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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 2009

HIGHLIGHTS

- The largest 3G mobile operator in Hong Kong with over 1.4 million 3G customers.
- Consolidated turnover grew 4% to HK\$8,449 million.
- Turnover of mobile business grew 3% to HK\$5,578 million, reflecting data revenue growth of over 50%, and related operating profit grew 97% to HK\$483 million.
- Turnover of fixed-line business increased 6% to HK\$3,221 million, with a strong performance in the carrier market, and operating profit grew 10% to HK\$398 million.
- Profit attributable to equity holders of the Company increased 103% to HK\$468 million.
- Basic earnings per share doubled to 9.72 HK cents.
- Final dividend per share recommended of 6.16 HK cents.



CHAIRMAN'S STATEMENT

Following the spin-off from Hutchison Telecommunications International Limited, Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 May 2009. This represents a new chapter in a telecommunications success story that has developed under the all-pervasive Hutchison brand name.

Results

Consolidated turnover amounted to HK\$8,449 million, representing a growth of 4% compared to HK\$8,124 million for 2008. Profit attributable to equity holders of the Company was HK\$468 million, a growth of 103% compared to HK\$230 million for 2008. Basic earnings per share were 9.72 HK cents for the year, compared to 4.78 HK cents for 2008.

Dividends

The board of directors (the "Board") recommends the payment of a final dividend of 6.16 HK cents per share for the year 2009 (2008: Nil), or HK\$297 million in total, to those persons registered as shareholders of the Company on Tuesday, 11 May 2010. This is equivalent to a dividend payout ratio of 75% of our profit attributable to equity holders. The proposed final dividend will be paid on Tuesday, 18 May 2010 following approval at the Annual General Meeting of the Company. The register of members will be closed from Friday, 7 May 2010 to Tuesday, 11 May 2010, both days inclusive.

Financial Review

Although 2009 was a challenging year following the financial tsunami, our businesses have remained resilient. We achieved steady year-on-year turnover growth of 4% and total operating expenses in 2009 were held steady at HK\$7,662 million, comparable to HK\$7,616 million in 2008. Depreciation and amortisation decreased 7% to HK\$1,288 million in 2009 from HK\$1,390 million in 2008.

Interest and other finance costs in 2009 decreased 17% to HK\$184 million compared to HK\$223 million in 2008, mainly reflecting lower market interest rates. Taxation decreased 16% to HK\$61 million compared to HK\$73 million in 2008.

In view of the solid businesses growth in 2009, profit attributable to equity holders of the Company was HK\$468 million compared to HK\$230 million in 2008, representing an encouraging increase of 103%.

Business Review

Mobile business – Hong Kong and Macau

We have continued to strengthen our customer profile and achieve steady growth in turnover and margin, despite the dampening effect of economic difficulties and an all-round decline in spending and travelling. Our mobile customer base in Hong Kong and Macau grew 10% to approximately 3 million.

The year under review saw the powerful “3” brand enjoying continued prominence as the top 3G service provider in Hong Kong and the second largest mobile operator in Macau. Our innovative approach to the latest technologies, creative marketing efforts and focus on value-for-money services have well positioned the “3” brand as the most suitable option for those seeking to enhance everyday lifestyles with iPhones, other smartphones and mobile broadband data products.

Fixed-line business – Hong Kong

Our fixed-line business has grown to command a prominent market share with its extensive fibre-to-the-building network. Such constantly-enhanced fixed-line network addresses the needs of a diversity of entities that range from submarine cable operators, international carriers, local mobile operators and data centres. This activity benefits from a strategy that entails tailoring solutions to a wide spread of industries that include professional services, logistics and media, as well as financial services and the public sector.

Further afield, we provide an advanced voice-data-IP network that links our home market with the rest of the world and carries traffic between internationally-dispersed geographies. In addition, we continue to explore the potential of forming more strategic alliances with other operators in the region.

Outlook

During a challenging and competitive year, we achieved steady growth and solid progress into network rollout. We have built an advanced and integrated mobile and fixed-line infrastructure that can meet growing demand for bandwidth and broadband service applications. At the same time, we benefit from a strong financial position and healthy operating cash flow.

We are well positioned to explore and capitalise on opportunities generated by upwardly-spiraling demand for bandwidth and an increasing appetite for mobile data services. This bodes well for the future development of our businesses, as well as reinforcement of our market leadership in an economic environment that has yet to make a full recovery.

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

FOK Kin-ning, Canning
Chairman

Hong Kong, 8 March 2010

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Turnover of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2009 was HK\$8,449 million, representing an increase of 4% compared to HK\$8,124 million in 2008. The increase in turnover was mainly attributable to growing demand for mobile and fixed-line broadband services. The Group reported an operating profit of HK\$787 million for the year under review, representing an increase of 55% compared to HK\$508 million in 2008. The increase in operating profit was mainly attributable to a steady turnover growth coupled with effective cost management.

In 2009, the Group adopted a new accounting policy to expense all customer acquisition costs (CAC) and customer retention costs (CRC) as other operating expenses on the income statement as incurred, instead of capitalising and amortising these costs over the minimum enforceable contractual period. Such change in policy has been accounted for retrospectively, resulting in decreased value of other intangible assets amounting to HK\$828 million (2008: HK\$758 million) and a net decrease of profit attributable to equity holders of HK\$52 million (2008: HK\$200 million). The change allows closer alignment of income and cash flow statements, and provides greater comparability with the results of other major telecommunications operators.

Depreciation and amortisation expenses decreased by 7% to HK\$1,288 million for the year ended 31 December 2009 as a result of more fully depreciated assets. Other operating expenses amounted to HK\$4,974 million, which is comparable to 2008.

Interest and finance costs for the year ended 31 December 2009 amounted to HK\$184 million, a decrease of 17% compared to HK\$223 million in 2008. This decrease was in line with the decrease in market interest rates.

Share of losses from jointly-controlled entities during the year ended 31 December 2009 was HK\$16 million compared to HK\$11 million in 2008. Taxation for the year ended 31 December 2009 was HK\$61 million compared to HK\$73 million in 2008.

Overall, the Group recorded a profit attributable to equity holders for the year ended 31 December 2009 of HK\$468 million, representing an increase of 103% compared to HK\$230 million in 2008.

Business Review

The Group engages in mobile business and fixed-line business.

Mobile business in Hong Kong and Macau

Although year 2009 was a challenging year for the mobile telecommunications industry, and despite the dampening effect of global economic turmoil, turnover of our mobile operations increased 3% to HK\$5,578 million compared to HK\$5,395 million in 2008. We maintained a leading position in the 3G Hong Kong market with a customer base of over 1.4 million as at 31 December 2009, representing a 12% growth from the beginning of the year. Total customer base in Hong Kong and Macau was approximately 3 million, with the number of postpaid customers reaching 1.9 million, accounting for over 60% of the total customer base.

An all-round decline in spending and travelling resulted in lower roaming revenue. Nevertheless, we see continued demand for data usage from sophisticated customers, such as those using iPhones, other smartphones and mobile broadband data products.

EBITDA increased 14% from HK\$1,002 million to HK\$1,138 million, attributable to growth in turnover and effective cost management.

CAPEX totalled HK\$413 million which demonstrated our continued commitment to network excellence.

Fixed-line business in Hong Kong

Our fixed-line business comprises three main segments – international and local carriers, corporate and business, and residential. The international and local carriers segment involves product and service areas such as International Private Leased Circuits (IPLC), data and IDD. Our corporate and business segment focuses on leased-line, voice, data, broadband and IDD services, serving mainly large corporations and telecommunications operators. The residential segment provides voice, broadband and IDD services to the mass market.

Thanks to years spent on developing a formidable optical-fibre capability, we own one of the most extensive fibre-to-the-building telecommunications infrastructure in Hong Kong. Turnover increased 6% to HK\$3,221 million compared to HK\$3,035 million in 2008, mainly as a result of our strategic investment in markets holding high-growth potential. This enabled us to broaden our customer base by appealing to higher-yield carriers, corporate and enterprise customers.

EBITDA increased 4% from HK\$995 million to HK\$1,031 million due to increased contribution from international and local carriers segment, offset by lower interconnection revenue following the demolition of interconnection payment arrangement in 2009.

CAPEX was HK\$623 million in 2009 compared to HK\$523 million in 2008, which largely represents our revenue-driven investment planning.

Prospects

We pledge to serve customers with leading-edge mobile connectivity, infotainment and applications. Our state-of-the-art fibre-to-the-building infrastructure, modernised 3G network, together with newly awarded 4G license well position us to capture the growing demand for broadband services and complex service applications.

The combined effect of these factors will enable us to remain in the vanguard of Hong Kong's dynamic telecommunications industry, while benefiting from strong financial position and healthy operating cash flows. This positive positioning will serve our commitment to deliver value to our shareholders by generating steady growth.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK\$ millions	(Restated) 2008 HK\$ millions
Turnover	3	8,449	8,124
Cost of inventories sold		(756)	(698)
Staff costs		(644)	(630)
Depreciation and amortisation		(1,288)	(1,390)
Other operating expenses		(4,974)	(4,898)
Operating profit		<u>787</u>	<u>508</u>
Interest income	5	4	17
Interest and other finance costs	5	(184)	(223)
Share of results of jointly controlled entities		(16)	(11)
Profit before taxation		<u>591</u>	<u>291</u>
Taxation	6	(61)	(73)
Profit for the year		<u><u>530</u></u>	<u><u>218</u></u>
Attributable to:			
Equity holders of the Company		468	230
Minority interest		62	(12)
		<u><u>530</u></u>	<u><u>218</u></u>
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
- basic	7	<u>9.72</u>	<u>4.78</u>
- diluted	7	<u>9.72</u>	<u>4.78</u>

Details of dividends to equity holders of the Company are set out in Note 8.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 HK\$ millions	(Restated) 2008 HK\$ millions
Profit for the year	530	218
Other comprehensive income and net income recognised directly in equity		
Actuarial gains/(losses) of defined benefit plans	43	(97)
Total comprehensive income for the year, net of tax	<u>573</u>	<u>121</u>
Total comprehensive income attributable to:		
Equity holders of the Company	510	134
Minority interest	63	(13)
	<u>573</u>	<u>121</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	2009 HK\$ millions	(Restated) 2008 HK\$ millions	(Restated) 2007 HK\$ millions
ASSETS				
Non-current assets				
Property, plant and equipment		9,436	9,557	9,695
Goodwill		4,503	4,503	3,813
Other intangible assets		336	385	435
Other non-current assets		1,328	1,377	1,876
Deferred tax assets		368	368	368
Investments in jointly controlled entities		270	88	-
Total non-current assets		<u>16,241</u>	<u>16,278</u>	<u>16,187</u>
Current assets				
Cash and cash equivalents	9	268	272	275
Trade receivables and other current assets	10	1,085	1,137	1,493
Inventories		160	181	164
Total current assets		<u>1,513</u>	<u>1,590</u>	<u>1,932</u>
Total assets		<u><u>17,754</u></u>	<u><u>17,868</u></u>	<u><u>18,119</u></u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,204	-	-
Reserves		8,689	(2,949)	(3,083)
		<u>9,893</u>	<u>(2,949)</u>	<u>(3,083)</u>
Minority interest		(549)	(612)	(719)
Total equity		<u><u>9,344</u></u>	<u><u>(3,561)</u></u>	<u><u>(3,802)</u></u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2009

	Note	2009 HK\$ millions	(Restated) 2008 HK\$ millions	(Restated) 2007 HK\$ millions
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		134	80	16
Borrowings		4,358	-	-
Other non-current liabilities		595	641	561
Total non-current liabilities		<u>5,087</u>	<u>721</u>	<u>577</u>
Current liabilities				
Trade and other payables	11	3,317	3,062	2,905
Payables to related companies		-	12,418	13,743
Borrowings		-	5,220	4,688
Current income tax liabilities		6	8	8
Total current liabilities		<u>3,323</u>	<u>20,708</u>	<u>21,344</u>
Total liabilities		<u>8,410</u>	<u>21,429</u>	<u>21,921</u>
Total equity and liabilities		<u>17,754</u>	<u>17,868</u>	<u>18,119</u>
Net current liabilities		<u>(1,810)</u>	<u>(19,118)</u>	<u>(19,412)</u>
Total assets less current liabilities		<u>14,431</u>	<u>(2,840)</u>	<u>(3,225)</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Attributable to equity holders of the Company

	Share capital HK\$ millions	Share premium HK\$ millions	Accumulated losses HK\$ millions	Cumulative translation adjustments HK\$ millions	Pension reserve HK\$ millions	Employee share-based compensation reserve HK\$ millions	Other reserves HK\$ millions	Total HK\$ millions	Minority interest HK\$ millions	Total equity HK\$ millions
As at 1 January 2009, previously reported	-	-	(2,329)	1	(83)	-	17	(2,394)	(443)	(2,837)
Effect of change in accounting policy (Note 2(b))	-	-	(555)	-	-	-	-	(555)	(169)	(724)
As at 1 January 2009, restated	-	-	(2,884)	1	(83)	-	17	(2,949)	(612)	(3,561)
Profit for the year	-	-	468	-	-	-	-	468	62	530
Issue of shares	1,204	11,214	-	-	-	-	-	12,418	-	12,418
Share issuance costs	-	(33)	-	-	-	-	-	(33)	-	(33)
Dividend paid (Note 8)	-	-	(54)	-	-	-	-	(54)	-	(54)
Actuarial gains of defined benefit plans	-	-	-	-	42	-	-	42	1	43
Employee share option scheme - value of services provided	-	-	-	-	-	1	-	1	-	1
As at 31 December 2009	1,204	11,181	(2,470)	1	(41)	1	17	9,893	(549)	9,344
As at 1 January 2008, previously reported	-	-	(2,759)	1	13	-	17	(2,728)	(581)	(3,309)
Effect of change in accounting policy (Note 2(b))	-	-	(355)	-	-	-	-	(355)	(138)	(493)
As at 1 January 2008, restated	-	-	(3,114)	1	13	-	17	(3,083)	(719)	(3,802)
Profit for the year	-	-	230	-	-	-	-	230	(12)	218
Relating to additional interest in subsidiaries acquired	-	-	-	-	-	-	-	-	120	120
Actuarial losses of defined benefit plans	-	-	-	-	(96)	-	-	(96)	(1)	(97)
As at 31 December 2008, restated	-	-	(2,884)	1	(83)	-	17	(2,949)	(612)	(3,561)



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 HK\$ millions	(Restated) 2008 HK\$ millions
Cash flows from operating activities			
Cash generated from operations		2,263	1,850
Interest and other finance costs paid		(101)	(147)
Tax paid		(9)	(9)
Net cash generated from operating activities		<u>2,153</u>	<u>1,694</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,035)	(1,108)
Additions to other non-current assets		(51)	(81)
Proceeds from disposals of property, plant and equipment		3	9
Payment relating to investments in subsidiaries		-	(570)
Payment relating to investments in jointly controlled entities		(194)	(99)
Release of restricted cash deposits		-	452
Release of held-to-maturity securities		-	551
Repayment from/(loan to) the partner of a jointly controlled entity		75	(75)
Interest received		-	17
Net cash used in investing activities		<u>(1,202)</u>	<u>(904)</u>
Cash flows from financing activities			
Proceeds from borrowings		9,462	5,650
Repayment of loans		(10,330)	(5,118)
Decrease in payables to related companies		-	(1,325)
Share issuance costs		(33)	-
Dividend paid to the Company's shareholders	8	(54)	-
Net cash used in financing activities		<u>(955)</u>	<u>(793)</u>
Decrease in cash and cash equivalents		(4)	(3)
Cash and cash equivalents at beginning of year		272	275
Cash and cash equivalents at end of year	9	<u>268</u>	<u>272</u>



NOTES

1 General information

Hutchison Telecommunications Hong Kong Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

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

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 May 2009 and whose American depositary shares, each representing ownership of 15 shares, are eligible for trading in the United States only in the over-the-counter market.

These financial statements have been approved for issue by the Board on 8 March 2010.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention.

As at 31 December 2009, the Group’s current liabilities exceeded its current assets by approximately HK\$1,810 million. The Group’s future funding requirements can be met through a revolving and term credit facility of HK\$5,000 million from a group of international commercial banks. The facility is available up to 2 December 2012. Based on the Group’s history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.



2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies

New and amended standards adopted by the Group

During the year, the Group has adopted the following new or revised IFRS which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2009:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Financial Instruments: Disclosures
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate

The adoption of the above new or revised IFRS has no material effect on the Group's results and financial position for current year and prior years.

Change in accounting policy for the customer acquisition and retention costs

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain telecommunications customers.

In prior years, these costs to acquire and retain customers on contracts with early termination penalty clauses were capitalised and amortised on a straight-line basis through amortisation expense in the income statement over the minimum enforceable contractual period. Having undertaken a comprehensive review of the policies of other businesses operating in the telecommunications sector particularly those operating in Europe, with effect from 1 January 2009, the Group has changed its policy to expense these costs in operating expenses as the costs are incurred. The Group believes that this change will bring our policy in line with other major telecommunications companies, provide greater comparability with such businesses and align more closely our profit and loss performance with our cash flow, and will therefore provide reliable and more relevant information to shareholders and other users of the financial statements. Comparative information has been restated to reflect this change in policy.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(i) Effect on the consolidated statement of financial position as at 31 December 2007

	Before change in accounting policy HK\$ millions	Effect of change in accounting policy HK\$ millions	Restated HK\$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	9,695	-	9,695
Goodwill	3,813	-	3,813
Other intangible assets	935	(500)	435
Other non-current assets	1,876	-	1,876
Deferred tax assets	368	-	368
Total non-current assets	<u>16,687</u>	<u>(500)</u>	<u>16,187</u>
Current assets			
Cash and cash equivalents	275	-	275
Trade receivables and other current assets	1,493	-	1,493
Inventories	164	-	164
Total current assets	<u>1,932</u>	<u>-</u>	<u>1,932</u>
Total assets	<u><u>18,619</u></u>	<u><u>(500)</u></u>	<u><u>18,119</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	-	-	-
Reserves	(2,728)	(355)	(3,083)
	<u>(2,728)</u>	<u>(355)</u>	<u>(3,083)</u>
Minority interest	(581)	(138)	(719)
Total equity	<u><u>(3,309)</u></u>	<u><u>(493)</u></u>	<u><u>(3,802)</u></u>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

- (i) Effect on the consolidated statement of financial position as at 31 December 2007
(Continued)

	Before change in accounting policy HK\$ millions	Effect of change in accounting policy HK\$ millions	Restated HK\$ millions
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	(7)	16
Other non-current liabilities	561	-	561
	<u>584</u>	<u>(7)</u>	<u>577</u>
Total non-current liabilities	<u>584</u>	<u>(7)</u>	<u>577</u>
Current liabilities			
Trade and other payables	2,905	-	2,905
Payables to related companies	13,743	-	13,743
Borrowings	4,688	-	4,688
Current income tax liabilities	8	-	8
	<u>21,344</u>	<u>-</u>	<u>21,344</u>
Total current liabilities	<u>21,344</u>	<u>-</u>	<u>21,344</u>
	<u>21,928</u>	<u>(7)</u>	<u>21,921</u>
Total liabilities	<u>21,928</u>	<u>(7)</u>	<u>21,921</u>
Total equity and liabilities	<u>18,619</u>	<u>(500)</u>	<u>18,119</u>
Net current liabilities	<u>(19,412)</u>	<u>-</u>	<u>(19,412)</u>
Total assets less current liabilities	<u>(2,725)</u>	<u>(500)</u>	<u>(3,225)</u>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) Effect on the consolidated income statement for the year ended 31 December 2008

	Before change in accounting policy HK\$ millions	Effect of change in accounting policy HK\$ millions	Restated HK\$ millions
Turnover	8,124	-	8,124
Cost of inventories sold	(698)	-	(698)
Staff costs	(630)	-	(630)
Depreciation and amortisation	(1,987)	597	(1,390)
Other operating expenses	(4,043)	(855)	(4,898)
Operating profit	<u>766</u>	<u>(258)</u>	<u>508</u>
Interest income	17	-	17
Interest and other finance costs	(223)	-	(223)
Share of results of jointly controlled entities	(11)	-	(11)
Profit before taxation	<u>549</u>	<u>(258)</u>	<u>291</u>
Taxation	(75)	2	(73)
Profit for the year	<u><u>474</u></u>	<u><u>(256)</u></u>	<u><u>218</u></u>
Attributable to:			
Equity holders of the Company	430	(200)	230
Minority interest	44	(56)	(12)
	<u>474</u>	<u>(256)</u>	<u>218</u>
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
- basic	<u>8.93</u>	<u>(4.15)</u>	<u>4.78</u>
- diluted	<u>8.93</u>	<u>(4.15)</u>	<u>4.78</u>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) Effect on the consolidated statement of financial position as at 31 December 2008

	Before change in accounting policy HK\$ millions	Effect of change in accounting policy HK\$ millions	Restated HK\$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	9,557	-	9,557
Goodwill	4,478	25	4,503
Other intangible assets	1,143	(758)	385
Other non-current assets	1,377	-	1,377
Deferred tax assets	368	-	368
Investments in jointly controlled entities	88	-	88
	<u>17,011</u>	<u>(733)</u>	<u>16,278</u>
Current assets			
Cash and cash equivalents	272	-	272
Trade receivables and other current assets	1,137	-	1,137
Inventories	181	-	181
	<u>1,590</u>	<u>-</u>	<u>1,590</u>
	<u>18,601</u>	<u>(733)</u>	<u>17,868</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	-	-	-
Reserves	(2,394)	(555)	(2,949)
	<u>(2,394)</u>	<u>(555)</u>	<u>(2,949)</u>
Minority interest	(443)	(169)	(612)
	<u>(2,837)</u>	<u>(724)</u>	<u>(3,561)</u>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) Effect on the consolidated statement of financial position as at 31 December 2008
(Continued)

	Before change in accounting policy HK\$ millions	Effect of change in accounting policy HK\$ millions	Restated HK\$ millions
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	88	(8)	80
Other non-current liabilities	641	-	641
	<u>641</u>	<u>-</u>	<u>641</u>
Total non-current liabilities	729	(8)	721
	<u>729</u>	<u>(8)</u>	<u>721</u>
Current liabilities			
Trade and other payables	3,062	-	3,062
Payables to related companies	12,418	-	12,418
Borrowings	5,220	-	5,220
Current income tax liabilities	9	(1)	8
	<u>9</u>	<u>(1)</u>	<u>8</u>
Total current liabilities	20,709	(1)	20,708
	<u>20,709</u>	<u>(1)</u>	<u>20,708</u>
Total liabilities	21,438	(9)	21,429
	<u>21,438</u>	<u>(9)</u>	<u>21,429</u>
Total equity and liabilities	18,601	(733)	17,868
	<u>18,601</u>	<u>(733)</u>	<u>17,868</u>
Net current liabilities	(19,119)	1	(19,118)
	<u>(19,119)</u>	<u>1</u>	<u>(19,118)</u>
Total assets less current liabilities	(2,108)	(732)	(2,840)
	<u>(2,108)</u>	<u>(732)</u>	<u>(2,840)</u>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

- (iv) Estimated effect on the consolidated income statement for the year ended 31 December 2009

	Estimated effect of change in accounting policy - increase/(decrease) in profit attributable to equity holders of the Company HK\$ millions
Turnover	-
Cost of inventories sold	-
Staff costs	-
Depreciation and amortisation	725
Other operating expenses	(795)
	<hr/>
Operating profit	(70)
Interest income	-
Interest and other finance costs	-
Share of results of jointly controlled entities	-
	<hr/>
Profit before taxation	(70)
Taxation	3
	<hr/>
Profit for the year	(67)
	<hr/> <hr/>
Attributable to:	
Equity holders of the Company	(52)
Minority interest	(15)
	<hr/>
	(67)
	<hr/> <hr/>
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):	
- basic	(1.08)
	<hr/> <hr/>
- diluted	(1.08)
	<hr/> <hr/>

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

- (v) Estimated effect on the consolidated statement of financial position as at 31 December 2009

	Estimated effect of change in accounting policy - increase/(decrease) in respective items HK\$ millions
ASSETS	
Non-current assets	
Property, plant and equipment	-
Goodwill	25
Other intangible assets	(828)
Other non-current assets	-
Deferred tax assets	-
Investments in jointly controlled entities	-
Total non-current assets	(803)
Current assets	
Cash and cash equivalents	-
Trade receivables and other current assets	-
Inventories	-
Total current assets	-
Total assets	(803)
EQUITY	
Capital and reserves attributable to equity holders of the Company	
Share capital	-
Reserves	(607)
	(607)
Minority interest	(184)
Total equity	(791)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

- (v) Estimated effect on the consolidated statement of financial position as at 31 December 2009 (Continued)

	Estimated effect of change in accounting policy - increase/(decrease) in respective items HK\$ millions
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	(9)
Other non-current liabilities	-
	<hr/>
Total non-current liabilities	(9)

Current liabilities	
Trade and other payables	-
Payable to a related company	-
Borrowings	-
Current income tax liabilities	(3)
	<hr/>
Total current liabilities	(3)

Total liabilities	(12)
	<hr/>
Total equity and liabilities	(803)
	<hr/>
Net current liabilities	3
	<hr/>
Total assets less current liabilities	(800)
	<hr/>

2 Summary of significant accounting policies (Continued)

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

At the date of approval of these financial statements, the following new/revised standards, amendments to standards and interpretations to existing standards have been issued but are not effective for the year ended 31 December 2009:

IFRSs (Amendments) ⁽¹⁾	Improvements to IFRSs
IAS 1 (Amendment) ⁽¹⁾	Presentation of Financial Statements
IAS 24 (Revised) ⁽²⁾	Related Party Disclosures
IAS 27 (Revised) ⁽¹⁾	Consolidated and Separate Financial Statements
IAS 38 (Amendment) ⁽¹⁾	Intangible Assets
IFRS 2 (Amendment) ⁽¹⁾	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised) ⁽¹⁾	Business Combinations
IFRS 5 (Amendment) ⁽¹⁾	Measurement of Non-Current Assets (or Disposal Groups) Classified as Held-for-sale
IFRS 9 ⁽³⁾	Financial Instruments
IFRIC 17 ⁽¹⁾	Distribution of Non-cash Assets to Owners
IFRIC 19 ⁽²⁾	Extinguishing Financial Liabilities with Equity Instruments

⁽¹⁾ Effective for the Group for annual periods beginning 1 January 2010

⁽²⁾ Effective for the Group for annual periods beginning 1 January 2011

⁽³⁾ Effective for the Group for annual periods beginning 1 January 2013

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

3 Turnover

Turnover comprises revenues from the provision of mobile telecommunications services; handset and accessory sales and the provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	2009 HK\$ millions	2008 HK\$ millions
Mobile telecommunications services	4,772	4,680
Fixed-line telecommunications services	2,875	2,729
Telecommunications products	802	715
	<u>8,449</u>	<u>8,124</u>

4 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represented corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on operating profit. The segment information on turnover and operating profit, total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

	As at and for the year ended 31 December 2009				
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	Total HK\$ millions
Turnover	5,578	3,221	-	(350)	8,449
Operating costs	(4,440)	(2,190)	(93)	349	(6,374)
Depreciation and amortisation	(655)	(633)	-	-	(1,288)
Operating profit/(loss)	<u>483</u>	<u>398</u>	<u>(93)</u>	<u>(1)</u>	<u>787</u>
Total assets	<u>6,990</u>	<u>11,097</u>	<u>12,770</u>	<u>(13,103)</u>	<u>17,754</u>
Total liabilities	<u>(12,151)</u>	<u>(5,409)</u>	<u>(79)</u>	<u>9,229</u>	<u>(8,410)</u>
Capital expenditures incurred during the year (including property, plant and equipment)	<u>413</u>	<u>623</u>	<u>-</u>	<u>(1)</u>	<u>1,035</u>

4 Segment information (Continued)

	(Restated)				Total HK\$ millions
	As at and for the year ended 31 December 2008				
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	
Turnover	5,395	3,035	-	(306)	8,124
Operating costs	(4,393)	(2,040)	(99)	306	(6,226)
Depreciation and amortisation	(757)	(633)	-	-	(1,390)
Operating profit/(loss)	<u>245</u>	<u>362</u>	<u>(99)</u>	<u>-</u>	<u>508</u>
Total assets	<u>7,273</u>	<u>10,798</u>	<u>12,543</u>	<u>(12,746)</u>	<u>17,868</u>
Total liabilities	<u>(12,719)</u>	<u>(5,042)</u>	<u>(12,543)</u>	<u>8,875</u>	<u>(21,429)</u>
Capital expenditures incurred during the year (including property, plant and equipment)	<u>585</u>	<u>523</u>	<u>-</u>	<u>-</u>	<u>1,108</u>

The Group is domiciled in Hong Kong. The total revenue from external customers in Hong Kong for the year ended 31 December 2009 amounted to approximately HK\$8,049 million (2008: HK\$7,707 million) and the total revenue from external customers in Macau for the year ended 31 December 2009 amounted to approximately HK\$400 million (2008: HK\$417 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2009 amounted to approximately HK\$15,634 million (2008 (restated): HK\$15,675 million) and the total of these non-current assets located in Macau as at 31 December 2009 amounted to approximately HK\$239 million (2008 (restated): HK\$235 million).

5 Interest and other finance costs, net

	2009 HK\$ millions	2008 HK\$ millions
Interest income:		
Bank interest income	-	17
Interest income from loan to a jointly controlled entity	4	-
	<u>4</u>	<u>17</u>
	-----	-----
Interest and other finance costs:		
Bank loans repayable within 5 years	(61)	(135)
Notional non-cash interest accretion (Note)	(77)	(76)
Guarantee and other finance fees	(46)	(12)
	<u>(184)</u>	<u>(223)</u>
	-----	-----
Interest and other finance costs, net	<u>(180)</u>	<u>(206)</u>

Note: 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.

6 Taxation

	2009			2008 (Restated)		
	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions
Hong Kong	-	54	54	-	64	64
Outside Hong Kong	7	-	7	9	-	9
	<u>7</u>	<u>54</u>	<u>61</u>	<u>9</u>	<u>64</u>	<u>73</u>
	=====	=====	=====	=====	=====	=====

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%), on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided for at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

7 Earnings per share

The calculation of basic earnings per share based on profit attributable to equity holders of the Company of approximately HK\$468 million (2008: HK\$230 million) and on 4,814,346,208 ordinary shares issued upon the capitalisation of the payable to Hutchison Telecommunications International (Cayman) Holdings Limited ("HTI Cayman"), the former immediate holding company of the Company, as if such shares had been outstanding throughout the year ended 31 December 2008 and 2009.

For the year ended 31 December 2008, diluted earnings per share are equal to basis earnings per share as there were no potential dilutive ordinary shares outstanding. The diluted earnings per share for the year ended 31 December 2009 are based on 4,814,346,208 ordinary shares in issue by adjusting the weighted average number of 526,818 ordinary shares deemed to be issued assuming the exercise of the share options.

8 Dividends

	2009 HK\$ millions	2008 HK\$ millions
Interim, paid of HK cents 1.12 per share (2008: Nil)	54	-
Final, proposed of HK cents 6.16 per share (2008: Nil)	297	-
	<u>351</u>	<u>-</u>

9 Cash and cash equivalents

	2009 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
Cash at banks and in hand	40	42	87
Short-term bank deposits	228	230	188
	<u>268</u>	<u>272</u>	<u>275</u>

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.57% (2008: 0.68% to 3.79%; 2007: 3.71% to 5.10%) per annum. These deposits have an average maturity of 1 to 7 days (2008: 1 to 7 days; 2007: 1 to 4 days).

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



10 Trade receivables and other current assets

	Note	2009 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
Trade receivables		996	1,017	854
Less: Provision for doubtful debts		(185)	(165)	(175)
Trade receivables, net of provision	(a)	811	852	679
Other receivables		105	56	117
Prepayments		169	154	146
Loan to the partner of a jointly controlled entity		-	75	-
Held-to-maturity debt securities		-	-	551
		<u>1,085</u>	<u>1,137</u>	<u>1,493</u>

(a) Trade receivables, net of provision

	2009 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:			
0 - 30 days	419	364	349
31 - 60 days	176	185	138
61 - 90 days	85	86	79
Over 90 days	131	217	113
	<u>811</u>	<u>852</u>	<u>679</u>

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The carrying values of trade receivables approximate their fair values.

11 Trade and other payables

	Note	2009 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
Trade payables	(a)	320	385	328
Other payables and accruals		1,689	1,398	1,420
Deferred revenue		1,227	1,207	1,094
Current portion of licence fees liabilities		81	72	63
		<u>3,317</u>	<u>3,062</u>	<u>2,905</u>

(a) Trade payables

	2009 HK\$ millions	2008 HK\$ millions	2007 HK\$ millions
The ageing analysis of trade payables is as follows:			
0 - 30 days	69	144	89
31 - 60 days	44	60	45
61 - 90 days	26	28	40
Over 90 days	181	153	154
	<u>320</u>	<u>385</u>	<u>328</u>

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

Treasury Management

The Group's primary treasury and funding policies focus on liquidity management maintaining optimal level of liquidity with cost efficient funding of the operations of its subsidiaries. The treasury function operates as a centralised service for managing the Group's funding needs and monitoring the Group's financial risk, including interest rate and foreign exchange risks, and default credit risks.

The Group cautiously plans to use derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products, including hedge funds or similar vehicles for speculative purposes.

Cash Management and Funding

In general, financings are raised mainly in bank borrowings to meet the funding requirements of the Group's operating subsidiaries. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group exposes to interest rate risk relating to Hong Kong dollars borrowings. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt including exposure to changes in interest rates.

Foreign Currency Exposure

The Group mainly operates telecommunications services in Hong Kong and Macau with transactions denominated in Hong Kong dollars and Macau Pataca. The Group is exposed to other currency exposures, primarily with certain trade receivables/payables and bank deposits denominated in United States dollars and Euro.

Credit Exposure

The Group operates a central cash management system for all of its subsidiaries. Surplus funds are to be managed in a prudent manner, usually in the form of deposits with banks or financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's and Moody's to manage counterparty risk, any deviation of such rating is to be approved by senior management. Alternatively, surplus funds can be invested in marketable securities such as United States Treasury Bills or Commercial Papers/Certificates of Deposits issued by credit-worthy counterparties with short term ratings at or above A1/P1 and long-terms ratings at or above AA-/Aa3 as rated by Standard & Poor's and Moody's. The selected counterparties and investment products must be approved by the Company's Chief Financial Officer.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by management.



Liquidity and Debt Profile

The cash and cash equivalents amounted to HK\$268 million at 31 December 2009 (2008: HK\$272 million), 78% of which were denominated in Hong Kong dollars, 15% in United States dollars with remaining in various other currencies. As at 31 December 2009, the Group had bank borrowings of HK\$4,358 million (2008: HK\$5,220 million) which was denominated in Hong Kong dollars and repayable in three years. The gearing ratio, calculated based on the net debt divided by total shareholders' equity, was 44% as at 31 December 2009.

Cash Flow

The Group maintains a healthy financial position benefiting from steady growth in cash flows. During the year ended 31 December 2009, the Group's net cash generated from operating activities and used in investing activities amounted to HK\$2,153 million (2008: HK\$1,694 million) and HK\$1,202 million (2008: HK\$904 million) respectively. The Group's major outflows of funds during the year under review included payments for the purchase of property, plant and equipment, repayment of borrowings and the investment in a jointly-controlled entity, which holds the Broadband Wireless Access (BWA) spectrum licence.

Capital Structure

On 3 August 2007, the date of incorporation of the Company, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares of US\$1 each. On the date of incorporation, one share was issued at par for cash. On 6 April 2009, the Company's authorised share capital was increased by HK\$2,500 million by the creation of 10 billion shares of HK\$0.25 each. 32 shares of HK\$0.25 each were issued at par for cash to HTI Cayman. On the same date, the original issued one share of US\$1 was repurchased by the Company at par for cancellation; and all the unissued shares of US\$1 each in the Company's original authorised share capital of US\$50,000 were cancelled. On 6 April 2009, the Company entered into an agreement with HTI Cayman that, subject to the Stock Exchange's approval of the spin-off of the Company and the Listing Committee of the Stock Exchange granting approval for the listing of the shares of the Company on the Main Board of the Stock Exchange, 4,814,346,176 shares of the Company would be allotted and issued, credited as fully paid, to HTI Cayman as consideration for the capitalisation of the payable to HTI Cayman amounting to approximately HK\$12,418 million. The above conditions were fulfilled and the aforesaid shares were issued on 7 May 2009. As a result, HK\$1,204 million and HK\$11,214 million were recognised as share capital and share premium during the year ended 31 December 2009, respectively.

Charges on Group Assets

As at 31 December 2009, none of the Group's assets is under financial charges.

Capital Expenditure

Capital expenditure on property, plant and equipment for the year of 2009 was HK\$1,035 million, compared to HK\$1,108 million in 2008, reflecting our continued investment in network upgrade and expansion to support business growth.

Contingent Liabilities

As at 31 December 2009, the Group had contingent liabilities in respect of performance guarantees amounting to HK\$637 million (2008: HK\$512 million) and financial guarantees amounted to HK\$16 million (2008: HK\$39 million). Included in contingent liabilities were mainly performance bonds issued to the Office of the Telecommunications Authority of Hong Kong in respect of our 3G and BWA spectrum licence obligations.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the period from 8 May 2009 (date of listing of securities of the Company on the Stock Exchange) to 31 December 2009, neither the Company nor any of its subsidiaries has purchased or sold any listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standards of corporate governance. The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the period from 8 May 2009 to 31 December 2009.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding Directors’ securities transactions. All Directors of the Company have confirmed that throughout the period from 8 May 2009 to 31 December 2009, they have complied with the provisions of such Model Code.

REVIEW OF ACCOUNTS

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2009 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 Friday, 7 May 2010 to Tuesday, 11 May 2010, both days inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Thursday, 6 May 2010.



ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 11 May 2010. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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

Executive Director:

Mr WONG King Fai, Peter

Non-Executive Directors:

Mr FOK Kin-ning, Canning (*Chairman*)

Mrs CHOW WOO Mo Fong, Susan

Mr Frank John SIXT

Mr LAI Kai Ming, Dominic

Mr LUI Dennis Pok Man (*Deputy Chairman*)

Independent Non-executive Directors:

Mr CHEONG Ying Chew, Henry

(also Alternate to

Dr Wong Yick Ming, Rosanna)

Mr LAN Hong Tsung, David

Dr WONG Yick Ming, Rosanna

Alternate Director:

Mr MA Lai Chee, Gerald

(Alternate to Mr Lai Kai Ming, Dominic)

