Ma Lai Chee, Gerald, aged 48, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company since 9 June 2009. He is a member of executive committee and general manager of corporate business development department of Cheung Kong Property. Mr Ma joined the group of Cheung Kong in 1996. He was previously a member of the executive committee of CKHH and Cheung Kong. The listing status of Cheung Kong on the SEHK was replaced by CKHH on 18 March 2015. He is a non-executive director of ARA (Fortune) (as manager of Fortune Real Estate Investment Trust) and ARA (Prosperity) (as manager of Prosperity Real Estate Investment Trust). He was also previously an alternate director to a director of ARA (Fortune) (as manager of Fortune Real Estate Investment Trust). He has over 26 years of experience in finance, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Changes in Information of Directors

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2015 Interim Report are set out below:

Name of Director	Details of changes
Fok Kin Ning, Canning	Became a fellow of The Institute of Chartered Accountants Australia and New Zealand in 2015
Wong King Fai, Peter	Total emoluments increased by HK$300,990 to HK$10,538,058 compared to 2014
Lan Hong Tsung, David	Resigned as a non-executive director and the co-chairman of Aurum Pacific (China) Group Limited* on 8 October 2015
Wong Yick Ming, Rosanna	Ceased to be an elected member of the Council and an ex-officio member of the Court of The University of Hong Kong on 11 December 2015

* *A company whose shares are listed on the Growth Enterprise Market of the SEHK.*

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

As at 31 December 2015, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Company's own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") were as follows:

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held in American Depositary Shares	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380[(1)]	-	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	-	0.1888%
Wong King Fai, Peter	Beneficial owner	Personal interest	2,666,667	-	0.0553%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	250,000	-	0.0052%
Frank John Sixt	Beneficial owner	Personal interest	-	255,000[(2)]	0.0053%

Notes:

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

(2) 17,000 American Depositary Shares (each representing 15 ordinary shares) were held by Mr Frank John Sixt.

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

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

Mr Fok Kin Ning, Canning had, as at 31 December 2015, the following interests:

(i) corporate interests in 4,111,438 ordinary shares, representing approximately 0.11% of the then issued voting shares, in CKHH;

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

(iii) corporate interests in a nominal amount of US$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited.

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

Mr Wong King Fai, Peter had, as at 31 December 2015, family interests in 15,048 ordinary shares, representing approximately 0.0004% of the then issued voting shares, in CKHH held by his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2015, personal interests in 129,960 ordinary shares, representing approximately 0.003% of the then issued voting shares, in CKHH.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2015, personal interests in (i) 136,800 ordinary shares, representing approximately 0.004% of the then issued voting shares, in CKHH; and (ii) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued voting shares, in HTAL.

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2015, personal interests in 34,200 ordinary shares, representing approximately 0.0009% of the then issued voting shares, in CKHH.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2015, personal interests in 13,680 ordinary shares, representing approximately 0.0004% of the then issued voting shares, in CKHH.

Save as disclosed above, as at 31 December 2015, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the HTHKH Securities Code, to be notified to the Company and the SEHK.

Directors' Interests in Competing Business

During the year ended 31 December 2015, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the same year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Director	Name of company	Nature of interests	Nature of competing business
Wong King Fai, Peter	HGC GlobalCentre Limited ("HGCGC")*	Director	Data centre business
Chow Woo Mo Fong, Susan	HGCGC	Director	Data centre business
Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic)	HGCGC	Director	Data centre business
	Beijing Net-Infinity Technology Development Company Limited	Director	Data centre business

* *A joint venture which is indirectly owned as to 50% by the Company*

As the Board is independent of the boards of directors of the above entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

During the period from 1 January 2015 to 2 June 2015, Mr Fok Kin Ning, Canning, being a Non-executive Director, was an executive director of HWL and a director of certain of its subsidiaries which were engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic, all being Non-executive Directors, were executive directors of HWL and directors and/or alternate directors of certain of its subsidiaries which were engaged in telecommunications businesses. Mr Lui Dennis Pok Man, a Non-executive Director, was a director and/or alternate director of certain subsidiaries of HWL which were engaged in telecommunications businesses.

After the completion of the reorganisation of HWL Group on 3 June 2015, CKHH became the ultimate holding company of each of HWL and the Company.

During the period from 3 June 2015 to 31 December 2015, Mr Fok Kin Ning, Canning, being a Non-executive Director, was an executive director of CKHH and a director of certain of its subsidiaries which are engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic, all being Non-executive Directors, were executive directors of CKHH and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications businesses. Mr Lui Dennis Pok Man, a Non-executive Director, was a director and/or alternate director of certain subsidiaries of CKHH which are engaged in telecommunications businesses.

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

As a result of the completion of the reorganisation of HWL Group on 3 June 2015, the Company entered into a deed of novation and amendment with CKHH on 28 December 2015, pursuant to which the rights and obligations of HWL under the HWL Non-Competition Agreement have been transferred by novation to CKHH with effect from 28 December 2015.

Save as disclosed above, as at the date of this report, none of the Directors or their respective close associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Information on Senior Management

Biographical Details of Senior Management

TAN Yuen Chun, Jennifer

Chief Operating Officer

TAN Yuen Chun, Jennifer, aged 52, has been Chief Operating Officer of the Group since June 2014. She joined the Group in May 1996 and has been finance director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK") since 2000 and was appointed Chief Financial Officer of HTHK and Hutchison Global Communications Limited in August 2005. She then became Managing Director of fixed-line business of the Group in September 2012. Before joining the Group, Ms Tan gained extensive senior management experience with various Fortune 500 multinational corporations. She is a qualified accountant and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom. She is a fellow of several professional accounting associations. She has been a committee member of the Association of Chartered Certified Accountants Hong Kong since September 2015. She has also completed The Cambridge-HKU Senior Executive Programme and Stanford Senior Executive Leadership Program. Ms Tan has more than 19 years of experience in telecommunications.

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 41, has been Chief Financial Officer of the Group since September 2012. She joined the group of Hutchison Whampoa Limited (which was privatised by way of a scheme of arrangement on 3 June 2015) ("HWL Group") in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 18 years of experience in accounting and finance for corporate and banking sectors.

CHIANG Yung Hon, Byron

Chief Technology Officer (Fixed)

CHIANG Yung Hon, Byron, aged 50, has been Chief Technology Officer (Fixed) of the Group since June 2014. He joined the Group in November 2003. Mr Chiang is responsible for network engineering, operations, IT and product development aspects of fixed-line business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 26 years of experience in telecommunications.

CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

CHUNG Yiu Man, Daniel, aged 48, has been Chief Technology Officer (Mobile) of the Group since June 2008. Mr Chung is responsible for network engineering, operations and IT development aspects of mobile business. He holds a Master's degree in Business Administration and has more than 25 years of experience in telecommunications.

HO Wai Ming

Chief Executive Officer – Macau (Mobile)

HO Wai Ming, aged 62, has been Chief Executive Officer – Macau (Mobile) of the Group since April 2008. He joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 34 years of experience in telecommunications.

KWOK Wing Pong, Andrew

International & Carrier Business Director

KWOK Wing Pong, Andrew, aged 55, has been International & Carrier Business Director of the Group since June 2014. He joined the Group in June 2002. Mr Kwok is now responsible for international, carrier business and global development of mobile and fixed-line businesses. He also represents the Group in regional telecommunications alliance as one of the founding board members after his chairmanship. Mr Kwok has more than 35 years of experience in telecommunications.

HO Wai Wing, Raymond

Corporate & Marketing Communications Director

HO Wai Wing, Raymond, aged 53, has been Corporate & Marketing Communications Director of the Group since June 2014. He joined the Group in May 2003. Mr Ho is responsible for the corporate and marketing communications of the mobile and fixed-line business arms. He holds a Master's degree in Business Administration and has more than 31 years of experience in sales and marketing.

NG May Yuk, Frances

General Manager, Corporate Affairs

NG May Yuk, Frances, aged 55, has been General Manager, Corporate Affairs of the Group since June 2014. She joined the Group in July 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She holds a Master's degree in Business Administration and has more than 31 years of experience in public relations.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 51, has been Director of Legal Services & Regulatory of the Group since September 2012. He joined the HWL Group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 28 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India.

WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 52, has been HR & Organisational Development Director of the Group since January 2012. He joined the HWL Group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 26 years of experience in human resources management.

Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 137 to 138.

Business Review

The business review of the Group for the year ended 31 December 2015 is set out on pages 8 to 37.

Group Profit

The consolidated income statement is set out on page 79 and shows the profit of the Group for the year ended 31 December 2015.

Dividends

An interim dividend of 5.20 HK cents per share was paid to shareholders on 9 September 2015.

The Directors recommend the declaration of a final dividend at the rate of 9.00 HK cents per share, payable on Thursday, 26 May 2016 to those persons registered as shareholders of the Company on Tuesday, 17 May 2016, being the record date for determining the entitlement of shareholders to the proposed final dividend.

Reserves

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

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$0.8 million (2014: HK$0.7 million).

Directors

The Board of Directors of the Company (the "Board") as at 31 December 2015 comprised nine Directors: Mr Fok Kin Ning, Canning (Chairman and a Non-executive Director); Mr Lui Dennis Pok Man (Deputy Chairman and a Non-executive Director); Mr Wong King Fai, Peter (Executive Director); three Non-executive Directors, namely, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic (Mr Ma Lai Chee, Gerald is Alternate Director to Mr Lai Kai Ming, Dominic); and three Independent Non-executive Directors, namely, Mr Cheong Ying Chew, Henry, Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna.

In accordance with Article 84 of the Articles of Association of the Company, Mr Wong King Fai, Peter, Mr Frank John Sixt and Dr Wong Yick Ming, Rosanna will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company received confirmations from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 38 to 41.

Directors' Service Contracts

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

Permitted Indemnity Provisions

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

Directors' Material Interests in Transactions, Arrangements or Contracts

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

Management Contracts

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

Continuing Connected Transactions

After the completion of the reorganisation of Hutchison Whampoa Limited ("HWL", the then holding company of the Company) group on 3 June 2015, HWL became a wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH") which indirectly holds approximately 66.09% of the issued share capital of the Company. Accordingly, each of CKHH and its subsidiaries (collectively, the "CKHH Group") (which for the purpose of the following agreements, exclude members of the Group) became a connected person of the Company by virtue of being either a substantial shareholder of the Company or an associate of CKHH.

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

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

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

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

Each of CKHH and the other members of the CKHH Group is a connected person of the Company by virtue of being either a substantial shareholder of the Company or an associate of CKHH. Accordingly, the transactions contemplated under the Master Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company announced on 4 June 2015 that the caps for the period between 3 June 2015 and 31 December 2015 and for each of the two years ending 31 December 2016 and 2017 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group amounted to HK$244 million, HK$446 million and HK$495 million respectively, (ii) the Group's acquisition of the CKHH Telecommunications Supplies amounted to HK$138 million, HK$286 million and HK$342 million respectively, and (iii) the Group's acquisition of the Business Related Supplies amounted to HK$76 million, HK$116 million and HK$144 million respectively.

The aggregate amounts attributed to (i) the provision of the Group Telecommunications Supplies to the CKHH Group, (ii) the Group's acquisition of the CKHH Telecommunications Supplies, and (iii) the Group's acquisition of the Business Related Supplies for the period between 3 June 2015 and 31 December 2015 which are subject to the annual review requirements under the Listing Rules were approximately HK$124 million, HK$76 million and HK$17 million respectively.

All the Independent Non-executive Directors of the Company have reviewed the continuing connected transactions entered into by the Group under the Master Agreements during the year ended 31 December 2015 and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

A summary of the related party transactions entered into by the Group during the year ended 31 December 2015 is contained in Note 33 to the consolidated financial statements. The transactions entered into with the HWL group of companies (the "HWL Group") for the period from 1 January 2015 to 2 June 2015, the CKHH Group for the period from 3 June 2015 to 31 December 2015 and the NTT Group (as defined in Note 33 to the consolidated financial statements) as described in paragraph (b) to Note 33 to the consolidated financial statements all fall under the definition of "continuing connected transactions" under the Listing Rules are fully exempt from shareholders' approval, annual review and all disclosure requirements under Rules 14A.76(1), 14A.90, 14A.97 and/or 14A.98 of the Listing Rules except for the transactions contemplated under the Master Agreements which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2015.

Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as is known to the Directors and Chief Executive of the Company, as at 31 December 2015, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the "Information on Directors" section, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK"):

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

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Hutchison Telecommunications Holdings Limited ("HTHL")	Beneficial owner	512,961,149 [(1)]	10.64%
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Beneficial owner	2,619,929,104 [(1)])	
		)	
	Interest of a controlled corporation	512,961,149 [(1)])	65.01%
		)	
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,132,890,253 [(1)]	65.01%
CK Hutchison Holdings Limited ("CKHH")	Interest of controlled corporations	3,184,982,840 [(1)(2)]	66.09%

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

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
The Capital Group Companies, Inc.	Interest of controlled corporations	246,038,000	5.11%
Yuda Limited ("Yuda")	Beneficial owner	350,527,953 [(3)]	7.27%
Mayspin Management Limited ("Mayspin")	Interest of controlled corporations	403,979,499 [(4)]	8.38%
Li Ka-shing ("Mr Li")	Founder of discretionary trusts	153,280 [(5)])	
	Interest of controlled corporations	403,979,499 [(6)])	8.38%

Notes:

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

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

(3) *Yuda is a direct wholly-owned subsidiary of Mayspin, which in turn is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by one of the companies described in Note (6) below.*

(4) *Mayspin is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by the companies described in Note (6) below.*

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

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

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

(6) *Such ordinary shares were held by companies of which Mr Li is interested in the entire issued share capital.*

Save as disclosed above and so far as is known to the Directors and Chief Executive of the Company, as at 31 December 2015, there was no other person (other than the Directors and Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2015 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2015 were as follows:

Category of participants	Date of grant of share options[(1)]	Number of share options held at 1 January 2015	Granted during 2015	Exercised during 2015	Lapsed/ cancelled during 2015	Number of share options held at 31 December 2015	Exercise period of share options	Exercise price of share options[(2)] HK$	Price of share of the Company at the grant date of share options[(3)] HK$	Price of share of the Company at the exercise date of share options HK$
Employees in aggregate	1.6.2009	200,000	-	-	-	200,000	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	N/A
Total		200,000	-	-	-	200,000				

Notes:

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

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

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

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

No share option was granted under the Share Option Scheme during the year ended 31 December 2015.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries or its holding company or a subsidiary of the holding company of the Company a party to any arrangements whose objects are to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Equity-linked Agreements

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

Pre-emptive Rights

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

Shares/Debentures Issued

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

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

Purchase, Sale or Redemption of Shares

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

Major Customers and Suppliers

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

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

	Percentage of total purchases of the Group
The largest supplier	79%
Five largest suppliers combined	84%

As at 31 December 2015,

(a) Mrs Chow Woo Mo Fong, Susan, a Non-executive Director, held 4,760 shares in Apple Inc., the holding company of Apple Asia Limited, which was one of the five largest suppliers of the Group;

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

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

(d) Mr Li Ka-Shing, a substantial shareholder of the Company, indirectly held 24,158,800 share stapled units of HKT Trust and HKT Limited; and

(e) Mayspin Management Limited, a substantial shareholder of the Company, indirectly held 1,400,000 share stapled units of HKT Trust and HKT Limited. Such interest is duplicated in that of Mr Li described in sub-paragraph (d) above.

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

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, approximately 25.12% of the issued share capital of the Company was held by the public.

Auditor

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

By Order of the Board

Edith SHIH
Company Secretary

Hong Kong, 29 February 2016

Corporate Governance Report

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

The Company has complied throughout the year ended 31 December 2015 with all code provisions of the Corporate Governance Code (the "CG 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 reasons for deviation are explained below in this report.

The Board

Corporate strategy

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

Role of the Board

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

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

Board composition

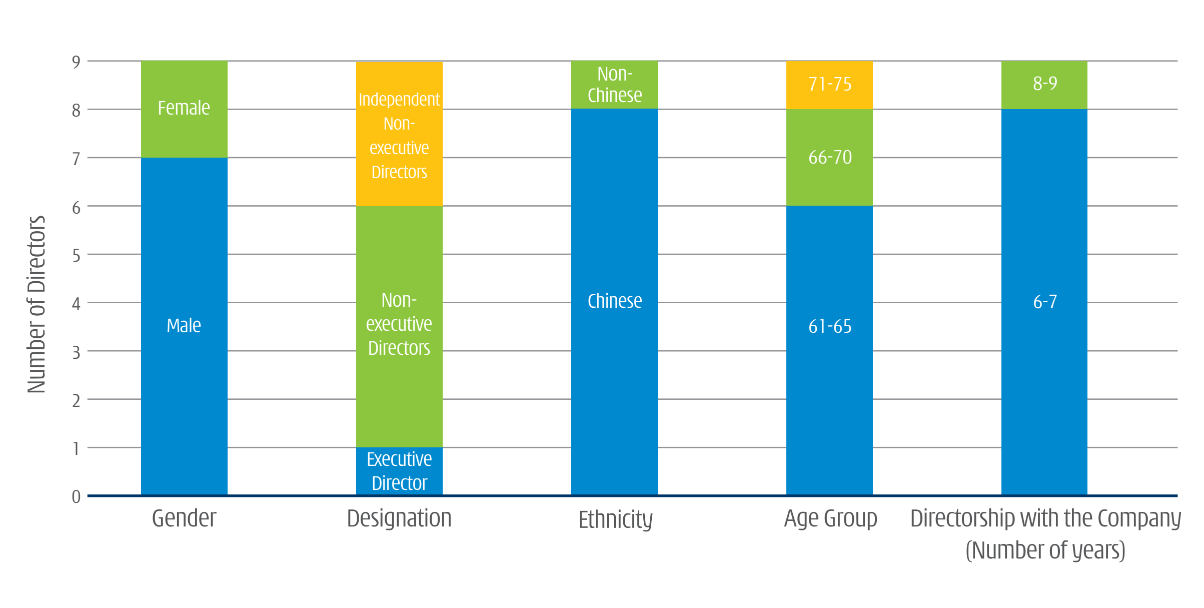
As at 31 December 2015, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer & Group Managing Director, three Non-executive Directors and three Independent Non-executive Directors.

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

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

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

The following chart shows the diversity profile of the Board:



Biographical details of the Directors are set out in the "Information on Directors" section on pages 38 to 41 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

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

Chairman, Deputy Chairman and Executive Director

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

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

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

Board processes

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

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

The Company held four Board meetings in 2015 with an average of approximately 92% attendance. All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 11 May 2015 other than one Non-executive Director who was not in a position to attend due to business commitments overseas.

Name of Director	Attended/ eligible to attend Board Meeting	Attended 2015 Annual General Meeting
Chairman and Non-executive Director		
Fok Kin Ning, Canning	4/4	√
Deputy Chairman and Non-executive Director		
Lui Dennis Pok Man	4/4	√
Executive Director		
Wong King Fai, Peter *(Chief Executive Officer & Group Managing Director)*	4/4	√
Non-executive Directors		
Chow Woo Mo Fong, Susan	2/4[(1)]	√
	2/4 *(by alternate)*	
Frank John Sixt	3/4[(2)]	Note[(2)]
	1/4 *(by alternate)*	√ *(by alternate)*
Lai Kai Ming, Dominic	4/4	√
Independent Non-executive Directors		
Cheong Ying Chew, Henry	4/4	√
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

Notes:

(1) Due to business commitments overseas, Mrs Chow Woo Mo Fong, Susan arranged for her alternate, Mr Fok Kin Ning, Canning to attend the Board meetings held in February and August 2015. The attendance of the alternate has not been counted in her attendance record.

(2) Due to business commitments overseas, Mr Frank John Sixt arranged for his alternate, Mr Lai Kai Ming, Dominic, to attend the Board meeting held in May 2015 and the 2015 annual general meeting held on 11 May 2015. The attendance of the alternate has not been counted in his attendance record.

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

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at annual general meetings at least about once every three years. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. In addition, Non-executive Directors were appointed for an initial term ended 31 December 2010 and such appointments thereafter are automatically renewed for successive 12-month periods, subject to re-election in accordance with the provisions of the Listing Rules and the Articles of Association of the Company.

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

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

Training and commitment

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

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

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2015 is summarised as follows, representing an average of approximately 7 hours by each Director in 2015.

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

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

Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout 2015.

Board Committees

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

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on 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 the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director.

Company Secretary

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

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

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

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

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih has been appointed as the Company Secretary of the Company since inception and has day-to-day knowledge of the affairs of the Group. The Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules in 2015.

Accountability and Audit

Financial reporting

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

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 77 and 78 which acknowledges the reporting responsibility of the auditor of the Group.

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Going concern

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

Audit Committee

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

The Audit Committee held four meetings in 2015 with 100% attendance.

Name of Member	Attended/eligible to attend
Cheong Ying Chew, Henry *(Chairman)*	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

In 2015, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the CG Code. In view of the implementation of the HKEx consultation conclusions on "Risk Management and Internal Control" for accounting periods beginning on or after 1 January 2016, the terms of reference of the Audit Committee effective from 1 January 2016 were revised and adopted by the Board on 8 December 2015.

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

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

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

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

External auditor

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

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

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

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

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

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

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

An analysis of the remuneration to PwC is shown in Note 8 to the consolidated financial statements. During the year ended 31 December 2015, the fees to PwC, amounting to HK$13 million, were primarily for audit services and those for non-audit services amounted to HK$1 million, or 6% of the total fees.

Internal Controls, Legal and Regulatory Control and Group Risk Management

Role of the Board

The Board has overall responsibility for the systems of internal control, corporate governance compliance, and assessment and management of risks of the Group.

In meeting its responsibilities, the Board seeks to increase risk awareness across the business operations of the Group and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Director and the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budgets, review by the Audit Committee of the ongoing work of internal audit and risk management functions, as well as regular business reviews by the Executive Director and the executive management team of each core business division.

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

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

Internal control environment and systems

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

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

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

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

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

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

Legal and regulatory

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

Group risk management

The Chief Executive Officer & Group Managing Director and the general manager of risk management have the responsibility of developing and implementing risk mitigation strategies and programmes relating to the deployment of insurance instruments to transfer or minimise the financial impact of risks to the business. The general manager of risk management, working with business operations, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Directors and officers liability insurance is also in place to protect Directors and officers of the Group against potential personal legal liabilities.

Code of Ethics and handling of inside information

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

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), additional procedures – including pre-clearance on dealing in the securities of the Company by designated members of Management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis – have also been implemented by the Group to guard against possible mishandling of inside information within the Group.

Audits

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

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

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2015 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting and financial reporting function of the Group, and their training programmes and budget.

Remuneration of Directors and Senior Management

Remuneration Committee

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

The Remuneration Committee held one meeting in 2015 with 100% attendance.

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

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

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2016 director's fees for Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2016 remuneration package of the Executive Director and senior executives of the Group. The Executive Director does not participate in the determination of his own remuneration.

Remuneration policy

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

2015 remuneration

Directors' emoluments comprise payments to Directors from the Group. The emoluments of each of the Directors exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each Director in 2015 were as follows:

Name of Director	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind[6] HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
Fok Kin Ning, Canning [(1) (4) (5)]	0.09	-	-	-	-	0.09
Lui Dennis Pok Man [(1) (5)]	0.07	-	-	-	-	0.07
Wong King Fai, Peter [(5)]	0.07	3.49	6.72	0.26	-	10.54
Chow Woo Mo Fong, Susan [(1) (5)]	0.07	-	-	-	-	0.07
Frank John Sixt [(1) (5)]	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic [(1)]	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry [(2) (3) (4)]	0.16	-	-	-	-	0.16
Lan Hong Tsung, David [(2) (3) (4)]	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna [(2) (3)]	0.14	-	-	-	-	0.14
Total	0.90	3.49	6.72	0.26	-	11.37

Notes:

(1) *Non-executive Director*
(2) *Independent Non-executive Director*
(3) *Member of the Audit Committee*
(4) *Member of the Remuneration Committee*
(5) *Directors' fees received by these Directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.*
(6) *Benefits-in-kind included insurance and transportation*

The remuneration to the members of senior management by bands in 2015 is set out below:

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

Relationship with Shareholders and Other Stakeholders

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

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

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

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

The latest shareholders' meeting of the Company was the 2015 Annual General Meeting (the "AGM"), which was held on 11 May 2015 at Harbour Grand Kowloon, and attended by PwC and the majority of the Directors, including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of approximately 89%. One Non-executive Director was not in a position to attend the AGM due to business commitments overseas. The Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 11 May 2015 are set out below:

Resolutions proposed at the AGM		Percentage of votes
1	Adoption of the audited financial statements together with the report of the Directors and the report of the Auditor for the year ended 31 December 2014	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr LUI Dennis Pok Man as a Director	99.66%
3(b)	Re-election of Mrs CHOW WOO Mo Fong, Susan as a Director	99.43%
3(c)	Re-election of Dr LAN Hong Tsung, David as a Director	99.69%
3(d)	Authorisation of the Board of Directors to fix the Directors' remuneration	99.82%
4	Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration	99.99%
5	Granting of a general mandate to the Directors to issue additional shares in the Company	87.35%
6	Granting of a general mandate to the Directors to repurchase the shares of the Company	99.99%
7	Extension of the general mandate to the Directors to issue additional shares of the Company	87.79%

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

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2016 and public float capitalisation as at 31 December 2015.

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

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a working group chaired by a Director comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The working group focuses on initiatives related to stakeholders, employees, the environment, operating practices and the community. Details of the initiatives of the working group are set out on pages 32 to 37.

By Order of the Board

Edith SHIH
Company Secretary

Hong Kong, 29 February 2016

Independent Auditor's Report

To the shareholders of Hutchison Telecommunications Hong Kong Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries set out on pages 79 to 138, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 February 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 HK$ millions	2014 HK$ millions
Revenue	5	**22,042**	16,296
Cost of inventories sold		**(14,063)**	(7,713)
Staff costs	7	**(830)**	(734)
Customer acquisition costs		**(384)**	(678)
Depreciation and amortisation		**(1,358)**	(1,321)
Other operating expenses	8	**(3,977)**	(4,492)
		1,430	1,358
Interest income	9	**19**	20
Interest and other finance costs	9	**(122)**	(175)
Share of results of joint ventures	18	**(34)**	(35)
Profit before taxation		**1,293**	1,168
Taxation	10	**(216)**	(205)
Profit for the year		**1,077**	963
Attributable to:			
Shareholders of the Company		**915**	833
Non-controlling interests		**162**	130
		1,077	963
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
– basic	11	**18.99**	17.29
– diluted	11	**18.99**	17.29

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK$ millions	2014 HK$ millions
Profit for the year	**1,077**	963
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	**(12)**	13
Item that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	**(4)**	(3)
Total comprehensive income for the year, net of tax	**1,061**	973
Total comprehensive income attributable to:		
Shareholders of the Company	**899**	843
Non-controlling interests	**162**	130
	1,061	973

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

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK$ millions	2014 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,656	10,663
Goodwill	14	4,503	4,503
Telecommunications licences	15	1,207	1,373
Other non-current assets	16	858	993
Deferred tax assets	17	128	258
Investments in joint ventures	18	493	515
Total non-current assets		17,845	18,305
Current assets			
Cash and cash equivalents	19	1,021	359
Trade receivables and other current assets	20	1,817	1,892
Inventories	21	591	142
Total current assets		3,429	2,393
Current liabilities			
Trade and other payables	22	4,200	3,956
Current income tax liabilities		11	18
Total current liabilities		4,211	3,974
Non-current liabilities			
Deferred tax liabilities	17	497	420
Borrowings	23	3,962	3,952
Other non-current liabilities	24	513	643
Total non-current liabilities		4,972	5,015
Net assets		12,091	11,709

	Note	2015 HK$ millions	2014 HK$ millions
CAPITAL AND RESERVES			
Share capital	25	1,205	1,205
Reserves	26	10,317	10,088
Total shareholders' funds		11,522	11,293
Non-controlling interests		569	416
Total equity		12,091	11,709

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

LUI Dennis Pok Man
Director

WONG King Fai, Peter
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2015	1,205	11,185	(1,169)	(3)	58	17	11,293	416	11,709
Profit for the year	-	-	915	-	-	-	915	162	1,077
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(12)	-	(12)	-	(12)
Currency translation differences	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income, net of tax	-	-	915	(4)	(12)	-	899	162	1,061
Dividend paid (Note 12)	-	-	(670)	-	-	-	(670)	(9)	(679)
At 31 December 2015	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
At 1 January 2014	1,205	11,185	(1,411)	-	45	17	11,041	295	11,336
Profit for the year	-	-	833	-	-	-	833	130	963
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	13	-	13	-	13
Currency translation differences	-	-	-	(3)	-	-	(3)	-	(3)
Total comprehensive income, net of tax	-	-	833	(3)	13	-	843	130	973
Dividend paid	-	-	(591)	-	-	-	(591)	(9)	(600)
At 31 December 2014	1,205	11,185	(1,169)	(3)	58	17	11,293	416	11,709

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$ millions	2014 HK$ millions
Cash flows from operating activities			
Cash generated from operations	27	**2,566**	2,580
Interest and other finance costs paid		**(72)**	(85)
Tax paid		**(16)**	(12)
Net cash generated from operating activities		**2,478**	2,483
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,045)**	(1,168)
Additions to other non-current assets		**(8)**	(40)
Proceeds from disposals of property, plant and equipment		**-**	6
Interest received		**1**	-
Payment relating to investment in a joint venture		**(85)**	(68)
Loan repayment from a joint venture		**-**	187
Net cash used in investing activities		**(1,137)**	(1,083)
Cash flows from financing activities			
Proceeds from borrowings		**-**	4,860
Repayment of borrowings		**-**	(5,510)
Dividend paid to the shareholders of the Company	12	**(670)**	(591)
Dividend paid to non-controlling interests		**(9)**	(9)
Net cash used in financing activities		**(679)**	(1,250)
Increase in cash and cash equivalents		**662**	150
Cash and cash equivalents at 1 January		**359**	209
Cash and cash equivalents at 31 December	19	**1,021**	359

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

Notes to the Consolidated Financial Statements

1 General Information

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

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

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

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements were approved for issuance by the Board of Directors on 29 February 2016.

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

As at 31 December 2015, the current liabilities of the Group exceeded its current assets by approximately HK$782 million. Included in the current liabilities were non-refundable customer prepayments of HK$751 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current liabilities of the Group would have been approximately HK$31 million. Management of the Group anticipates the net cash inflows from its operations, together with the ability to draw down from available banking facility, would be sufficient to enable the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of Significant Accounting Policies (Continued)

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

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2015:

IFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle
IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions

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

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2015:

IFRSs (Amendments) [(i)]	Annual Improvements 2012-2014 Cycle
IAS 1 (Amendment) [(i)]	Disclosure Initiative
IAS 16 and IAS 38 (Amendments) [(i)]	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments) [(i)]	Agriculture: Bearer Plants
IAS 27 (Amendment) [(i)]	Equity Method in Separate Financial Statements
IFRS 9 (2014) [(ii)]	Financial Instruments
IFRS 10, IFRS 12 and IAS 28 (Amendments) [(i)]	Investment Entities: Applying the Consolidation Exception
IFRS 10 and IAS 28 [(iv)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 (Amendment) [(i)]	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14 [(i)]	Regulatory Deferral Accounts
IFRS 15 [(ii)]	Revenue from Contracts with Customers
IFRS 16 [(iii)]	Leases

(i) Effective for annual periods beginning on or after 1 January 2016
(ii) Effective for annual periods beginning on or after 1 January 2018
(iii) Effective for annual periods beginning on or after 1 January 2019
(iv) No mandatory effective date yet determined but is available for adoption

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

2 Summary of Significant Accounting Policies (Continued)

(e) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

(ii) Company's financial statements

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

(f) Non-controlling interests

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

2 Summary of Significant Accounting Policies (Continued)

(g) Joint ventures

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

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

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

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

(h) Segment reporting

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

(i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 Summary of Significant Accounting Policies (Continued)

(i) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(j) Property, plant and equipment

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

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

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

2 Summary of Significant Accounting Policies (Continued)

(j) Property, plant and equipment (Continued)

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

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

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

(k) Goodwill

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

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

(l) Telecommunications licences

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

(m) Impairment of non-financial assets

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

2 Summary of Significant Accounting Policies (Continued)

(n) Financial assets

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

(i) Loans and receivables

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

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

(ii) Impairment of financial assets

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

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

(o) Cash and cash equivalents

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

2 Summary of Significant Accounting Policies (Continued)

(p) Inventories

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

(q) Trade and other receivables

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

(r) Trade and other payables

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

(s) Borrowings

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

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

(t) Provisions

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

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

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

2 Summary of Significant Accounting Policies (Continued)

(u) Taxation and deferred taxation

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

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences (including tax losses) can be utilised.

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

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

(v) Share capital

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

(w) Contingent liabilities

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

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

2 Summary of Significant Accounting Policies (Continued)

(x) Employee benefits

(i) Pension plans

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

(a) Defined benefit plans

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

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

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

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

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

(b) Defined contribution plans

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

2 Summary of Significant Accounting Policies (Continued)

(x) Employee benefits (Continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(y) Revenue recognition

The Group recognises revenue on the following bases:

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

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

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

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

(z) Leases

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

3 Financial Risk Management

(a) Financial risk factors

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

(i) Foreign currency exposure

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

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

	2015 **HK$ millions**	2014 HK$ millions
US$	**257**	296
EURO	**(170)**	76
GBP	**(37)**	6
Total net exposure: net assets	**50**	378

As at 31 December, a 10% strengthening/weakening of the currencies of the above assets and liabilities against HK$ would have increased/decreased post-tax profit for the year by the amounts as shown below. This analysis assumes that all other variables remain constant.

	2015 **HK$ millions**	2014 HK$ millions
US$	**21**	25
EURO	**(14)**	6
GBP	**(3)**	–
	4	31

There is no foreign currency transaction risk that would affect equity directly. The 10% movement represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate exposure

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

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

	2015 HK$ millions	2014 HK$ millions
Borrowings at floating rates (Note 23)	**(3,962)**	(3,952)
Cash at banks and short-term bank deposits	**792**	282
Loan to a joint venture (Note 18)	**513**	529
	(2,657)	(3,141)

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

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2015 and 2014 would have decreased by approximately HK$22 million and HK$26 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash at banks and bank deposits and interest bearing balance with a joint venture; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

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

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

	2015 **HK$ millions**	2014 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**1,021**	359
Trade and other receivables (Note 20)	**1,646**	1,721
Loan to a joint venture (Note 18)	**513**	529
	3,180	2,609

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

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

	Carrying amount HK$ millions	Contractual liabilities HK$ millions	Non-contractual liabilities HK$ millions	Contractual undiscounted cash flow HK$ millions	Within 1 year HK$ millions	After 1 year but within 2 years HK$ millions	After 2 years but within 5 years HK$ millions	After 5 years HK$ millions
At 31 December 2014								
Borrowings (Note 23)	3,952	3,952	-	4,000	-	-	4,000	-
Trade payables (Note 22)	714	714	-	714	714	-	-	-
Other payables, accruals and deferred revenue (Note 22)	3,060	744	2,316	744	744	-	-	-
Licence fees liabilities (Notes 22 and 24)	577	577	-	672	199	209	173	91
	8,303	5,987	2,316	6,130	1,657	209	4,173	91

3 Financial Risk Management (Continued)

(b) Capital risk management

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

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

(c) Fair value estimation

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

4 Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

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

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2015, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$9,481 million (2014: HK$9,243 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

4 Critical Accounting Estimates and Judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Income taxes

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

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2015 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

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

4 Critical Accounting Estimates and Judgements (Continued)

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

Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2015, the Group has recognised deferred tax assets of approximately HK$128 million (2014: HK$258 million).

5 Revenue

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

	2015 **HK$ millions**	2014 HK$ millions
Mobile telecommunications services	**4,095**	4,625
Fixed-line telecommunications services	**3,579**	3,685
Telecommunications hardware	**14,368**	7,986
	22,042	16,296

6 Segment Information

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

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

6 Segment Information (Continued)

	At and for the year ended 31 December 2014				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Revenue - service	4,646	4,102	-	(438)	8,310
Revenue - hardware	7,986	-	-	-	7,986
	12,632	4,102	-	(438)	16,296
Operating costs	(11,135)	(2,795)	(125)	438	(13,617)
EBITDA/(LBITDA)	1,497	1,307	(125)	-	2,679
Depreciation and amortisation	(620)	(701)	-	-	(1,321)
EBIT/(LBIT)	877	606	(125)	-	1,358
Total assets before investments in joint ventures	9,531	10,762	16,939	(17,049)	20,183
Investments in joint ventures	515	-	-	-	515
Total assets	10,046	10,762	16,939	(17,049)	20,698
Total liabilities	(11,116)	(6,957)	(4,094)	13,178	(8,989)
Other information:					
Additions to property, plant and equipment	664	534	-	-	1,198
Additions to telecommunications licences	3	-	-	-	3

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

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

The total revenue from external customers in Hong Kong for the year ended 31 December 2015 amounted to approximately HK$20,905 million (2014: HK$15,588 million) and the total revenue from external customers in Macau for the year ended 31 December 2015 amounted to approximately HK$1,137 million (2014: HK$708 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2015 amounted to approximately HK$17,147 million (2014: HK$17,602 million) and the total of these non-current assets located in Macau as at 31 December 2015 amounted to approximately HK$570 million (2014: HK$445 million).

7 Staff Costs

	2015 HK$ millions	2014 HK$ millions
Wages and salaries	**896**	800
Pension costs		
– defined benefit plans (Note 30(a))	**35**	35
– defined contribution plans	**15**	12
Termination benefits	**4**	(5)
Less: Amounts capitalised as non-current assets	**(120)**	(108)
	830	734

(a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Group. The emoluments of each of the directors of the Company exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and the chief executive for 2015 and 2014 are as follows:

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

7 Staff Costs (Continued)

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

	2014					
	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind[(iii)] HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total HK$ millions
Fok Kin Ning, Canning [(i)]	0.09	-	-	-	-	0.09
Lui Dennis Pok Man [(i)]	0.07	-	-	-	-	0.07
Wong King Fai, Peter [(i) (ii)]	0.07	3.51	6.40	0.26	-	10.24
Chow Woo Mo Fong, Susan [(i)]	0.07	-	-	-	-	0.07
Frank John Sixt [(i)]	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry	0.16	-	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	-	0.14
Total	0.90	3.51	6.40	0.26	-	11.07

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

(ii) Mr Wong King Fai, Peter was the chief executive for the years ended 31 December 2015 and 2014 whose emoluments have been shown in directors' emoluments above.

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

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

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

7 Staff Costs (Continued)

(c) Five highest paid individuals

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

	2015 Number of individual	2014 Number of individual
Director of the Company	1	1
Management executives	4	4

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

	2015 HK$ millions	2014 HK$ millions
Basic salaries, allowances and benefits-in-kind	12	12
Bonuses	15	14
Provident fund contributions	1	1
	28	27

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

	2015 Number of individual	2014 Number of individual
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	1	–
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	1	–
HK$5,500,001 – HK$6,000,000	–	1
HK$6,000,001 – HK$6,500,000	1	–
HK$10,000,001 – HK$10,500,000	–	1
HK$10,500,001 – HK$11,000,000	1	–

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2015 (2014: Nil).

8 Other Operating Expenses

	2015 HK$ millions	2014 HK$ millions
Cost of services provided	2,547	2,943
General administrative and distribution costs	274	339
Operating leases in respect of		
– buildings	493	532
– hire of plant and machinery	652	621
Loss on disposals of property, plant and equipment	1	13
Auditor's remuneration	12	12
Provision for doubtful debts	(2)	32
Total	3,977	4,492

9 Interest and Other Finance Costs, Net

	2015 HK$ millions	2014 HK$ millions
Interest income:		
Interest income from joint ventures	18	20
Bank interest income	1	–
	19	20
Interest and other finance costs:		
Bank loans	(56)	(74)
Notional non-cash interest accretion [(a)]	(48)	(60)
Guarantee and other finance fees	(26)	(49)
	(130)	(183)
Less: Amounts capitalised on qualifying assets	8	8
	(122)	(175)
Interest and other finance costs, net	(103)	(155)

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

10 Taxation

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

	2014		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	1	188	189
Outside Hong Kong	15	1	16
	16	189	205

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

	2015 HK$ millions	2014 HK$ millions
Profit before taxation	**1,293**	1,168
Tax calculated at domestic rates	**212**	190
Income not subject to tax	**-**	(1)
Expenses not deductible for taxation purposes	**13**	12
Utilisation of previously unrecognised tax losses	**(9)**	(26)
Utilisation of previously unrecognised temporary differences	**-**	(1)
(Over)/under provision in prior years	**(4)**	30
Tax losses not recognised	**3**	-
Others	**1**	1
Total taxation charge	**216**	205

11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$915 million (2014: HK$833 million) and on the weighted average number of 4,818,896,208 (2014: Same) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2015 is calculated by adjusting the weighted average number of 4,818,896,208 (2014: Same) ordinary shares in issue with the weighted average number of 138,462 (2014: 132,886) ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2015 HK$ millions	2014 HK$ millions
Interim, paid of 5.20 HK cents per share (2014: 4.25 HK cents per share)	251	205
Final, proposed of 9.00 HK cents per share (2014: 8.70 HK cents per share)	433	419
	684	624

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2015 and 2014 are as follows:

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

13 Property, Plant and Equipment (Continued)

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
At 1 January 2014	153	19,245	3,333	762	23,493
Additions	-	570	171	457	1,198
Disposals	(1)	(162)	(98)	(8)	(269)
Transfer between categories	-	347	66	(413)	-
At 31 December 2014	152	20,000	3,472	798	24,422
Accumulated depreciation and impairment losses					
At 1 January 2014	33	10,085	2,866	-	12,984
Charge for the year	4	824	197	-	1,025
Disposals	-	(152)	(98)	-	(250)
At 31 December 2014	37	10,757	2,965	-	13,759
Net book value					
At 31 December 2014	115	9,243	507	798	10,663

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

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

Additions of telecommunications infrastructure and network equipment included interest of HK$5 million (2014: HK$5 million) capitalised at a rate of 1.6% per annum (2014: 2.2%).

14 Goodwill

	2015 HK$ millions	2014 HK$ millions
Gross carrying amount and net book value at 1 January and 31 December	**4,503**	4,503
Accumulated impairment losses at 1 January and 31 December	**-**	-

Impairment test for goodwill

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

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

	2015 HK$ millions	2014 HK$ millions
Mobile business	**2,155**	2,155
Fixed-line business	**2,348**	2,348
	4,503	4,503

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2020.

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

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

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

14 Goodwill (Continued)

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

	2015	2014
Mobile business	**3.8%**	4.4%
Fixed-line business	**2.6%**	3.0%

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

In accordance with the Group's accounting policy on asset impairment (Note 2(m)), the carrying values of goodwill were tested for impairment at each reporting date. Note 4(a)(iii) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2015 indicated no impairment charge was necessary (2014: Same).

15 Telecommunications Licences

	HK$ millions
At 1 January 2014	
Cost	2,304
Accumulated amortisation	(766)
Net book value	1,538
Year ended 31 December 2014	
Opening net book value	1,538
Additions	3
Amortisation for the year	(168)
Closing net book value	1,373
At 31 December 2014	
Cost	2,307
Accumulated amortisation	(934)
Net book value	1,373
Year ended 31 December 2015	
Opening net book value	**1,373**
Additions	**3**
Amortisation for the year	**(169)**
Closing net book value	**1,207**
At 31 December 2015	
Cost	**2,310**
Accumulated amortisation	**(1,103)**
Net book value	**1,207**

Additions of telecommunications licences included interest of HK$3 million (2014: HK$3 million) capitalised at a rate of 1.6% per annum (2014: 2.2%).

16 Other Non-Current Assets

	2015 HK$ millions	2014 HK$ millions
Prepayments	**813**	939
Non-current deposits	**45**	54
	858	993

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

17 Deferred Tax Assets and Liabilities

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

	2015 HK$ millions	2014 HK$ millions
Deferred tax assets	**128**	258
Deferred tax liabilities	**(497)**	(420)
Net deferred tax liabilities	**(369)**	(162)

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

	Accelerated depreciation allowance HK$ millions	Tax losses HK$ millions	Total HK$ millions
At 1 January 2014	(1,054)	1,081	27
Net charge for the year (Note 10)	(15)	(174)	(189)
At 31 December 2014	(1,069)	907	(162)
At 1 January 2015	**(1,069)**	**907**	**(162)**
Net credit/(charge) for the year (Note 10)	**8**	**(215)**	**(207)**
At 31 December 2015	**(1,061)**	**692**	**(369)**

17 Deferred Tax Assets and Liabilities (Continued)

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

	2015 HK$ millions	2014 HK$ millions
Arising from unused tax losses	53	68
Arising from depreciation allowances	1	1
	54	69

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

As at 31 December 2015, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$318 million (2014: HK$409 million) can be carried forward indefinitely.

18 Investments in Joint Ventures

	2015 HK$ millions	2014 HK$ millions
Loans to joint ventures	546	566
Share of undistributed post acquisition reserves	(53)	(51)
	493	515

The loans to joint ventures are unsecured, have no fixed terms of repayment and non-interest bearing except for a loan of HK$513 million (2014: HK$529 million) which bears interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2014: Same).

Particulars of the principal joint ventures are summarised as follows:

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

18 Investments in Joint Ventures (Continued)

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

	2015 HK$ millions	2014 HK$ millions
Net loss and total comprehensive loss for the year	**(34)**	(35)
Proportionate interests in jointly ventures' capital commitments		
Contracted but not provided for	**72**	92

As at 31 December 2015, there were no contingent liabilities related to the Group's interest in joint ventures (2014: Nil). As at 31 December 2015, a joint venture had an outstanding performance guarantee of HK$3 million (2014: Same).

As at 31 December 2015, all the shares held by the Group in a joint venture were pledged as security in favour of another partner of the joint venture under a cross share pledge arrangement (2014: Same).

19 Cash and Cash Equivalents

	2015 HK$ millions	2014 HK$ millions
Cash at banks and in hand	**290**	117
Short-term bank deposits	**731**	242
	1,021	359

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.25% per annum (2014: 0.01% to 0.02%). These deposits have an average maturity of 1 to 31 days (2014: 1 to 7 days).

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

20 Trade Receivables and Other Current Assets

	2015 HK$ millions	2014 HK$ millions
Trade receivables	**1,661**	1,756
Less: Provision for doubtful debts	**(110)**	(155)
Trade receivables, net of provision [(a)]	**1,551**	1,601
Other receivables [(b)]	**95**	120
Prepayments and deposits [(b)]	**171**	171
	1,817	1,892

(a) Trade receivables, net of provision

	2015 HK$ millions	2014 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0-30 days	**1,039**	958
31-60 days	**208**	220
61-90 days	**115**	105
Over 90 days	**189**	318
	1,551	1,601

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

As at 31 December 2015, trade receivables of approximately HK$662 million (2014: HK$868 million) were past due but not provided for. These related to a number of independent customers that have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

	2015 HK$ millions	2014 HK$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1-30 days	**321**	421
Past due 31-60 days	**130**	121
Past due 61-90 days	**69**	79
Past due over 90 days	**142**	247
	662	868

20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2015, provision for doubtful debts of approximately HK$110 million (2014: HK$155 million) was recognised for trade receivables of approximately HK$672 million (2014: HK$729 million) which were individually assessed for impairment. These impaired receivables were past due and management assessed that only a portion of the receivables was expected to be recovered. The Group does not hold any collateral over these balances.

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

	2015 HK$ millions	2014 HK$ millions
At 1 January	155	165
Increase in provision recognised in the consolidated income statement	135	165
Amounts recovered in respect of brought forward balance	(137)	(133)
Write-off during the year	(43)	(42)
At 31 December	110	155

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

(b) Other receivables, prepayments and deposits

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

21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2015, the amount of inventories carried at net realisable value was approximately HK$4 million (2014: HK$3 million).

22 Trade and Other Payables

	2015 HK$ millions	2014 HK$ millions
Trade payables [(a)]	**1,041**	714
Other payables and accruals	**2,217**	2,255
Deferred revenue	**751**	805
Current portion of licence fees liabilities (Note 24)	**191**	182
	4,200	3,956

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

(a) Trade payables

	2015 HK$ millions	2014 HK$ millions
The ageing analysis of trade payables is as follows:		
0 – 30 days	**477**	388
31 – 60 days	**137**	48
61 – 90 days	**101**	39
Over 90 days	**326**	239
	1,041	714

23 Borrowings

	Maturity year	**2015 HK$ millions**	2014 HK$ millions
Unsecured bank loans			
Repayable between 2 and 5 years	2019	**3,962**	3,952

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2015 and 2014 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 1.6% per annum (2014: 1.6%) and are within level 2 of the fair value hierarchy.

24 Other Non-Current Liabilities

	2015 HK$ millions	2014 HK$ millions
Non-current licence fees liabilities [(a)]	230	395
Pension obligations (Note 30(a))	80	58
Accrued expenses	203	190
	513	643

(a) Licence fees liabilities

	2015 HK$ millions	2014 HK$ millions
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	209	199
After 1 year, but within 5 years	231	382
After 5 years	33	91
	473	672
Future finance charges on licence fees liabilities	(52)	(95)
Carrying amount of licence fees liabilities	421	577
The carrying amount of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 22)	191	182
Non-current licence fees liabilities:		
After 1 year, but within 5 years	203	323
After 5 years	27	72
	230	395
Total licence fees liabilities	421	577

25 Share Capital

(a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (2014: Same).

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ millions
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	**4,818,896,208**	**1,205**

(c) Share options of the Company

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

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

	Weighted average exercise price per share HK$	Number of share options granted
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	**1.00**	**200,000**

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

As at 31 December 2015, 200,000 (2014: Same) share options were exercisable.

26 Reserves

	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
At 1 January 2014	11,185	(1,411)	-	45	17	9,836
Profit for the year	-	833	-	-	-	833
Remeasurements of defined benefit plans	-	-	-	13	-	13
Currency translation differences	-	-	(3)	-	-	(3)
Dividend paid	-	(591)	-	-	-	(591)
At 31 December 2014	11,185	(1,169)	(3)	58	17	10,088
At 1 January 2015	11,185	(1,169)	(3)	58	17	10,088
Profit for the year	-	915	-	-	-	915
Remeasurements of defined benefit plans	-	-	-	(12)	-	(12)
Currency translation differences	-	-	(4)	-	-	(4)
Dividend paid (Note 12)	-	(670)	-	-	-	(670)
At 31 December 2015	11,185	(924)	(7)	46	17	10,317

27 Cash Generated from Operations

	2015 HK$ millions	2014 HK$ millions
Cash flows from operating activities		
Profit before taxation	1,293	1,168
Adjustments for:		
– Interest income (Note 9)	(19)	(20)
– Interest and other finance costs (Note 9)	122	175
– Depreciation and amortisation	1,358	1,321
– Loss on disposals of property, plant and equipment (Note 8)	1	13
– Share of results of joint ventures (Note 18)	34	35
Changes in working capital		
– Decrease in trade receivables and other assets	92	12
– (Increase)/decrease in inventories	(449)	29
– Increase/(decrease) in trade and other payables	124	(166)
– Retirement benefits obligations	10	13
Cash generated from operations	2,566	2,580

28 Contingent Liabilities

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

	2015 HK$ millions	2014 HK$ millions
Performance guarantees	310	503
Financial guarantees	12	14
Others	4	3
	326	520

29 Commitments

Outstanding commitments of the Group not provided for in the consolidated financial statements are as follows:

(a) Capital commitments

	2015 HK$ millions	2014 HK$ millions
Property, plant and equipment		
Contracted but not provided for	748	717
Authorised but not contracted for	571	742
	1,319	1,459
Telecommunications licences		
Contracted but not provided for	1,777	1,777

In 2014, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 19.8MHz spectrum and bidded a block of 9.8MHz spectrum at the 2100MHz (collectively, the "Spectrum") for a 15-year period commencing October 2016 at an aggregate consideration of approximately HK$1,777 million payable in August 2016. A standby letter of credit in the same amount was issued in favour of the Office of the Communications Authority of Hong Kong in relation to the Spectrum.

	2015 HK$ millions	2014 HK$ millions
Investments in joint ventures		
Authorised but not contracted for	118	109

The above amount included the following capital commitment with related parties:

	2015 HK$ millions	2014 HK$ millions
Property, plant and equipment		
Contracted but not provided for	-	35

29 Commitments (Continued)

(b) Operating lease commitments

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

	Buildings	
	2015 **HK$ millions**	2014 HK$ millions
Not later than one year	**230**	227
Later than one year but not later than five years	**99**	158
	329	385

	Other assets	
	2015 **HK$ millions**	2014 HK$ millions
Not later than one year	**184**	265
Later than one year but not later than five years	**57**	104
Later than five years	**5**	6
	246	375

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

	Buildings	
	2015 **HK$ millions**	2014 HK$ millions
Not later than one year	**2**	76
Later than one year but not later than five years	**1**	82
	3	158

	Other assets	
	2015 **HK$ millions**	2014 HK$ millions
Not later than one year	**6**	–

29 Commitments (Continued)

(c) Telecommunications licence fees

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

30 Employee Retirement Benefits

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

(a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2015, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2014: Same).

	2015 HK$ millions	2014 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	**(385)**	(348)
Less: Fair value of plan assets	**305**	290
Pension obligations recognised in the consolidated statement of financial position (Note 24)	**(80)**	(58)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2015	(348)	290	(58)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
– Current service cost	(34)	-	(34)
– Net interest (expense)/income	(6)	5	(1)
	(40)	5	(35)
Amounts recognised in other comprehensive income			
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	-	2	2
– Loss from change in financial assumptions	(13)	-	(13)
– Experience losses	(1)	-	(1)
	(14)	2	(12)
Contributions:			
– Employers	-	25	25
– Employees	(1)	1	-
Actual benefits paid	17	(17)	-
Net transfer	1	(1)	-
At 31 December 2015	(385)	305	(80)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2014	(330)	272	(58)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
- Current service cost	(34)	-	(34)
- Net interest (expense)/income	(6)	5	(1)
	(40)	5	(35)
Amounts recognised in other comprehensive income			
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	12	12
- Loss from change in financial assumptions	(5)	-	(5)
- Experience gains	6	-	6
	1	12	13
Contributions:			
- Employers	-	22	22
- Employees	(1)	1	-
Actual benefits paid	20	(20)	-
Net transfer	2	(2)	-
At 31 December 2014	(348)	290	(58)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Plan assets consist of the following:

	2015 HK$ millions	2014 HK$ millions
Equity instruments	**215**	203
Debt instruments	**75**	75
Other assets	**15**	12
	305	290

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

	2015		
	Assumption used	**Impact to the defined benefit obligations if rate increases by 0.25%**	**Impact to the defined benefit obligations if rate decreases by 0.25%**
Discount rate	**1.2% to 1.5%**	**-2.4%**	**+2.5%**
Future salary rate	**4.0%**	**+0.7%**	**-0.7%**

	2014		
	Assumption used	Impact to the defined benefit obligations if rate increases by 0.25%	Impact to the defined benefit obligations if rate decreases by 0.25%
Discount rate	1.5% to 1.9%	-2.4%	+2.5%
Future salary rate	4.0%	+0.7%	-0.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied in calculating the pension liability recognised within the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change comparing to the previous period.

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2015	2014
Weighted average duration of defined benefit obligations	**10 years**	10 years

Expected contributions to defined benefit plans for the year ending 31 December 2016 are approximately HK$31 million.

Forfeited contributions totalling HK$4 million (2014: HK$5 million) were used to reduce the current year's level of contributions during the year and HK$0.1 million was available as at 31 December 2015 (2014: HK$0.1 million) to reduce future years' contributions.

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the surplus/deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 1 August 2015 reported a funding level of 127% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2015 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements.

(b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$0.4 million (2014: HK$0.2 million) were used to reduce the current year's level of contributions during the year and no forfeited contribution was available as at 31 December 2015 (2014: HK$0.1 million) to reduce future years' contributions.

31 Subsidiaries

Particulars of principal subsidiaries are set out on pages 137 to 138.

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

	HTCL	
	2015 HK$ millions	2014 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**10,016**	10,393
Current assets	**2,659**	1,818
	12,675	12,211
Liabilities		
Non-current liabilities	**(8,631)**	(8,826)
Current liabilities	**(2,143)**	(2,061)
	(10,774)	(10,887)
Net assets	**1,901**	1,324
Summarised income statement		
Revenue	**18,111**	12,172
Profit for the year	**579**	427
Total profit for the year attributable to non-controlling interests	**140**	103
Total comprehensive income	**579**	428
Summarised cash flows		
Net cash generated from operating activities	**699**	1,084
Net cash used in investing activities	**(366)**	(515)
Net cash used in financing activities	**-**	(430)
Net increase in cash and cash equivalents	**333**	139
Cash and cash equivalents at 1 January	**169**	30
Cash and cash equivalents at 31 December	**502**	169

The information above is the amount before inter-company eliminations.

32 Ultimate Holding Company

As at 31 December 2014, the Company was owned as to approximately 65% by Hutchison Whampoa Limited ("HWL"). The directors regarded HWL as the Company's ultimate holding company.

On 3 June 2015, the reorganisation of HWL and Cheung Kong Holdings Limited ("Cheung Kong") (the "Reorganisation") was completed. As at 31 December 2015, the Company was owned as to approximately 66% by CK Hutchison Holdings Limited ("CKHH"). The directors regarded CKHH as the Company's ultimate holding company.

33 Related Party Transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

Related Party Group:

Before the Reorganisation:

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

(2) Other shareholders of the Group or HWL Group: Cheung Kong Group – Cheung Kong together with its direct and indirect subsidiaries or joint ventures

After the Reorganisation:

(3) CKHH Group – CKHH together with its direct and indirect subsidiaries (including a joint venture of the Group after Reorganisation) or joint ventures

Throughout the year:

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

(5) Joint ventures of the Group

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the consolidated financial statements, transactions between the Group and other related parties during the year are summarised below.

(a) Key management personnel remuneration

No transaction has been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 7.

33 Related Party Transactions (Continued)

(b) Transactions with related parties

	2015 HK$ millions	2014 HK$ millions
HWL Group		
Provision of mobile telecommunications services	13	26
Provision of fixed-line telecommunications services	64	167
Purchase of telecommunications services	(23)	(87)
Rental expenses on lease arrangements	(39)	(95)
Dealership service expenses	(4)	(5)
Billing collection service expenses	(4)	(10)
Purchase of office supplies	(3)	(9)
Purchase of air tickets and hotel accommodation	(2)	(3)
Advertising and promotion expenses	(2)	(8)
Global procurement service arrangement expenses	(5)	(8)
Sharing of services arrangement expenses	(17)	(39)
Corporate guarantee expenses	(3)	(8)
Purchase of property, plant and equipment	(1)	(2)
Cheung Kong Group		
Provision of mobile telecommunications services	1	1
Provision of fixed-line telecommunications services	16	38
Provision of marketing services	-	6
Purchase of telecommunications services	-	(1)
Rental expenses on lease arrangements	(3)	(9)
Business risks management services	-	(6)
Purchase of office supplies	(1)	(3)
Sharing of services arrangement expenses	(2)	(6)
Purchase of property, plant and equipment	(3)	(21)

33 Related Party Transactions (Continued)

(b) Transactions with related parties (Continued)

	2015 HK$ millions	2014 HK$ millions
CKHH Group		
Provision of mobile telecommunications services	9	–
Provision of fixed-line telecommunications services	116	–
Sharing of services arrangement income	9	–
Purchase of telecommunications services	(41)	–
Purchase of data centre services	(35)	–
Purchase of telecommunications products	(1)	–
Rental expenses on lease arrangements	(3)	–
Dealership service expenses	(6)	–
Billing collection service expenses	(5)	–
Purchase of office supplies	(5)	–
Advertising and promotion expenses	(2)	–
Global procurement service arrangement expenses	(1)	–
Sharing of services arrangement expenses	(24)	–
Equipment maintenance expenses	(1)	–
Corporate guarantee expenses	(5)	–
NTT Group		
Provision of mobile telecommunications services	11	16
Joint Ventures of the Group		
Provision of fixed-line telecommunications services	1	2
Interest income	18	20
Sharing of services arrangement income	11	16
Purchase of data centre services	(26)	(50)
Purchase of telecommunications services	(120)	(113)

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

34 Statement of Financial Position of the Company

At 31 December 2015	2015 HK$ millions	2014 HK$ millions
ASSETS		
Non-current assets		
Investments in subsidiaries, at costs	3,871	3,871
Total non-current assets	3,871	3,871
Current assets		
Receivables from subsidiaries	9,069	9,063
Other current assets	1	1
Cash and cash equivalents	8	4
Total current assets	9,078	9,068
Current liabilities		
Other payables	2	2
Payables to subsidiaries	94	92
Total current liabilities	96	94
Net assets	12,853	12,845
CAPITAL AND RESERVES		
Share capital	1,205	1,205
Reserves [(a)]	11,648	11,640
Total equity	12,853	12,845

LUI Dennis Pok Man
Director

WONG King Fai, Peter
Director

34 Statement of Financial Position of the Company (Continued)

(a) Reserve movement of the Company

	Share premium HK$ millions	Retained earnings HK$ millions	Total HK$ millions
At 1 January 2014	11,185	446	11,631
Profit for the year	-	600	600
Dividend paid	-	(591)	(591)
At 31 December 2014	11,185	455	11,640
At 1 January 2015	**11,185**	**455**	**11,640**
Profit for the year	**-**	**678**	**678**
Dividend paid (Note 12)	**-**	**(670)**	**(670)**
At 31 December 2015	**11,185**	**463**	**11,648**

Reserve of the Company available for distribution to shareholders of the Company as at 31 December 2015 amounting to HK$11,648 million (2014: HK$11,640 million).

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ paid-up capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Global Communications Investment Holding Limited	The British Virgin Islands (the "BVI"), limited liability company	Investment holding	320 ordinary shares of US$1 each	100%	-	-
Hutchison Telecommunications (HK) Holdings Limited	The BVI, limited liability company	Investment holding	1 ordinary share of US$1 each	100%	-	-
Hutchison Telecom Finance Limited	Hong Kong, limited liability company	Treasury services in Hong Kong	HK$1	100%	-	-
Hutchison Global Communications (Cambodia) Limited	The Kingdom of Cambodia, limited liability company	Support services in the Kingdom of Cambodia	1,000 ordinary shares of KHR4,000 each	-	100%	-
Hutchison Global Communications (Guangdong) Limited	The People's Republic of China (the "PRC"), limited liability company	Equipment trading in the PRC	RMB5,000,000	-	100%	-
Hutchison Global Communications Korea Limited	Republic of Korea, stock company	Support services in Korea	60,000 ordinary shares of KRW5,000 each	-	100%	-
Hutchison Global Communications Limited	Hong Kong, limited liability company	Fixed-line telecommunications business in Hong Kong	HK$20	-	100%	-
Hutchison Global Communications (Malaysia) Sdn. Bhd.	Malaysia, limited liability company	Telecommunications business and support services in Malaysia	2 ordinary shares of RM1 each	-	100%	-
Hutchison Global Communications (Myanmar) Limited	Myanmar, limited liability company	Support services in Myanmar	50,000 ordinary shares of US$1 each	-	100%	-
Hutchison Global Communications Pte Limited	Singapore, limited liability company	Telecommunications business and support services in Singapore	2 ordinary shares of SG$1 each	-	100%	-
Hutchison Global Communications (Taiwan) Limited	Taiwan, limited liability company	Telecommunications business and support services in Taiwan	100,000 ordinary shares of NTD10 each	-	100%	-

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ paid-up capital	Direct interest held	Indirect interest held	Held by non-controlling interests
Hutchison Global Communications (UK) Limited	The United Kingdom, limited liability company	Telecommunications business and support services in the United Kingdom	2 ordinary shares of GBP1 each	-	100%	-
Hutchison GlobalCentre Limited	Hong Kong, limited liability company	Data centre business in Hong Kong	HK$2	-	100%	-
Hutchison MultiMedia Services Limited	Hong Kong, limited liability company	Internet services in Hong Kong	HK$20	-	100%	-
Hutchison Telecommunications (Hong Kong) Limited	Hong Kong, limited liability company	Management and treasury services in Hong Kong	HK$5,000,020	-	100%	-
Hutchison Telecommunications Information Technology (Shenzhen) Limited	The PRC, limited liability company	Information technology services in the PRC	HK$10,000,000	-	100%	-
Hutchison Telecommunication Services Limited	Hong Kong, limited liability company	Telecommunications retail operations in Hong Kong	HK$20	-	100%	-
Hutchison Telephone Company Limited	Hong Kong, limited liability company	Mobile telecommunications business in Hong Kong	HK$2,730,684,340	-	75.9%	24.1%
Hutchison Telephone (Macau) Company Limited	Macau, limited liability company	Mobile telecommunications business in Macau	MOP10,000,000	-	75.9%	24.1%
NextGen MultiMedia Limited	The United States of America, limited liability company	Telecommunications business and support services in the United States of America	3,000 ordinary shares of US$0.01 each	-	100%	-

Financial Summary

	2015 HK$ millions	2014 HK$ millions	2013 HK$ millions	2012 HK$ millions	2011 HK$ millions
RESULTS					
Revenue	**22,042**	16,296	12,777	15,536	13,407
Profit for the year	**1,077**	963	1,090	1,515	1,252
Non-controlling interests	**(162)**	(130)	(174)	(300)	(241)
Net profit attributable to shareholders of the Company	**915**	833	916	1,215	1,011
ASSETS					
Total non-current assets	**17,845**	18,305	18,744	18,477	17,818
Cash and cash equivalents	**1,021**	359	209	182	182
Other current assets	**2,408**	2,034	2,052	2,241	2,086
Total assets	**21,274**	20,698	21,005	20,900	20,086
LIABILITIES					
Short-term borrowings	**-**	–	–	–	3,853
Other current liabilities	**4,211**	3,974	3,995	4,874	4,625
Long-term borrowings	**3,962**	3,952	4,571	3,746	-
Other non-current liabilities	**1,010**	1,063	1,103	1,189	1,195
Total liabilities	**9,183**	8,989	9,669	9,809	9,673
Net assets	**12,091**	11,709	11,336	11,091	10,413
CAPITAL AND RESERVES					
Share capital	**1,205**	1,205	1,205	1,205	1,205
Reserves	**10,317**	10,088	9,836	9,757	9,379
Total shareholders' funds	**11,522**	11,293	11,041	10,962	10,584
Non-controlling interests	**569**	416	295	129	(171)
Total equity	**12,091**	11,709	11,336	11,091	10,413

Note: Details of the basis of preparation of the consolidated financial statements are set out in Note 2 to the Consolidated Financial Statements.

Information for Shareholders

Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its American Depositary Shares (ADSs) are eligible for trading in the United States of America only in the over-the-counter market.

Stock Code

0215

Public Float Capitalisation

As at 31 December 2015:
Approximately HK$3,257 million (approximately 25.12% of the issued share capital of the Company)

Financial Calendar

Payment of 2015 Interim Dividend:	9 September 2015
2015 Final Results Announcement:	29 February 2016
Closure of Register of Members:	6 May 2016 to 11 May 2016
Annual General Meeting:	11 May 2016
Record Date for 2015 Final Dividend:	17 May 2016
Payment of 2015 Final Dividend:	26 May 2016
2016 Interim Results Announcement:	August 2016

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Investor Information

Corporate press releases, financial reports and other investor information are available online at the website of the Company.

Investor Relations Contact

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