




Hi3G Denmark Holdings ApS


CVR-nr. 26 12 34 96


Annual Report for 2016

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14 March 2017



Chairman



Kay Wang


Vicky Yip


Charles Cheung

Hi3G Denmark Holdings ApS, Scandiagade 8, 2450 København SV


Birgitte Lund
CEO
Hi3G Denmark ApS
Scandiagade 8
2450 København SV



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Management's Statement on the Annual Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of HIG Denmark Holdings ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 14 March 2017

Executive Board


Peder Ramel


Morten Christiansen

Board of Directors

Canning Fok
Chairman


Christian Cederholm


Lennart Johansson


Frank Slet

Christian Salbaing


Edith Slet

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Copenhagen, 16 March 2017

Executive Board


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Morten Christiansen

Board of Directors

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Copenhagen, 14 March 2017

Executive Board

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Morten Christiansen

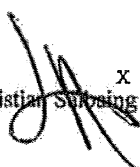
Board of Directors

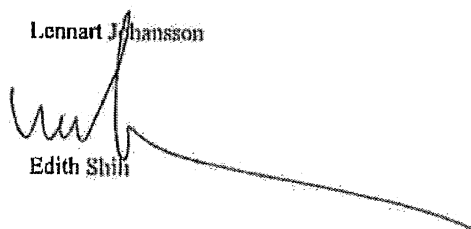
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Copenhagen, 14 March 2017

Executive Board

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Board of Directors



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Chairman

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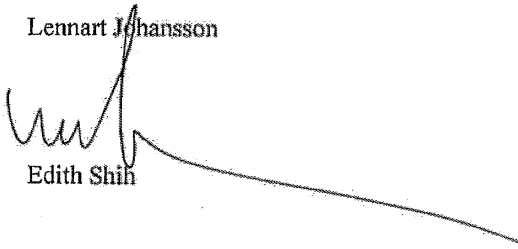
Lennart Johansson

Peder Ramel



Frank Sixt

Christian Salbaing



Edith Shin

Independent Auditor's Report

To the Shareholders of Hi3G Denmark Holdings ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Hi3G Denmark Holdings ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

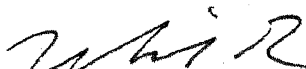
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 4 March 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31



Ulrik Ræbild
State Authorised Public Accountant



Christian Noe Oest
State Authorised Public Accountant

Company Information

The Company

Hi3G Denmark Holdings ApS
Scandiagade 8
DK-2450 København SV

Telephone: +45 33 33 01 35

Facsimile: +45 33 33 01 55

CVR-no: 26 12 34 96

Financial year: 1 January - 31 December

Municipality of
reg. office: Copenhagen

Board of Directors

Canning Fok, Chairman
Christian Cederholm
Edith Shih
Lennart Johansson
Peder Ramel
Christian Salbaing
Frank Sixt

Executive Board

Peder Ramel
Morten Christiansen

Lawyers

Bech-Bruun
Langelinie Allé 35
DK-2100 København Ø

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Financial Highlights

The development of the Group is described by the following financial highlights:

	2016	2015	2014	2013	2012
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Income statement					
Revenue	3 202 894	2 867 310	3 069 704	2 761 423	2 602 197
Gross profit	1 574 036	1 500 958	1 486 052	1 466 987	1 383 049
Operating profit	430 163	388 692	441 557	433 085	397 560
Net financial items	(27 140)	(42 628)	(83 114)	(95 505)	(117 400)
Profit before income taxes	403 023	346 064	358 443	337 580	280 160
Income taxes	(71 585)	(75 769)	-	-	-
Profit for the year	331 438	270 295	358 443	337 580	280 160
Balance sheet					
Investment in tangible fixed assets	192 769	145 544	174 628	234 755	338 861
Balance sheet total	4 314 251	4 081 638	4 531 673	4 506 892	4 486 724
Equity	3 207 928	2 876 490	2 606 365	2 246 579	1 908 999
Average number of employees					
	649	685	688	624	594
Ratios					
Return on total assets	10%	10%	10%	10%	9%
Solvency ratio	74%	70%	58%	50%	43%

For definitions, see accounting policies.

Management's Review

Comments from Morten Christiansen CEO

2016 has been yet another year with strong competition in the market, but 3 Denmark has continued to grow the customer base and ended 2016 with 1,201,026 customers; equivalent to an increase of 4%.

The substantial driver for the growth in the customer base has been continued expansion of our highly successful, market-leading '3 LikeHome' offer including all of the EU, USA, Canada, Australia, New Zealand, Singapore and more, equating 43 countries.

3 Denmark has a market share of 15.6% in the voice and mobile data market (excluding prepaid and M2M), and the company continues to maintain a strong position in the mobile data market in Denmark with 28% of all mobile data traffic carried by our network.

In order to expand and enhance our network and customer experience we invested mDKK 189 in 2016 (2015: mDKK 142) in the network, which corresponds to an investment rate of 6%. Furthermore, we have invested around mDKK 300 in the acquisition of an additional license for 2 x 20 1800 MHz spectrum running for the next 15 years.

Revenue grew 12% from mDKK 2,867 in 2015 to mDKK 3,203 in 2016 primarily driven by growth in the customer base and the sales mix. As in previous years we continue to focus on efficiency, and again, we have managed to keep costs at an overall flat level.

The tax expense for the year amounts to mDKK 72 compared with mDKK 76 in 2015. The lower tax expense is explained by a recognition of deferred tax assets of mDKK 10 in 2016. The Company has been in a tax paying position in both 2015 and 2016.

Profit for the year was mDKK 331 in 2016 compared with mDKK 270 in 2015; in line with our expectations and which I consider satisfactory.

In 2016, we signed a national roaming agreement with Telia. This roaming agreement replaces the previous agreement with TDC which did not include 3G and 4G data.

Future development

In the year to come, our focus will – as always – be on improving the customer experience. A number of actions in 2017 will add to this:

We continue our 4G and 4G+ rollout in order to have a complete footprint in 2017 which will ensure that we can meet the increased data usage of our customers. The successful outcome of the 1800MHz auction where we managed to acquire 2x20 MHz, will enable us to upgrade our data capacity and coverage.

Expansion of 3 LikeHome. We listen to our customers and recently (January 2017) we included China, Sri Lanka, Macao and Indonesia. China was a particular request from our Business Customers. More will come in 2017.

We will also launch 'Voice over LTE' (VoLTE).

Financing

In the past five fiscal years, the Company did not require any further financing as its activities have generated sufficient cash from operations as well as contributing substantially to the repayment of the shareholder loan relating to the Scandinavian Group.

Statutory Report on Social Responsibility, cf. Section 99a of the Danish Financial Statements Act

In accordance with the policies, the Company works actively with a range of sustainability areas; in particular, with the environment and Human Rights. More information is available in the CK Hutchison Group Sustainability Report 2016 here:

http://www.ckh.com.hk/en/esg/esg_overview.php

3 Denmark hires Syrian refugees

I have personally involved myself in the refugee debate in Denmark and have clearly stated that successful integration occurs when refugees are allowed to work. I put great trust in companies and in the Danish people to find sustainable solutions to the refugee crisis. 3 Denmark has hired three Syrian refugees for a trainee program and they have subsequently been given permanent employment.

Statutory Report on Gender Composition in Management, cf. Section 99b of the Danish Financial Statements Act

Our commitment to Diversity and Non-discrimination is accessible at: <http://www.ckh.com.hk/en/esg/>. The Company is working actively to achieve an equitable gender distribution on the Board of the Company. At the time of announcement of the annual report, the target number is not reached as the Board at this time consists of one woman and six men.

It is the company's goal to have at least 40% women in the management group. In 2016, the goal was not met as only 27% of the management group consisted of women. The Company has continued to encourage women in management and strives to have both genders represented in job interviews regarding management positions.

Significant events after the year-end

In February 2017, the Company was subject to an extortion attempt. Criminals claiming to be in the possession of classified customer information, tried to blackmail the Company in order to delete this information. The Company refused to pay, handing the case over to the authorities for further investigation.

There have been no other events of major importance to the Company's financial position subsequent to the year-end.

Proposed distribution of profit

The Board of Directors recommends that the Annual General Meeting approve the carry-forward of the results for the financial year.

Accounting Policies

Basis of Preparation

The Annual Report of Hi3G Denmark Holdings ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are unchanged from previous year except as explained below due to the implementation of the requirements in relation to the new Danish Financial Statements Act.

A reserve under equity relating to development projects has been made to reflect the booked value of development projects. Comparative figures in the statement of equity has been updated. The change does not affect the result for the year and net equity, but only the disclosure in the statement of equity.

Minor reclassifications between financial statement line items in the comparative figures and in the income statement as well as in the balance sheet have been made in 2016. None of the reclassifications affects the net result for the year or equity of the Company.

The comparison figures have been changed in accordance with the above changes in accounting policies.

All accounting figures in this report are stated in thousands DKK.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Hi3G Denmark Holdings ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Investments in joint-ventures are consolidated on a single line basis.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Recognition and measurement

The Financial Statements have been prepared on the historical cost basis.

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changes in accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates ruling at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Any differences between the exchange rates ruling at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Investment in joint ventures

Investments in joint ventures are measured under the equity method and reported in the balance sheet as financial assets.

The item "Income from investment in joint ventures" in the income statement includes the proportionate share of the profit after tax.

The item "Investment in joint ventures" in the balance sheet includes the proportionate ownership share of the net asset value of the enterprise calculated under the accounting policies of the Company with deduction or addition of unrealised intercompany profits or losses.

Income Statement

Revenue

Revenue is recognised exclusive of VAT and net of discounts directly relating to sales.

The major sources of income are recognised in the income statement as follows:

- Income from telephone related services is recognised at the time of the conversation.
- Subscription income is recognised over the duration of the subscription.
- Income on sale of equipment is recognised at the date of delivery.

Cost of sales

Cost of sales comprises expenses directly related to the revenue, including direct costs related to the establishment of customer relations.

External expenses

External expenses comprises indirect production costs and expenses for premises, sales and distribution as well as office expenses and similar costs.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses.

Other income

Other income comprises items of a secondary nature in relation to the Company's principal activity.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation and amortisation of tangible and intangible fixed assets as well as gains and losses from disposal of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the on-account taxation scheme.

Income taxes

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity. Any share of the tax reported in the income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation with the companies is allocated to companies showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible fixed assets

Development projects

Costs of development projects comprise expenses directly or indirectly attributable to the Company's development activities, including the cost of related software licences.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development projects are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Capitalised development projects, including the costs of software licences, are amortised on a straight-line basis over the expected useful life, normally 5 years.

Licences and similar rights

Licences and similar rights to software are measured at the lower of cost less accumulated amortisation and value in use.

Interest expenses on loans for financing the acquisition of intangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Licences are amortised over the license period up to 20 years from commercial launch. Amortisation commences in connection with the commercial use of the Company's products.

Rental rights

Rental rights is measured at cost less accumulated amortisation.

Rental rights is amortised on a straight-line basis over the expected useful life, normally 5 years.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour and materials.

Interest expenses on the financing of tangible fixed assets are capitalised at cost until commercial launch. All indirectly attributable loan expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual values is calculated on a straight line basis over the expected useful lives of the assets on the basis of the date on which the assets are put into use. These depreciation periods are as follows:

Network infrastructure	5/20/40 years
Equipment	3/5 years
Leasehold improvements	3/5 years

Gains and losses on retirements and disposals of tangible fixed assets are included in depreciation and amortisation of tangible and intangible fixed assets in the income statement.

Impairment of fixed assets

The carrying amounts of both intangible and tangible fixed assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Assets for which a value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Inventories

Inventories are valued at the lower of net realisable value or the weighted average cost.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Deferred tax

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to materialise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Prepayments

Prepayments include expenses incurred in respect of subsequent financial years, including fair value adjustments of derivative financial instruments with a positive fair value, prepaid expenses concerning rent, insurance premiums, subscriptions, interest and similar items.

Equity

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial liabilities

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income mainly comprises sale of prepaid products and accrued subscription income.

Statement of cash flow

The statement of cash flow shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less trade and other payables, deferred income and short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible fixed assets, tangible fixed assets as well as financial asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholder. Cash and cash equivalents Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Ratios

The financial ratios have been calculated as follows:

$$\text{Return on total assets} = \frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

Consolidated Income Statement 1 January – 31 December

	Note	2016 DKK '000	2015 DKK '000
Revenue	2	3 202 894	2 867 310
Cost of sales		(1 628 858)	(1 366 352)
Gross profit		1 574 036	1 500 958
External expenses	5	(637 928)	(644 216)
Staff costs	3	(304 494)	(279 870)
Other income		17 239	37 427
Operating profit before depreciations and amortisation		648 853	614 299
Depreciation and amortisation	4	(218 690)	(225 607)
Operating profit		430 163	388 692
Income / (loss) from investment in joint ventures	10	1 248	(142)
Financial income	6	407	446
Financial expenses	7	(28 795)	(42 932)
Profit before income taxes		403 023	346 064
Income taxes	11	(71 585)	(75 769)
Profit for the year		331 438	270 295
 Distribution of profit			
Proposed distribution of profit			
Reserve for development projects capitalised		5 133	(1 356)
Retained earnings		326 305	271 651
		331 438	270 295

Consolidated Balance sheet at 31 December

Assets	<u>Note</u>	<u>2016</u> DKK '000	<u>2015</u> DKK '000
Completed development projects		36 179	19 095
Development projects under construction		5 365	17 316
License and similar rights		625 614	378 270
Rental rights		820	1 231
Intangible fixed assets	8	667 978	415 912
Network infrastructure		2 385 394	2 279 188
Equipment		11 798	7 863
Leasehold improvements		2 398	8 289
Assets under construction		60 949	135 240
Tangible fixed assets	9	2 460 539	2 430 580
Investment in joint ventures	10	12 747	4 499
Deposits		33 468	30 942
Financial asset investments		46 215	35 441
Fixed assets		3 174 732	2 881 933
Inventories		62 198	67 375
Trade receivables		236 862	212 312
Receivables from group enterprises		43 346	15 112
Other receivables		56 336	53 287
Deferred tax assets	11	551 827	614 363
Prepayments		170 127	186 826
Receivables		1 058 498	1 081 900
Cash at bank and in hand	12	18 823	50 430
Current assets		1 139 519	1 199 705
Assets		4 314 251	4 081 638

Consolidated Balance Sheet at 31 December

	Note	2016	2015
		DKK '000	DKK '000
Liabilities and equity			
Share capital	13	64 375	64 375
Reserve for development costs capitalised		41 544	36 411
Retained earnings		3 102 009	2 775 704
Equity		3 207 928	2 876 490
Long-term liabilities		200 231	0
Long-term liabilities		200 231	0
Current part of long-term debt		32 269	0
Trade payables		328 059	265 917
Payables to group enterprises		473 620	870 419
Tax payable		9 620	3 600
Other payables		59 372	62 768
Deferred income		3 152	2 444
Current liabilities		906 092	1 205 148
Liabilities		1 106 323	1 205 148
Liabilities and equity		4 314 251	4 081 638

Other notes

Events after the balance sheet date	1
Adjustment for non-cash items	14
Change in working capital	15
Contractual obligations	16
Contingent liabilities	17
Related parties	18

Consolidated Statement of changes in equity

	Share capital	Reserve for development costs capitalised	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January 2016	64 375	36 411	2 775 704	2 876 490
Net profit for the year	0	5 133	326 305	331 438
Equity at 31 December 2016	64 375	41 544	3 102 009	3 207 928
Equity at 1 January 2015	64 375	0	2 541 820	2 606 195
Change in Accounting Policies	0	37 767	(37 767)	0
Adjusted Equity at 1 January 2015	64 375	37 767	2 504 053	2 606 195
Net profit for the year	0	(1 356)	271 651	270 295
Equity at 31 December 2015	64 375	36 411	2 775 704	2 876 490

Consolidated Statement of cash flows

	Notes	2016	2015
		DKK '000	DKK '000
Profit for the year		331 438	270 295
Adjustment for non-cash items	14	317 417	344 004
Change in working capital	15	25 497	119 158
Financial income		407	446
Financial expenses		(28 795)	(42 932)
Income tax paid		(3 030)	0
Cash flow from operating activities		642 934	690 971
Investments in intangible fixed assets		(307 947)	(15 002)
Investments in tangible fixed assets		(195 295)	(145 544)
Sale of intangible fixed assets		0	4 949
Sale of tangible fixed assets		0	0
Investment in joint ventures		(7 000)	0
Cash flow from investing activities		(510 242)	(155 597)
Repayment of loans to group enterprises		(396 799)	(565 053)
Proceeds from loans		232 500	0
Cash flow from financing activities		(164 299)	(565 053)
Total cash flow		(31 607)	(29 679)
Cash and cash equivalents at 1 January		50 430	80 109
Cash and cash equivalents at 31 December		18 823	50 430

Notes to the Consolidated Financial Statements

1 Events after the balance sheet date

There have been no events of major importance to the Company's financial position subsequent to the balance sheet date.

2 Revenue

All activities are limited to the Danish market. The internal reporting does not segregate revenue in underlying segments or geographic areas.

	2016	2015
	DKK '000	DKK '000
3 Staff costs		
Wages and salaries	296 257	274 848
Pensions	22 411	22 724
Other social security expenses	4 979	5 195
	<u>323 647</u>	<u>302 767</u>
Of which capitalised	<u>(19 153)</u>	<u>(22 897)</u>
	<u>304 494</u>	<u>279 870</u>
Of this remuneration to executive Board and Supervisory Board:		
Salaries, bonus and pensions	<u>20 265</u>	<u>19 916</u>
	<u>20 265</u>	<u>19 916</u>
A part of the remuneration to executive Board and Supervisory Board is paid by the Company's Swedish parent company.		
Average number of employees	<u>649</u>	<u>685</u>

	2016	2015
	DKK '000	DKK '000
4 Depreciation and amortisation of tangible and intangible fixed assets		
Completed development projects	11 660	8 043
Licenses and similar rights	44 614	44 199
Rental rights	411	2 498
Network infrastructure	156 361	158 503
Equipment	4 430	3 230
Leasehold improvements	1 214	2 943
Loss connected to disposal of fixed assets	0	6 191
	218 690	225 607
5 Fees to auditor elected by the Annual General Meeting		
Audit fee	1 040	1 050
Other assurance engagements	0	0
Tax advisory services	711	310
Other services	75	111
	1 826	1 471
6 Financial Income		
Other financial income	407	446
	407	446
7 Financial expenses		
Interest paid to group enterprises	10 467	25 972
Other financial expenses	18 328	16 960
	28 795	42 932

8 Intangible fixed assets

	Completed development projects	Development projects under construction
	DKK '000	DKK '000
Cost at 1 January 2016	307 576	17 316
Reclassifications	(240)	0
Additions for the year	1 109	15 120
Transfers for the year	27 875	(27 071)
Cost at 31 December 2016	<u>336 320</u>	<u>5 365</u>
Amortisation at 1 January 2016	288 481	0
Amortisation for the year	11 660	0
Disposals for the year	0	0
Amortisation at 31 December 2016	<u>300 141</u>	<u>0</u>
Carrying amount 31 December 2016	<u>36 179</u>	<u>5 365</u>

The Company capitalise cost relating to development of new software and systems. The projects are in general short term projects running less than 12 months. Projects under construction are running as planned.

8 Intangible fixed assets (continued)

	Rental rights	Licences and similar rights
	DKK '000	DKK '000
Cost at 1 January 2016	28 932	892 289
Additions for the year	0	291 958
Disposals for the year	0	0
Transfers for the year	0	0
Cost at 31 December 2016	<u>28 932</u>	<u>1 184 247</u>
Amortisation at 1 January 2016	27 701	514 019
Amortisation for the year	411	44 614
Disposals for the year	0	0
Amortisation at 31 December 2016	<u>28 112</u>	<u>558 633</u>
Carrying amount 31 December 2016	<u>820</u>	<u>625 614</u>

9 Tangible fixed assets

	Network infrastructure	Assets under construction
	DKK '000	DKK '000
Cost at 1 January 2016	3 472 035	135 240
Additions for the year	0	189 081
Disposals for the year	0	0
Transfers for the year	262 567	(263 372)
Cost at 31 December 2016	<u>3 734 602</u>	<u>60 949</u>
Depreciation at 1 January 2016	1 192 847	0
Depreciation for the year	156 361	0
Disposals for the year	0	0
Depreciation at 31 December 2016	<u>1 349 208</u>	<u>0</u>
Carrying amount 31 December 2016	<u>2 385 394</u>	<u>60 949</u>
Of which capitalised interest	<u>24 895</u>	<u>0</u>
	Equipment	Leasehold improvements
	DKK '000	DKK '000
Cost at 1 January 2016	50 502	34 724
Additions for the year	3 510	178
Disposals for the year	0	0
Reclassifications	4 855	(4 855)
Cost at 31 December 2016	<u>58 867</u>	<u>30 047</u>
Depreciation at 1 January 2016	42 639	26 435
Depreciation for the year	4 430	1 214
Disposals for the year	0	0
Depreciation at 31 December 2016	<u>47 069</u>	<u>27 649</u>
Carrying amount 31 December 2016	<u>11 798</u>	<u>2 398</u>

	2016	2015
	DKK '000	DKK '000
10 Investment in joint ventures		
Cost at 1 January	11 691	11 691
Additions for the year	7 000	0
Disposals for the year	0	0
Cost at 31 December	<u>18 691</u>	<u>11 691</u>
Revaluations at 1 January	(7 192)	(7 050)
Adjustments for the year	1 248	(142)
Revaluations at 31 December	<u>(5 944)</u>	<u>(7 192)</u>
Carrying amount 31 December	<u>12 747</u>	<u>4 499</u>

Investment in joint ventures is specified as follows:

Name	Place of registered office	Equity	Votes and ownership	Net result
		DKK '000		DKK '000
4T af 1. oktober 2012 ApS	Copenhagen Denmark	16 662	25%	(3 956)
OCH A/S	Copenhagen Denmark	2 773	25%	3 282

	2016	2015
	DKK '000	DKK '000
11 Deferred tax assets		
Deferred tax 1 January	614 363	686 532
Deferred tax for the year	(62 536)	(67 169)
Reduction of Danish corporate income tax rate	0	(5 000)
Deferred tax 31 December	551 827	614 363

The deferred tax asset is specified as follows:

Arising from deferred tax losses	615 692	628 395
Arising from accelerated depreciation allowances	(69 554)	(18 677)
Arising from deductible temporary differences	5 689	4 645
	551 827	614 363

The value of the unrecognised deferred tax loss is DKK 0 million (2015: DKK 12 million).

Changes in Income Statement

Current tax for the year	(9 620)	(3 600)
Deferred tax for the year	(78 309)	(72 169)
Recognition of non-recognised deferred tax asset	10 153	0
Prior year adjustments	6 191	0
Tax charge for the year	(71 585)	(75 769)

The recognised deferred tax asset mainly consist of tax losses, which are expected to be utilised within 8 years through income generated from the ordinary business. The tax losses are a result of the significant investment the Company has made to become a significant mobile operator on the Danish market.

Expected utilisation of deferred tax asset:

0-1 year	86 350	76 250
> 1 year	465 477	538 113
	551 827	614 363

	<u>2016</u>	<u>2015</u>
	DKK '000	DKK '000
12 Cash at bank and in hand		
Cash at bank and in hand	18 823	50 430
	<u>18 823</u>	<u>50 430</u>

The Company has entered a cash pool with its parent company which means that available cash is collected by the parent company until it is needed. The cash pool is recorded as receivables from group enterprises.

	<u>2016</u>	<u>2015</u>
	DKK '000	DKK '000
13 Share capital		
Analysis of the Company's share capital, DKK 64 375 000		
64 375 class A shares of DKK 1 000 each	64 375	64 375
	<u>64 375</u>	<u>64 375</u>

The share capital has not changed in the last 5 years.
All shares have the same share class.

14 Adjustment for non-cash items		
Financial income	(407)	(446)
Financial expenses	28 795	42 932
Depreciation and amortisation	218 690	225 607
Loss/(income) from investments in joint ventures	(1 248)	142
Income taxes	71 585	75 769
Other adjustments	2	0
	<u>317 417</u>	<u>344 004</u>

15 Change in working capital		
Change in inventories	5 177	768
Change in receivables	(39 134)	277 267
Change in trade payables, etc.	59 454	(158 877)
	<u>25 497</u>	<u>119 158</u>

16 Contractual obligations

	2016	2015
	DKK '000	DKK '000
Rental and lease obligations from operating leases. Total future rental and lease payments:		
Within 1 year	96 731	109 145
Between 1 and 5 years	244 153	340 258
More than 5 years	100 606	58 161
	441 490	507 564

17 Contingent liabilities

The Company is jointly taxed with the other Danish companies in the Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

The Company is involved in certain disputes with customers, suppliers and business partners. Furthermore the Company is in dialog with the Danish Authorities relating to VAT on services. It is Management's assessment that the Company's VAT treatment on these services is in line with the current legislations and is consistent with the practice of the parent company. The total contingent liabilities amount to DKK 310 million.

18 Related parties

	<u>Basis of controlling interest</u>
Hi3G Access AB Lindhagensgatan 98 SE-104 25 Stockholm	Controlling shareholder
CK Hutchison Holdings Limited 22nd Floor, Hutchison House 10 Harcourt Road Hong Kong	Ultimate parent company

Transactions

Commercial terms and market prices apply for sale and purchases of goods and services between group companies.

Some of the Company's investments are made jointly with other telecom companies within the CK Hutchison Holdings Limited Group ("CK Hutchison Holdings Group").

During the year, the Company purchased services from other companies within the CK Hutchison Holdings Group, amounting to DKK 218,686k (2015: DKK 228,453k). These have either been expensed directly or booked as assets.

Other transactions with related parties

At year-end, the outstanding payable due to purchase of goods and services from the CK Hutchison Holdings Group companies amounted to DKK 31,759k (2015: DKK 21,954k). The outstanding receivable was DKK 43,346k (2015: DKK 15,112k).

At year-end, the Company has a loan to its Parent Company, amounting to DKK 441,861k (2015: DKK 848,465k).

Consolidated Financial Statements

The Company is included in the consolidated financial statements of Hi3G Holdings AB, Lindhagensgatan 98, SE-104 25 Stockholm, Sweden, which is the smallest group into which the Company is included as a subsidiary. The consolidated financial statements of CK Hutchison Holdings Limited, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong, is the largest group into which the Company is included as a subsidiary. Copies of the consolidated financial statements can be obtained at the addresses of the respective parent companies.

Parent Company Income Statement 1 January - 31 December

	Notes	2016 DKK '000	2015 DKK '000
Personnel expenses	4	-	-
Operating profit		-	-
Result from investment in subsidiary	1	330 190	270 295
Financial income	2	10 467	25 972
Financial expenses	3	(10 467)	(25 972)
Profit before income taxes		330 190	270 295
Income taxes		-	-
Profit for the year		330 190	270 295

Distribution of profit

Proposed distribution of profit

Retained earnings	330 190	270 295
	330 190	270 295

Parent Company Balance Sheet at 31 December

	Notes	2016	2015
		DKK '000	DKK '000
Assets			
Investment in subsidiary	5	3 206 850	2 876 660
Receivables from subsidiary		441 766	848 370
Fixed asset investments		3 648 616	3 725 030
Fixed assets		3 648 616	3 725 030
Assets		3 648 616	3 725 030
		2016	2015
		DKK '000	DKK '000
Liabilities and equity			
Share capital		64 375	64 375
Retained earnings		3 142 305	2 812 115
Equity		3 206 680	2 876 490
Trade payables		75	75
Payables to group companies		441 861	848 465
Current liabilities		441 936	848 540
Liabilities		441 936	848 540
Liabilities and equity		3 648 616	3 725 030
Other notes			
Contingent liabilities	6		
Related parties	7		

Parent Company Statement of changes in Equity

	Share capital	Retained earnings	Total
	DKK '000	DKK '000	DKK '000
Equity at 1 January 2016	64 375	2 812 115	2 876 490
Net profit for the year	-	330 190	330 190
Equity at 31 December 2016	64 375	3 142 305	3 206 680
Equity at 1 January 2015	64 375	2 541 820	2 606 195
Net profit for the year	-	270 295	270 295
Equity at 31 December 2015	64 375	2 812 115	2 876 490

The share capital has not changed in the last 5 years.
All shares have the same share class.

Notes to the Parent Company Financial Statements

	2016	2015
	<u>DKK '000</u>	<u>DKK '000</u>
1 Result from investment in susidiary		
Result from investment in susidiary	330 190	270 295
	<u>330 190</u>	<u>270 295</u>
2 Financial income		
Interest received from subsidiary	10 467	25 972
	<u>10 467</u>	<u>25 972</u>
3 Financial expenses		
Interest paid to group companies	10 467	25 972
	<u>10 467</u>	<u>25 972</u>
4 Personnel expenses		

The Company has not employees and no remuneration has been paid during the year.

5 Investment in subsidiary

	2016	2015
	DKK '000	DKK '000
Cost at 1 January	5 045 373	5 045 373
Cost at 31 December	5 045 373	5 045 373
Revaluations at 1 January	(2 168 713)	(2 439 008)
Result after tax for the year	330 190	270 295
Revaluations at 31 December	(1 838 523)	(2 168 713)
Carrying amount at 31 December	3 206 850	2 876 660

Investment in a subsidiary is specified as follows:

Name	Place of registered office	Equity	Votes and ownership	Net result
		DKK '000		DKK '000
Hi3G Denmark ApS	Copenhagen Denmark	3 206 850	100%	330 190

6 Contingent liabilities

The Company is jointly taxed with the other Danish companies in the Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

7 Related parties

	<u>Basis of controlling interest</u>
Hi3G Access AB Lindhagensgatan 98 SE-104 25 Stockholm	Controlling shareholder
CK Hutchison Holdings Limited 22nd Floor, Hutchison House 10 Harcourt Road Hong Kong	Ultimate Parent Company

Transactions

Transactions with related parties relates to financial receivables and debt. Interests received amounts to DKK 10,467k (2015: DKK 25,972k) and interests paid amounts to DKK 10,467k (2015: DKK 25,972).

At year end the company has a loan to its Parent Company, amounting to DKK 441,861k (2015: DKK 848,465k). The Company has a receivable from its subsidiary amounting to DKK 441,766k (2015: DKK 848,370k).

Consolidated Financial Statements

The Company is included in the consolidated financial statements of Hi3G Holdings AB, Lindhagensgatan 98, SE-104 25 Stockholm, Sweden, which is the smallest group into which the Company is included as a subsidiary. The consolidated financial statements of CK Hutchison Holdings Limited, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong, is the largest group into which the Company is included as a subsidiary. Copies of the consolidated financial statements can be obtained at the addresses of the respective parent companies.