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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 2010

HIGHLIGHTS

- Leading integrated telecommunications operator in Hong Kong with mobile subscriptions of over 2.83 million and the most extensive fibre-to-the-building infrastructure.
- Consolidated turnover grew 17% to HK\$9,880 million.
- Turnover of mobile business grew 25% to HK\$6,950 million, reflecting data revenue growth of over 36% and strong sales of smartphones, and operating profit grew 64% to HK\$792 million.
- Turnover of fixed-line business increased by 2% to HK\$3,286 million and operating profit grew 6% to HK\$422 million.
- Profit attributable to shareholders of the Company increased by 61% to HK\$755 million.
- Basic earnings per share increased by 61% to 15.68 HK cents.
- Final dividend per share recommended at 6.83 HK cents.



CHAIRMAN'S STATEMENT

2010 represented a year of progress for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group"). The revenues and profits of the Group in 2010 exceeded those in 2009, underpinned by strong sales of smartphones and significant growth in mobile data usage throughout the Group's extensive and expanding customer base.

Results

Consolidated turnover for 2010 amounted to HK\$9,880 million, representing a growth of 17% compared to HK\$8,449 million in 2009. Profit attributable to shareholders of the Company was HK\$755 million, reflecting growth of 61% compared to HK\$468 million for 2009. Basic earnings per share were 15.68 HK cents for 2010, compared to 9.72 HK cents for 2009.

Dividends

The board of directors (the "Board") recommends payment of a final dividend of 6.83 HK cents per share for the year 2010 (2009: 6.16 HK cents), or HK\$329 million in total, to those persons registered as shareholders of the Company on Thursday, 19 May 2011. This, together with interim dividend paid, represents a growth of 39% compared to that in 2009. The proposed final dividend will be paid on Friday, 20 May 2011, following approval at the Annual General Meeting of the Company. The register of members will be closed from Friday, 13 May 2011 to Thursday, 19 May 2011, both days inclusive.

Financial Review

While successfully pursuing a carefully-considered strategy of achieving turnover growth of 17%, the Group also focused on controlling costs. Total operating expenses of the Group, excluding cost of inventories sold, were HK\$6,997 million in 2010, a slight increase compared to HK\$6,906 million in 2009. Staff costs of HK\$646 million in 2010 were in line with HK\$644 million in 2009. Depreciation and amortisation decreased by 16% to HK\$1,087 million in 2010 from HK\$1,288 million in 2009 mainly due to a change in the estimated useful lives of various categories of 2G network equipment in Hong Kong. Other operating expenses increased by 6% to HK\$5,264 million in 2010 from HK\$4,974 million in 2009 due to increased activities. Cost of inventories sold increased to HK\$1,776 million in 2010 from HK\$756 million in 2009 which was in line with growing sales of smartphones.

Interest and other finance costs in 2010 decreased by 30% to HK\$128 million compared to HK\$184 million in 2009 mainly due to lower borrowings.

As a result of solid business growth in 2010, profit attributable to shareholders of the Company was HK\$755 million compared to HK\$468 million in 2009, representing an increase of 61%.

Business Review

Mobile business – Hong Kong and Macau

Recognised as a champion of driving smartphone usage with a sharp focus on the high-end, data-centric mobile communications community, 3's subscriber base in Hong Kong and Macau exceeded the 3-million mark, to reach a total of approximately 3.20 million as at the end of 2010 (2009: 2.96 million).

The Group has maintained clear leadership, in terms of our overall subscription in Hong Kong, and has become the second largest mobile operator in Macau. The strong positioning of our customer base has enabled us to capitalise on increasingly aggressive smartphone penetration and the rising number of mobile data users.

Accelerating the exploitation of this mobile data growth in 2010, the Group launched successful marketing campaigns, expanded network coverage and capability, developed value-for-money tariff plans and co-operated with high-profile content providers in order to develop a distinctive customer experience. The Group is well positioned to take advantage of further anticipated migration into smartphone usage, which will generate demand for data services, bandwidth-consuming applications and higher data speed.

Fixed-line business – Hong Kong

HGC's constantly-enhanced fixed-line network addresses the needs of a diversity of customers, ranging from telecommunications operators, local mobile service providers, financial institutions and small-to-medium-sized enterprises to government departments, other public sector organisations and educational institutions.

Our consumer broadband sales activities increased during 2010, harnessing the power of the **3** brand to market residential fixed-line services. The 3ree Broadband brand campaign highlighted the many customer benefits generated by our pre-eminence in fixed-mobile integration. This has been made possible by combining Hong Kong's most extensive optical-fibre capability with supremacy in the high-end, data-centric mobile communications market.

Executing a well-planned international business strategy, **HGC** has established itself as a globally-recognised and preferred telecommunications operator among international carriers, Internet service providers and multinational corporations alike – at home and overseas.

In Hong Kong, continued development of backbone transmission capability has strengthened our ability to serve both local and overseas operators into a new era of broadband technology.

HGC also manages the large-scale needs of the banking and finance sectors with solutions based on leading-edge technologies. Introduction of the MetroLambda service has facilitated an increasing number of high-bandwidth applications, which serve to promote reliability and save costs.

Outlook

After achieving strong results in 2010, the Group has moved forward by capitalising on increasing demand for mobile data. At the same time, the Group has further enhanced the overall customer experience by upgrading network capacity and capability through 3G infrastructure modernisation, while offering a variety of smartphone models, plus exclusive applications. A successful bid for 900MHz radio spectrum paves the way for establishing a better foundation for high-speed data services. Our leadership will be further reinforced by a planned LTE service rollout later in 2011.

The Group is focusing on deeper penetration in the fixed-line consumer market with services of download speed up to 1,000Mbps, while boosting customer loyalty and developing stronger retention initiatives. The Group is making full use of Hong Kong's status as a fixed-line regional hub in order to expand around the region, while broadening its service portfolio and increasing the value of its offering to diverse customer groups. Following years of investment, the Group has achieved substantial market share across a range of business segments. The Group will build on this success by continuing a segmentation strategy and developing comprehensive solutions tailored to customers' specific needs on a sector-by-sector basis.

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, 21 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover of the Group for the year ended 31 December 2010 was HK\$9,880 million, representing an increase of 17% compared to HK\$8,449 million in 2009. The increase in turnover was mainly attributable to growing demand for mobile and fixed-line services as well as strong sales of telecommunications products. The Group reported an operating profit of HK\$1,107 million in 2010, representing an increase of 41% compared to HK\$787 million in 2009. The increase in operating profit was mainly attributable to steady turnover growth coupled with effective cost management.

Cost of inventories sold for the year ended 31 December 2010 amounted to HK\$1,776 million, compared to HK\$756 million in 2009, as a result of growing customers' interests in smartphones.

With effect from 1 January 2010, the Group revised the estimated useful lives of various categories of 2G network equipment in Hong Kong. This change was the result of our periodic assessment of technology developments and the intended use of network equipment. The depreciation charge of the relevant equipment recognised during 2010 was approximately HK\$86 million. This would have been HK\$170 million higher, if the Group had continued with the previous estimated useful lives assessment. As such, total depreciation and amortisation for the year ended 31 December 2010 was HK\$1,087 million, a decrease of 16% compared to HK\$1,288 million in 2009.

Other operating expenses for the year ended 31 December 2010 amounted to HK\$5,264 million, compared to HK\$4,974 million in 2009, a 6% increase reflecting stringent cost management.

Interest and finance costs for the year ended 31 December 2010 amounted to HK\$128 million, a decrease of 30% compared to HK\$184 million in 2009, mainly due to lower borrowings.

Share of losses in jointly controlled entities during the year ended 31 December 2010 was HK\$21 million compared to HK\$16 million in 2009. Taxation for the year ended 31 December 2010 was HK\$63 million compared to HK\$61 million in 2009.

Overall, the Group recorded a net profit attributable to shareholders of the Company for the year ended 31 December 2010 of HK\$755 million, representing an increase of 61% compared to HK\$468 million in 2009.

Business Review

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

Mobile business in Hong Kong and Macau

2010 represented another year of success for our mobile telecommunications business. Driven by a recovering economy in Hong Kong and Macau, turnover of our mobile operations increased by 25% to HK\$6,950 million in 2010 compared to HK\$5,578 million in 2009. We maintained a leading position in the Hong Kong market with a subscription base exceeding 2.83 million as at 31 December 2010. Our total Hong Kong and Macau subscription base amounted to approximately 3.20 million, over 60% of which was accounted for by our postpaid customers.

A rebound in spending and travelling, together with higher roaming revenue, helped to build continuing demand for data usage from high-end customers, such as those using iPhones, other smartphones and mobile broadband data devices.

EBITDA increased by 9% from HK\$1,138 million in 2009 to HK\$1,238 million in 2010, attributable to growth in turnover and effective cost management.

Capital expenditures totalled HK\$507 million in 2010 compared to HK\$413 million in 2009, demonstrating our continuing commitment to network excellence.

Fixed-line business in Hong Kong

Turnover increased by 2% to HK\$3,286 million in 2010 compared to HK\$3,221 million in 2009. This was mainly the result of continuing traffic growth offset by lower interconnection revenue following governmental deregulation of fixed and mobile interconnection fee arrangement in 2009.

EBITDA increased by 3% from HK\$1,031 million in 2009 to HK\$1,064 million in 2010, in line with growth in turnover.

Capital expenditures were HK\$613 million in 2010 which was comparable to HK\$623 million in 2009.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 HK\$ millions	2009 HK\$ millions
Turnover	3	9,880	8,449
Cost of inventories sold		(1,776)	(756)
Staff costs		(646)	(644)
Depreciation and amortisation		(1,087)	(1,288)
Other operating expenses		(5,264)	(4,974)
Operating profit		1,107	787
Interest income	5	5	4
Interest and other finance costs	5	(128)	(184)
Share of results of jointly controlled entities		(21)	(16)
Profit before taxation		963	591
Taxation	6	(63)	(61)
Profit for the year		900	530
Attributable to:			
Shareholders of the Company		755	468
Non-controlling interests		145	62
		900	530
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	7	15.68	9.72
- diluted	7	15.67	9.72

Details of dividends payable to shareholders 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 2010**

	2010 HK\$ millions	2009 HK\$ millions
Profit for the year	900	530
Other comprehensive income recognised directly in equity		
Actuarial gains of defined benefit plans	14	43
Total comprehensive income for the year, net of tax	<u>914</u>	<u>573</u>
Total comprehensive income attributable to:		
Shareholders of the Company	769	510
Non-controlling interests	145	63
	<u>914</u>	<u>573</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	2010 HK\$ millions	2009 HK\$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,610	9,436
Goodwill		4,503	4,503
Other intangible assets		280	336
Other non-current assets		1,227	1,328
Deferred tax assets		368	368
Investments in jointly controlled entities		272	270
Total non-current assets		<u>16,260</u>	<u>16,241</u>
Current assets			
Cash and cash equivalents	9	180	268
Trade receivables and other current assets	10	1,497	1,085
Inventories		239	160
Total current assets		<u>1,916</u>	<u>1,513</u>
Total assets		<u><u>18,176</u></u>	<u><u>17,754</u></u>
CAPITAL AND RESERVES			
Share capital		1,204	1,204
Reserves		9,002	8,689
Total shareholders' funds		10,206	9,893
Non-controlling interests		(404)	(549)
Total equity		<u>9,802</u>	<u>9,344</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2010

	Note	2010 HK\$ millions	2009 HK\$ millions
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		190	134
Borrowings		3,566	4,358
Other non-current liabilities		546	595
Total non-current liabilities		<u>4,302</u>	<u>5,087</u>
Current liabilities			
Trade and other payables	11	4,064	3,317
Current income tax liabilities		8	6
Total current liabilities		<u>4,072</u>	<u>3,323</u>
Total liabilities		<u>8,374</u>	<u>8,410</u>
Total equity and liabilities		<u>18,176</u>	<u>17,754</u>
Net current liabilities		<u>(2,156)</u>	<u>(1,810)</u>
Total assets less current liabilities		<u>14,104</u>	<u>14,431</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Attributable to shareholders of the Company									
	Share capital HK\$ millions	Share premium HK\$ millions	Accumulated losses HK\$ millions	Cumulative translation adjustments HK\$ millions	Pension reserve HK\$ millions	Employee share-based compensation reserve HK\$ millions	Other reserves HK\$ millions	Total HK\$ millions	Non-controlling interests HK\$ millions	Total equity HK\$ millions
As at 1 January 2010	1,204	11,181	(2,470)	1	(41)	1	17	9,893	(549)	9,344
Profit for the year	-	-	755	-	-	-	-	755	145	900
Other comprehensive income										
Actuarial gains of defined benefit plans	-	-	-	-	14	-	-	14	-	14
Total comprehensive income	-	-	755	-	14	-	-	769	145	914
Dividend paid (Note 8)	-	-	(457)	-	-	-	-	(457)	-	(457)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	-	1	-	1
As at 31 December 2010	<u>1,204</u>	<u>11,182</u>	<u>(2,172)</u>	<u>1</u>	<u>(27)</u>	<u>1</u>	<u>17</u>	<u>10,206</u>	<u>(404)</u>	<u>9,802</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to shareholders of the Company									
	Share capital HK\$ millions	Share premium HK\$ millions	Accumulated losses HK\$ millions	Cumulative translation adjustments HK\$ millions	Pension reserve HK\$ millions	Employee share-based compensation reserve HK\$ millions	Other reserves HK\$ millions	Total HK\$ millions	Non-controlling interests HK\$ millions	Total equity HK\$ millions
As at 1 January 2009	-	-	(2,884)	1	(83)	-	17	(2,949)	(612)	(3,561)
Profit for the year	-	-	468	-	-	-	-	468	62	530
Other comprehensive income										
Actuarial gains of defined benefit plans	-	-	-	-	42	-	-	42	1	43
Total comprehensive income	-	-	468	-	42	-	-	510	63	573
Issue of shares	1,204	11,214	-	-	-	-	-	12,418	-	12,418
Share issuance costs	-	(33)	-	-	-	-	-	(33)	-	(33)
Dividend paid (Note 8)	-	-	(54)	-	-	-	-	(54)	-	(54)
Employee share option scheme - value of services provided	-	-	-	-	-	1	-	1	-	1
As at 31 December 2009	<u>1,204</u>	<u>11,181</u>	<u>(2,470)</u>	<u>1</u>	<u>(41)</u>	<u>1</u>	<u>17</u>	<u>9,893</u>	<u>(549)</u>	<u>9,344</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 HK\$ millions	2009 HK\$ millions
Cash flows from operating activities			
Cash generated from operations		2,356	2,263
Interest and other finance costs paid		(55)	(101)
Tax paid		(5)	(9)
Net cash generated from operating activities		<u>2,296</u>	<u>2,153</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,117)	(1,035)
Additions to other non-current assets		(6)	(51)
Proceeds from disposals of property, plant and equipment		5	3
Payment relating to investments in jointly controlled entities		(10)	(194)
Repayment from the partner of a jointly controlled entity		-	75
Net cash used in investing activities		<u>(1,128)</u>	<u>(1,202)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		1	-
Proceeds from borrowings		770	9,462
Repayment of loans		(1,570)	(10,330)
Share issuance costs		-	(33)
Dividend paid to the Company's shareholders	8	(457)	(54)
Net cash used in financing activities		<u>(1,256)</u>	<u>(955)</u>
Decrease in cash and cash equivalents		(88)	(4)
Cash and cash equivalents at beginning of year		268	272
Cash and cash equivalents at end of year	9	<u>180</u>	<u>268</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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and whose American depositary shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements have been approved for issuance by the Board of Directors on 21 March 2011.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

As at 31 December 2010, the Group's current liabilities exceeded its current assets by approximately HK\$2,156 million. Included in the current liabilities are non-refundable customer prepayments of HK\$1,101 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the Group's net current liabilities would have been approximately HK\$1,055 million. The Group's future funding requirements are expected to be met through the cash flows generated from operating activities and the drawdown of the revolving and term credit facility of HK\$5,000 million available from a group of international commercial banks up to 2 December 2012. As at 31 December 2010, the undrawn revolving and term credit facility amounted to approximately HK\$1,434 million. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that 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) 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 2010:

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations

The adoption of the above new or revised IFRS has no material effect on the Group's results and financial position for 2010 and prior years.

(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 and interpretations to existing standards have been issued but are not effective for the year ended 31 December 2010:

IFRSs (Amendments) ⁽³⁾	Improvements to IFRSs issued in 2010
IAS 12 (Amendment) ⁽⁶⁾	Deferred Tax – Recovery of Underlying Assets
IAS 24 (Revised) ⁽⁴⁾	Related Party Disclosures
IAS 32 (Amendment) ⁽¹⁾	Classification of Rights Issues
IFRS 7 (Amendment) ⁽⁵⁾	Disclosures – Transfers of Financial Assets
IFRS 9 (Amendment) ⁽⁷⁾	Financial Instruments
IFRIC 14 (Amendment) ⁽⁴⁾	Prepayments of a Minimum Funding Requirement
IFRIC 19 ⁽²⁾	Extinguishing Financial Liabilities with Equity Instruments

⁽¹⁾ Effective for annual periods beginning 1 February 2010

⁽²⁾ Effective for annual periods beginning 1 July 2010

⁽³⁾ Effective for annual periods beginning 1 July 2010 and 1 January 2011, as appropriate

⁽⁴⁾ Effective for annual periods beginning 1 January 2011

⁽⁵⁾ Effective for annual periods beginning 1 July 2011

⁽⁶⁾ Effective for annual periods beginning 1 January 2012

⁽⁷⁾ Effective for annual periods beginning 1 January 2013

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

(d) Critical accounting estimates and assumptions

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

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

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2010, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK\$8,580 million (2009: HK\$8,607 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

With effect from 1 January 2010, the Group has revised the end of estimated useful lives of various categories of 2G network equipment in Hong Kong from 31 December 2010 to 31 December 2013.

The effect of the change in estimated useful lives has been recognised prospectively. If the Group had continued with the useful lives as estimated during the previous year, the depreciation expense charged to the consolidated income statement for 2010 would have been higher by approximately HK\$170 million with a corresponding decrease in the carrying value of property, plant and equipment. The depreciation charge of the relevant property, plant and equipment recognised during 2010 was approximately HK\$86 million. The depreciation expense for the relevant 2G network equipment in Hong Kong to be recorded in future years up to 2013 will be of similar or lower magnitude.

(ii) Income taxes

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

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2010 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions

The Group has bundled transactions including sales of services and hardware. The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of the service element and hardware element. Significant judgement is required in assessing fair values of various elements by considering standalone selling price and other observable market data. Change in the estimate may cause the revenue recognised for sales of services and hardware to change but not the total revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair value of the service element as a result in changes in market conditions. During 2010, the Group recognised revenue for sales of services and hardware under bundled arrangements of HK\$2,082 million (2009: HK\$1,842 million) and HK\$1,554 million (2009: HK\$269 million), respectively. The increase in revenue reflects such a re-assessment coupled with an increase in volume of service provided and hardware sold.

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:

	2010 HK\$ millions	2009 HK\$ millions
Mobile telecommunications services	5,147	4,772
Fixed-line telecommunications services	2,941	2,875
Telecommunications products	1,792	802
	<u>9,880</u>	<u>8,449</u>

4 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on 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 2010				
	Mobile	Fixed-line	Others	Elimination	Total
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
Turnover	6,950	3,286	-	(356)	9,880
Operating costs	(5,712)	(2,222)	(107)	355	(7,686)
Depreciation and amortisation	(446)	(642)	-	1	(1,087)
Operating profit/(loss)	<u>792</u>	<u>422</u>	<u>(107)</u>	<u>-</u>	<u>1,107</u>
Total assets	<u>7,403</u>	<u>11,133</u>	<u>12,970</u>	<u>(13,330)</u>	<u>18,176</u>
Total liabilities	<u>(11,945)</u>	<u>(5,728)</u>	<u>(160)</u>	<u>9,459</u>	<u>(8,374)</u>
Capital expenditures incurred during the year (including property, plant and equipment)	<u>507</u>	<u>613</u>	<u>-</u>	<u>(1)</u>	<u>1,119</u>

4 Segment information (Continued)

	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>

The total revenue from external customers in Hong Kong for the year ended 31 December 2010 amounted to approximately HK\$9,373 million (2009: HK\$8,049 million) and the total revenue from external customers in Macau for the year ended 31 December 2010 amounted to approximately HK\$507 million (2009: HK\$400 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2010 amounted to approximately HK\$15,668 million (2009: HK\$15,634 million) and the total of these non-current assets located in Macau as at 31 December 2010 amounted to approximately HK\$224 million (2009: HK\$239 million).

5 Interest and other finance costs, net

	2010 HK\$ millions	2009 HK\$ millions
Interest income:		
Interest income from loan to a jointly controlled entity	5	4
	-----	-----
Interest and other finance costs:		
Bank loans repayable within 5 years	(46)	(61)
Notional non-cash interest accretion (Note)	(66)	(77)
Guarantee and other finance fees	(17)	(46)
	-----	-----
	(129)	(184)
Less: Amounts capitalised on qualifying assets	1	-
	-----	-----
	(128)	(184)
	-----	-----
Interest and other finance costs, net	<u>(123)</u>	<u>(180)</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

	Current taxation HK\$ millions	2010 Deferred taxation HK\$ millions	Total HK\$ millions	Current taxation HK\$ millions	2009 Deferred taxation HK\$ millions	Total HK\$ millions
Hong Kong	-	56	56	-	54	54
Outside Hong Kong	7	-	7	7	-	7
	-----	-----	-----	-----	-----	-----
	7	56	63	7	54	61
	=====	=====	=====	=====	=====	=====

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 is based on profit attributable to shareholders of the Company of approximately HK\$755 million (2009: HK\$468 million) and on the weighted average number of 4,814,670,893 (2009: 4,814,346,208) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2010 is calculated based on the weighted average number of 4,814,670,893 (2009: 4,814,346,208) ordinary shares in issue by adjusting the weighted average number of 1,993,823 (2009: 526,818) ordinary shares deemed to be issued assuming the exercise of the share options.

8 Dividends

	2010 HK\$ millions	2009 HK\$ millions
Interim, paid of HK cents 3.32 per share (2009: HK cents 1.12 per share)	160	54
Final, proposed of HK cents 6.83 per share (2009: HK cents 6.16 per share)	329	297
	<u>489</u>	<u>351</u>

9 Cash and cash equivalents

	2010 HK\$ millions	2009 HK\$ millions
Cash at banks and in hand	65	40
Short-term bank deposits	115	228
	<u>180</u>	<u>268</u>

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.34% (2009: 0.01% to 0.57%) per annum. These deposits have an average maturity of 1 to 7 days (2009: Same).

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

10 Trade receivables and other current assets

	Note	2010 HK\$ millions	2009 HK\$ millions
Trade receivables		1,399	996
Less: Provision for doubtful debts		(197)	(185)
Trade receivables, net of provision	(a)	<u>1,202</u>	<u>811</u>
Other receivables		106	105
Prepayments and deposits		189	169
		<u>1,497</u>	<u>1,085</u>

(a) Trade receivables, net of provision

	2010 HK\$ millions	2009 HK\$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	677	419
31 - 60 days	200	176
61 - 90 days	103	85
Over 90 days	222	131
	<u>1,202</u>	<u>811</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	2010 HK\$ millions	2009 HK\$ millions
Trade payables	(a)	383	320
Other payables and accruals		2,490	1,689
Deferred revenue		1,101	1,227
Current portion of licence fees liabilities		90	81
		<u>4,064</u>	<u>3,317</u>

(a) Trade payables

	2010 HK\$ millions	2009 HK\$ millions
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The ageing analysis of trade payables is as follows:

0 - 30 days	123	69
31 - 60 days	41	44
61 - 90 days	37	26
Over 90 days	182	181
	<u>383</u>	<u>320</u>

12 Subsequent event

On 3 March 2011, Hutchison Telephone Company Limited, a subsidiary of the Company, has successfully bid for acquiring the 885–890 MHz and 930–935 MHz radio spectrum for the provision of mobile telecommunications services in Hong Kong for 15 years. A spectrum utilisation fee of HK\$1,077 million is payable in cash and a performance bond in the amount of HK\$50 million is required to be provided to the Office of the Telecommunications Authority of Hong Kong.

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

Treasury Management

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. Operating as a centralised service, the treasury function manages group funding needs and monitors financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty risks.

The Group cautiously plans to use derivatives – principally interest rate and foreign currency swaps plus forward currency contracts, as appropriate for risk management purposes only – for hedging transactions and managing group assets and liabilities. Our policy is not to enter into derivative transactions and invest in financial products, such as hedge funds or similar vehicles, as part of any speculative exercise.

Cash management and funding

In general, financing is raised mainly in the form of bank borrowings to meet the funding requirements of the operating subsidiaries of the Group. Close monitoring of the overall debt position of the Group involves regular reviews of funding costs and maturity profile in order to facilitate refinancing.

Interest rate exposure

The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt.

Foreign currency exposure

The Group runs telecommunications operations in Hong Kong and Macau, with transactions denominated in Hong Kong dollars and Macau Patacas. The Group is exposed to other currency movements, primarily in terms of certain trade receivables/payables and bank deposits denominated in United States dollars and Euros.

Credit exposure

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

The Group is also exposed to counterparty credit risks in relation to operating activities, which are continuously monitored by management.

Liquidity and Capital Resources

The Group is financed by share capital, internally-generated funds and external borrowings. 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 authorised share capital of the Company was increased by HK\$2,500 million by the creation of 10 billion shares of HK\$0.25 each. Then, 32 shares of HK\$0.25 each were issued at par for cash to Hutchison Telecommunications International (Cayman) Holdings Limited (“HTI Cayman”), the then immediate holding company of the Company. On the same date, the original issued one share of US\$1 was repurchased by the Company at par for cancellation, and all unissued shares of US\$1 each in original authorised share capital of the Company of US\$50,000 were cancelled.

On 6 April 2009, the Company entered into an agreement with HTI Cayman that, subject to approval of the Stock Exchange for the spin-off of the Company, as well as approval from the Listing Committee of the Stock Exchange for the listing of shares of the Company on the Main Board of the Stock Exchange, 4,814,346,176 shares of HK\$0.25 each of the Company would be allotted and issued, credited as fully paid, to HTI Cayman as consideration for the capitalisation of the amount payable to HTI Cayman of approximately HK\$12,418 million. The above conditions were met and the aforesaid shares were issued on 7 May 2009.

During the year ended 31 December 2010, an additional 1,410,000 shares of HK\$0.25 each were issued upon exercise of share options under the share option scheme of the Company. As at 31 December 2010, the Group recorded share capital of HK\$1,204 million and total equity of HK\$9,802 million.

The cash and cash equivalents amounted to HK\$180 million as at 31 December 2010 (2009: HK\$268 million), 43% of which were denominated in Hong Kong dollars, 23% in United States dollars with remaining in various other currencies. As at 31 December 2010, the Group had bank borrowings of HK\$3,566 million (2009: HK\$4,358 million) which were denominated in Hong Kong dollars and repayable in late 2012. The gearing ratio, calculated by dividing net debt by total equity, was 35% as at 31 December 2010 (2009: 44%).

Cash Flows

The Group maintains a healthy financial position benefiting from steady growth in cash flows. During the year ended 31 December 2010, the Group’s net cash generated from operating activities and used in investing activities amounted to HK\$2,296 million (2009: HK\$2,153 million) and HK\$1,128 million (2009: HK\$1,202 million) respectively. Major outflows of funds during 2010 included payments for the purchase of property, plant and equipment and dividends, as well as repayment of borrowings.

Charges on Group Assets

As at 31 December 2010, except for certain shares of a 50:50 joint venture owned by the Group which were pledged as security in favour of another joint venture partner under a cross share pledge arrangement, no material assets of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the year of 2010 was HK\$1,119 million, compared to HK\$1,035 million in 2009, reflecting our continued investment in network upgrade and expansion to support business growth.

Contingent Liabilities

As at 31 December 2010, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK\$704 million (2009: HK\$653 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Telecommunications Authority of Hong Kong in respect of our 3G and Broadband Wireless Access spectrum licence obligations.

Staff

As at 31 December 2010, the Group employed 1,816 staff members. Staff costs during the year ended 31 December 2010, including directors' emoluments, totalled HK\$646 million (2009: HK\$644 million).

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

Corporate Social Responsibility

The Group demonstrates a strong sense of corporate social responsibility and believes that such a commitment to the community helps to differentiate our brand among competitors. We promote our Group as a sound corporate citizen via sponsorship and marketing campaigns to help those less fortunate and in need of care. During 2010, for example, we launched special telephony plans for the elderly, which included a tailored handset with bargain-price tariff plans.

Review of Accounts

The consolidated financial statements of the Group for the year ended 31 December 2010 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, 13 May 2011 to Thursday, 19 May 2011, both days inclusive for the purpose of determining shareholders' entitlements to the proposed final dividend and attendance and voting at the 2011 Annual General Meeting.

In order to qualify for the proposed final dividend and be entitled to attend and vote at the 2011 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Thursday, 12 May 2011.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

Compliance with the Code on Corporate Governance Practices

The Company is committed to achieving and maintaining the highest standards of corporate governance. The Company was 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 year ended 31 December 2010.

Securities Transactions

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 they complied with the Model Code in their securities transactions throughout the year ended 31 December 2010.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 19 May 2011. 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*)

(also Alternate to

Mrs Chow Woo Mo Fong, Susan)

Mr LUI Dennis Pok Man (*Deputy Chairman*)

Mrs CHOW WOO Mo Fong, Susan

Mr Frank John SIXT

Mr LAI Kai Ming, Dominic

(also Alternate to Mr Frank John Sixt)

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)

