

December 31, 2016

18 GOODWILL (CONTINUED)**Impairment tests for CGUs containing goodwill**

Goodwill is allocated to the Groups' CGUs identified according to operating segment as follows:

In HK\$ million	2015	2016
TSS		
– Local telephony and data services	30,962	30,962
– Global	1,136	1,130
– Others	501	500
Mobile	16,853	16,853
Other Businesses	365	342
Total	49,817	49,787

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates stated below.

The key assumptions used for value-in-use calculations in 2015 and 2016 are as follows:

	Operating margin	2015 Terminal growth rate	Discount rate	Operating margin	2016 Terminal growth rate	Discount rate
TSS						
– Local telephony and data services	77%	1%	8%	77%	1%	8%
– Global	23%	3%	10%	22%	3%	10%
Mobile	46%	2%	10%	45%	2%	9%

These assumptions have been used for the analysis of each CGU.

There was no impairment required from the review on goodwill as at October 31, 2016.

Management determined budgeted operating margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The terminal growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.