Hutchison Telecom Hong Kong Holdings

Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

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

- Mobile revenue recorded a 19% decrease mainly as a result of 34% reduction in hardware revenue in 2017 from lower demand for new smartphones. Service revenue recorded a 2% decrease in a market with keen competition.
- Mobile service EBITDA recorded a mild 3% decrease due to market challenge partially offset by savings achieved through efficiency initiatives.
- Profit attributable to shareholders before gain on disposal of subsidiaries and others recorded a decrease of 20% because only a nine-month contribution was included from the fixed-line business before its disposal.
- Gain on disposal of subsidiaries and others included a one-off gain on disposal of the fixed-line business of HK$5,614 million and one-off after tax and non-controlling interests accelerated depreciation charges of HK$1,391 million for certain 2G and 3G mobile telecommunications fixed assets in Hong Kong and Macau.
- Profit attributable to shareholders amounted to HK$4,766 million, an increase of 599% compared with that in 2016.
- Earnings per share was 98.90 HK cents. Earnings per share excluding one-off items was 11.27 HK cents.
- Final dividend per share is 4.55 HK cents.

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

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

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

CHAIRMAN'S STATEMENT

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

Financial Results

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

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

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

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

Dividends

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

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

Mobile Business Review

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

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

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

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

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

Outlook

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

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

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

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

FOK Kin Ning, Canning
Chairman

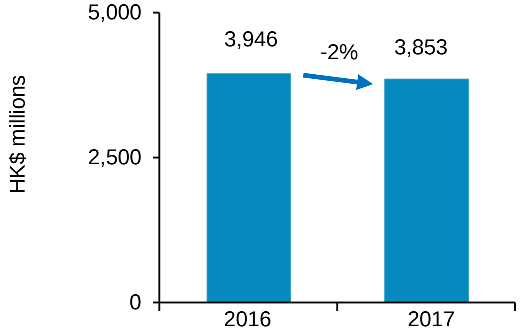
Hong Kong, 26 February 2018

Mobile Business Highlights - Excluding one-off charges

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

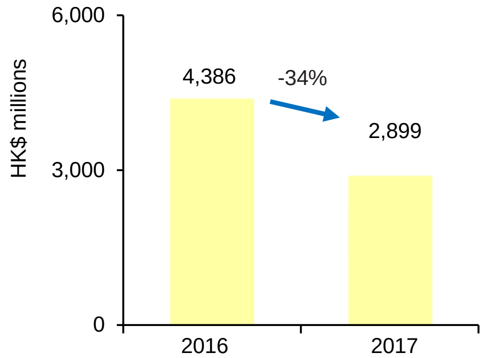
Mobile revenue in 2017 was HK$6,752 million, a 19% reduction compared with HK$8,332 million in 2016. More than 94% of the decline was attributable to lower hardware revenue as a result of lower demand for new smartphones. Service revenue in 2017 was HK$3,853 million, a 2% decrease compared with HK$3,946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

Service Revenue



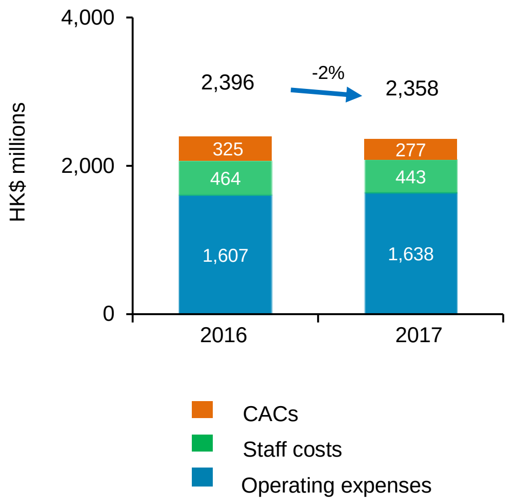
Hardware revenue was HK$2,899 million in 2017, a decrease of 34% from HK$4,386 million in 2016, resulting from lower demand for new smartphones.

Hardware revenue

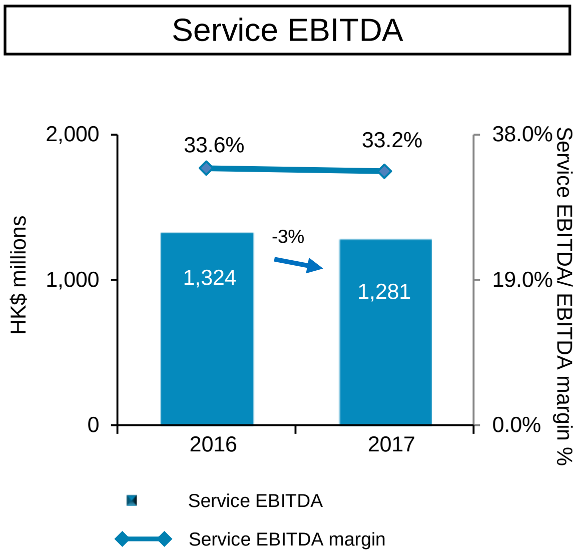


Total CACs, staff costs and operating expenses amounted to HK$2,358 million in 2017, a decrease of 2% from HK$2,396 million in 2016, mainly the result of improvement in retaining valuable customers with newly launched loyalty programmes as well as control of operating expenses.

Key cost items



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



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

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

Key Performance Indicators

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

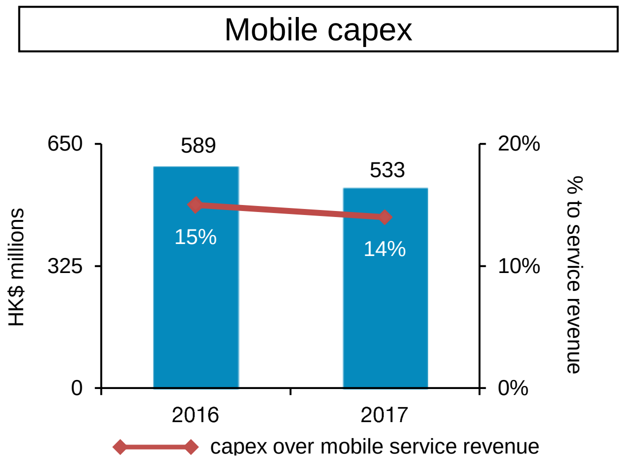
Note 4: The postpaid customers' contribution, ARPU and AMPU information for the year ended 31 December 2016 has been restated to exclude the mobile MVNO revenue.

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

Net interest and other finance costs

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

Capital expenditure



Summary of spectrum investment as of 31 December 2017

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

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

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

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 11**.**

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

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

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	2017 HK$ millions	(Restated) (Note 2) 2016 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		2,017	10,930
Goodwill		2,155	4,503
Telecommunications licences		2,542	2,796
Other non-current assets		214	770
Deferred tax assets		338	53
Investments in joint ventures		434	460
Total non-current assets		7,700	19,512
Current assets			
Cash and cash equivalents	12	13,717	357
Trade receivables and other current assets	13	950	1,753
Inventories		125	127
Total current assets		14,792	2,237
Current liabilities			
Borrowings		3,900	-
Trade and other payables	14	2,304	3,542
Current income tax liabilities		3	8
Loan from a fellow subsidiary		-	543
Interest payable to a fellow subsidiary		-	41
Total current liabilities		6,207	4,134
Non-current liabilities			
Deferred tax liabilities		-	573
Borrowings		-	4,467
Other non-current liabilities		330	514
Total non-current liabilities		330	5,554
Net assets		15,955	12,061
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		14,639	10,273
Total shareholders' funds		15,844	11,478
Non-controlling interests		111	583
Total equity		15,955	12,061

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Retained earnings/ (accumulated losses) HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2017, previously reported	1,205	11,185	(849)	(13)	28	17	11,573	583	12,156
Effect of merger accounting (Note 2)	-	-	(37)	-	-	(58)	(95)	-	(95)
At 1 January 2017, restated	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061
Profit for the year	-	-	4,766	-	-	-	4,766	(412)	4,354
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	105	-	105	1	106
Currency translation differences	-	-	-	4	-	-	4	-	4
Cumulative translation adjustments released upon disposal of subsidiaries	-	-	-	11	-	-	11	-	11
Total comprehensive income, net of tax	-	-	4,766	15	105	-	4,886	(411)	4,475
Disposal of subsidiaries	-	-	(50)	-	5	45	-	-	-
Dividend paid (Note 11)	-	-	(520)	-	-	-	(520)	(61)	(581)
At 31 December 2017	1,205	11,185	3,310	2	138	4	15,844	111	15,955

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2016, previously reported	1,205	11,185	(924)	(7)	46	17	11,522	569	12,091
Effect of merger accounting (Note 2)	-	-	(18)	-	-	(58)	(76)	-	(76)
At 1 January 2016, restated	1,205	11,185	(942)	(7)	46	(41)	11,446	569	12,015
Profit for the year, restated	-	-	682	-	-	-	682	72	754
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(18)	-	(18)	-	(18)
Currency translation differences	-	-	-	(6)	-	-	(6)	-	(6)
Total comprehensive income, net of tax	-	-	682	(6)	(18)	-	658	72	730
Dividend paid	-	-	(626)	-	-	-	(626)	(58)	(684)
At 31 December 2016, restated	1,205	11,185	(886)	(13)	28	(41)	11,478	583	12,061

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK$ millions	(Restated) (Note 2) 2016 HK$ millions
Cash flows from operating activities			
Cash generated from operations		2,076	2,537
Interest and other finance costs paid		(128)	(77)
Tax paid		(5)	(7)
Net cash generated from operating activities		1,943	2,453
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,013)	(1,127)
Additions to other non-current assets		(9)	(40)
Additions to telecommunications licences		-	(1,777)
Proceeds from disposals of property, plant and equipment		2	6
Interest received		1	1
Loan to a joint venture		(84)	(71)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		14,244	-
Net cash generated from/(used in) investing activities		13,141	(3,008)
Cash flows from financing activities			
Proceeds from borrowings		800	1,995
Repayment of borrowings		(1,400)	(1,500)
Repayment of loan from a fellow subsidiary		(543)	-
Dividend paid to the shareholders of the Company	11	(520)	(626)
Dividend paid to non-controlling interests		(61)	(58)
Net cash used in financing activities		(1,724)	(189)
Increase/(decrease) in cash and cash equivalents		13,360	(744)
Cash and cash equivalents at 1 January		357	1,101
Cash and cash equivalents at 31 December		13,717	357

NOTES

1 General Information

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

The Group used to be engaged in mobile and fixed-line businesses. After the disposal of its fixed-line business in October 2017, the Group is now principally engaged in the mobile business in Hong Kong and Macau. The shares of the Company are listed on the Main Board of the Stock Exchange.

These financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements were approved for issuance by the Board on 26 February 2018.

2 Basis of Preparation

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

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

(a) Business combination under common control

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

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

2 Basis of Preparation (Continued)

(a) Business combination under common control (Continued)

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

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

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

(b) Disposal of subsidiaries

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

3 Changes in Significant Accounting Policies

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

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2017:

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

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

3 Changes in Significant Accounting Policies (Continued)

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

At the date of approval of these financial statements, the following new/revised standards, amendments to existing standards and interpretations have been issued but are not yet effective for the year ended 31 December 2017:

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

(i) Effective for annual periods beginning on or after 1 January 2018

(ii) Effective for annual periods beginning on or after 1 January 2019

(iii) No mandatory effective date yet determined but is available for adoption

(i) IFRS 15 Revenue from Contracts with Customers

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

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

3 Changes in Significant Accounting Policies (Continued)

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

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

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

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

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

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

3 Changes in Significant Accounting Policies (Continued)

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

(ii) IFRS 16 Leases

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

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

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

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

3 Changes in Significant Accounting Policies (Continued)

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

(ii) IFRS 16 Leases (Continued)

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

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

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

(c) 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.

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.

3 Changes in Significant Accounting Policies (Continued)

(c) Critical accounting estimates and judgements (Continued)

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

The Group has substantial investments in mobile telecommunications infrastructure and network equipment. As at 31 December 2017, the carrying amount of the mobile telecommunications infrastructure and network equipment was approximately HK$1,374 million (2016 (Restated): HK$9,730 million for both mobile and fixed-line). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

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

(ii) Income taxes

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

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2017 indicated that no impairment charge was necessary.

3 Changes in Significant Accounting Policies (Continued)

(c) Critical accounting estimates and judgements (Continued)

(iv) Allocation of revenue for bundled transactions with customers

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

Critical judgements in applying the Group's accounting policies

Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carried forward. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2017, the Group has recognised deferred tax assets of approximately HK$338 million (2016: HK$53 million).

4 Revenue

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

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

5 Segment Information

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

Subsequent to the disposal of the fixed-line business, the results of fixed-line business, together with the related gain on disposal have been presented as discontinued operations in the consolidated financial statements of the Group for the years ended 31 December 2017 and 2016.

5 Segment Information (Continued)

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

5 Segment Information (Continued)

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

5 Segment Information (Continued)

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

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

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

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

6 Other Operating Expenses

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

7 Interest and Other Finance Costs, Net

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

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

8 Taxation

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

9 Discontinued Operations

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

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

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

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

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

9 Discontinued Operations (Continued)

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

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

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

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

10 Earnings per Share

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

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

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

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

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

11 Dividends

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

12 Cash and Cash Equivalents

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

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

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

13 Trade Receivables and Other Current Assets

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

(a) Trade receivables, net of provision

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

The carrying values of trade receivables approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

14 Trade and Other Payables

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

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

(a) Trade payables

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

GROUP CAPITAL RESOURCES AND LIQUIDITY

Treasury Management

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

Cash management and funding

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

Interest rate exposure

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

Foreign currency exposure

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

Credit exposure

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

Capital and Net Debt

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

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

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

Charges on Group Assets

As at 31 December 2017, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Borrowing Facilities Available

Committed borrowing facilities available to the Group but not drawn as at 31 December 2017 amounted to HK$900 million (2016: HK$1,500 million).

Contingent Liabilities

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

Commitments

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

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

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

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 strategy for delivering the objectives of the Group.

Past Performance and Forward-looking Statements

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

Human Resources

As at 31 December 2017, the Group employed 1,099 (2016: 1,100) full-time mobile staff members. Staff costs during the year ended 31 December 2017, including directors' emoluments, totalled HK$482 million (2016: HK$501 million). The decrease in staff costs was due to an increase in capitalisaton of certain IT related costs.

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, long-service awards and a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. It delivers quality products and services to its customers by managing its businesses prudently, while executing management decisions with due care and attention. The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen its relationship with the community. Operating as a sound corporate citizen through sponsorship and supporting socially-responsible projects at company level, the Group is committed to bringing positive impact to the general welfare of the community.

Review of Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive during which period no transfer of shares will be effected to determine shareholders' entitlement to attend and vote at the 2018 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Wednesday, 2 May 2018.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Monday, 14 May 2018. In order to qualify for the proposed final dividend payable on Thursday, 24 May 2018, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Monday, 14 May 2018.

Purchase, Sale or Redemption of Listed Securities

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

Compliance with the Corporate Governance Code

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

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

Compliance with the Model Code for Securities Transactions by Directors

The Board has adopted its own 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 HTHKH Securities Code in their securities transactions throughout 2017.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday, 8 May 2018. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the transaction that the Group acquired the entire issued share capital of Keen Clever from Cosmos Technology Limited, a subsidiary of CKHH Group, at a consideration of HK$0.9 million
"Board"	the Board of Directors of the Company
"CACs"	customer acquisition costs
"CKHH"	CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"CKHH Group"	CKHH and its subsidiaries
"Company" or "HTHKH"	Hutchison Telecommunications Hong Kong Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 215)
"Director(s)"	director(s) of the Company
"EBIT"	earnings before interest and other finance income, interest and other finance costs, taxation adjusted to include the Group's proportionate share of joint venture's EBIT but exclude one-off charges
"EBITDA/ LBITDA"	Earnings/(losses) before interest and other finance income, interest and other finance costs, taxation, depreciation and amortisation, adjusted to include the Group's proportionate share of joint venture's EBITDA/ LBITDA

DEFINITIONS (continued)

"Fixed-line"	Fixed-line telecommunications business
"Group"	the Company and its subsidiaries
"HGCGC"	HGC GlobalCentre Limited, a company incorporated in Hong Kong with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HTHKH Securities Code"	Model Code for Securities Transactions by Directors
"IFRS"	International Financial Reporting Standards
"IoT"	Internet-of-Things
"IT"	Information Technology
"Keen Clever"	Keen Clever Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mobile"	Mobile telecommunications business
"MVNO"	Mobile Virtual Network Operator
"NB-IoT"	Narrowband Internet-of-Things
"net customer service margin"	net customer service revenue less direct variable costs (including interconnection charges and roaming costs)
"Postpaid gross ARPU"	monthly average spending per postpaid user including a customer's contribution to mobile devices in a bundled plan
"Postpaid net AMPU"	average net margin per postpaid user; postpaid net AMPU equals postpaid net ARPU less direct variable costs (including interconnection charges)
"Postpaid net ARPU"	monthly average spending per postpaid user excluding revenue related to handset under the non-subsidised handset business model
"one-off charges"	one-off accelerated depreciation charges
"one-off items"	one-off gain on disposal of subsidiaries and one-off charges

DEFINITIONS (continued)

"service EBITDA"	EBITDA excluding standalone handset sales margin
"service EBITDA margin percentage"	EBITDA excluding standalone handset sales margin as a percentage of net customer service revenue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning

Deputy Chairman and Non-executive Director:
Mr LUI Dennis Pok Man

Executive Director:
Mr WOO Chiu Man, Cliff

Non-executive Directors:
Mr LAI Kai Ming, Dominic
(also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)
Ms Edith SHIH
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr WONG Yick Ming, Rosanna)
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna