# Hutchison Telecom
# Hong Kong Holdings

## 2010 Annual Report

## Striving for Excellence
## Maximising Value

Hutchison Telecommunications Hong Kong Holdings Limited
(Stock Code : 215)

A Hutchison Whampoa Company

# Corporate Information

## BOARD OF DIRECTORS

### Chairman and Non-executive Director

FOK Kin-ning, Canning, BA, DFM, CA (Aus)
*(also Alternate to Chow Woo Mo Fong, Susan)*

### Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

### Executive Director

WONG King Fai, Peter, MSc, FHKIE
*Chief Executive Officer*

### Non-executive Directors

CHOW WOO Mo Fong, Susan, BSc

Frank John SIXT, MA, LLL

LAI Kai Ming, Dominic, BSc, MBA
*(also Alternate to Frank John Sixt)*

MA Lai Chee, Gerald, BCom, MA
*(Alternate to Lai Kai Ming, Dominic)*

### Independent Non-executive Directors

CHEONG Ying Chew, Henry, BSc, MSc
*(also Alternate to Wong Yick Ming, Rosanna)*

LAN Hong Tsung, David, Member-CPPCC, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

## AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

## REMUNERATION COMMITTEE

FOK Kin-ning, Canning *(Chairman)*

CHEONG Ying Chew, Henry

LAN Hong Tsung, David

## COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

# Contents

# Corporate Profile


• **3** Concept Store features a wide range of handsets, smartphones and data products and provides a one-stop service for all communications needs

Hutchison Telecommunications Hong Kong Holdings Limited (Stock Code: 215) is a leading integrated telecommunications service operator based in Hong Kong. As a member of the Hutchison Whampoa Limited (Stock Code: 13) group, we deploy the latest technologies to offer world-class telecommunications services and solutions that set market trends and steer industry development. In 1985, we commenced the provision of analogue mobile telecommunications services in Hong Kong. In 1995, we launched the Global System for Mobile Communications (GSM) services in Hong Kong. In 2009, we were listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction. Subsequently in 2010, we were included as a constituent of Hang Seng Composite Index, Hang Seng Composite Industry Index – Telecommunications and Hang Seng Composite Small Cap Index.

We provide individual customers in Hong Kong with advanced mobile and Wi-Fi services, residential fixed broadband, residential telephone lines and International Direct Dialling (IDD) services under the 3ree Broadband brand launched in July 2010, while delivering mobile services in Macau under the **3** brand. At the same time, we provide sophisticated fixed-line telecommunications solutions to corporate, international and carrier customers in Hong Kong and overseas under the **HGC** brand.

## Mobile and fixed-line consumer businesses in Hong Kong and Macau

In Hong Kong, we provide GSM dual-band and 3G mobile telecommunications services, as well as Wi-Fi service. We also offer a diverse mobile portfolio with a sharp focus on data-centric services integrated with Internet and PC offerings. Fundamental communications services include local voice, Short Message Service (SMS), Multimedia Messaging Service (MMS), IDD and international roaming. As a champion of driving smartphone data usage, we offer an array of advanced mobile handsets and devices plus a rich portfolio of broadband-based data services and applications including eBooks, music downloads, video streaming, mobile social networking, integrated messaging and location-based applications. As of 31 December 2010, we served over 2.83 million subscribers in Hong Kong, maintaining our position as the largest service provider operating a network that covers most of the local population.

In a move to harness the power of our integrated mobile and fixed-line infrastructure in Hong Kong, we provided individual customers with mobile and Wi-Fi services, residential fixed broadband, residential telephone lines and IDD services under the 3ree Broadband brand. Around 70% of Hong Kong households currently fall within our broadband coverage. With the recent upgrade of our broadband network and rollout of Fibre-to-the-Home (FTTH), around 80% of the covered households are able to enjoy broadband speed ranging from 100Mbps up to 1,000Mbps.

We provide GSM dual-band and 3G mobile telecommunications services in Macau, where our business benefits from continued socio-economic growth and a significant influx of visitors from Hong Kong and China. **3** is now the second largest mobile telecommunications operator in Macau, in terms of subscriber numbers.

## Fixed-line business in Hong Kong

Providing fixed-line telecommunications services locally and overseas since 1995, we own the most extensive fibre-to-the-building (FTTB) network in Hong Kong, comprising around 6,000 kilometres of linear ducting and around 1 million kilometers of core fibre-optic cable. This FTTB network enables us to serve multinational corporations and enterprises of all sizes, as well as local and international carriers.

• Network Operation Centre of HGC

We also run an advanced voice, data and Internet Protocol (IP) network with premium network routings via submarine and terrestrial cables. Our network reach stretches from Hong Kong to China, Cambodia, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Taiwan, Vietnam and Thailand. Co-operation with carriers around the world has extended our footprint to the United States of America and the United Kingdom. In addition, we are the only operator in Hong Kong to provide connectivity on all four cross-border routes integrated with all three of China's tier-one telecommunications operators – all to the benefit of high-yield carrier, corporate and enterprise customers.

As well as offering local telephony, IDD, Internet access, data transmission, business applications, such as MetroLambda and **HGC**-Microsoft partner-hosted cloud services, IT and systems integration plus co-location services to business customers in Hong Kong and overseas, we provide local and overseas carriers with connectivity on a wholesale basis. We also extend international facilities to large-scale corporate customers in Hong Kong and overseas. In addition, we provide leased-line connectivity to most of Hong Kong's mobile communications operators via our FTTB network.

# Shining Achievements

## Mobile Business

TOUCHers' Choice - The Most Popular Handset
*East Touch*

JAN

Hong Kong Leaders' Choice - Excellent Brand of Mobile Telecommunications Services
*Metro Finance*

AV Awards - Mobile Telecom Service Provider of the Year
*AV Magazine*

FEB

Excellent Services Brand Award - Mobile Network Operator
*Sing Tao Daily*

Hong Kong Service Awards - Telecom Operator Category
*Eastweek*

e-Trend Award - Top Ten e-Trend Product
*Ming Pao Daily News*

MAR

Yahoo! Emotive Brand Awards - Mobile / Internet Service Category
*Yahoo!*

MAY

The Outstanding Brand Awards - Mobile Network Operator
*Economic Digest*

The 42nd Distinguished Salesperson Award
*Hong Kong Management Association*

JUN

Service Awards - Mobile Multimedia Service Provider
*Capital Weekly*

U Choice! - Mobile Broadband Service Provider
*MetroInfo*

JUL

## Fixed-line Business

FEB

Hong Kong Leaders' Choice - Excellent Brand of Broadband Service
*Metro Finance*

APR

Telecom Asia Awards - Best International Wholesale Carrier
*Telecom Asia*

MAY

The Outstanding Brand Awards - Internet Service Provider
*Economic Digest*

JUN

3rd Place: Computerworld Hong Kong Awards - Data and Telecoms Services
*Computerworld Hong Kong*

JUL

Service Awards - International Telecom Service Provider
*Capital Weekly*

Service Awards - Internet Service Provider
*Capital Weekly*

U Choice! - Fixed-line Service Provider
*MetroInfo*

AUG

e-brand Awards - The Best of Telecom Service Provider
*e-zone*

e-brand Awards - The Best of Telecommunication Service
*e-zone*

HKGolden IT Brand Awards - The Best Telecom Service Provider
*HKGolden*

HKGolden IT Brand Awards - The Best Mobile Broadband
*HKGolden*

**AUG**

The Best SME Partners - Mobile Communication Services
*Economic Digest*

**OCT**

iAwards - The Best iPhone 4 Mobile Telecom Service Provider
*Pixel Media*

iAwards - The Best Mobile Telecom Service Provider
*Pixel Media*

iAwards - The Best Residential Broadband Service Provider
*Pixel Media*

**NOV**

Hong Kong Corporate Branding Awards - Consumer Choice's Award (Telecom Service)
*Ming Pao Daily News & The CUHK*

The Most Popular Partner of the Year in Data and Roaming Products
*China Unicom*

**NOV**

PRO Choice Awards - Mobile Broadband Service Provider
*Capital Weekly*

**DEC**


**OCT**

The Best SME Partners - International Telecom Service Provider
*Economic Digest*

The Best SME Partners - Internet Service Provider
*Economic Digest*

Finalist: The Telecoms World Awards Middle East - Best International Wholesale Carrier
*Terrapinn*

**NOV**

Finalist: World Communications Awards - Best Regional Operator
*Total Telecom*

Finalist: World Communications Awards - Best Global Operator
*Total Telecom*

**DEC**

Finalist: The MEF Carrier Ethernet Service Provider Awards - Global Service Provider of the Year
*Metro Ethernet Forum*

PRO Choice Awards - International Telecom Service Provider
*Capital Weekly*

PRO Choice Awards - Internet Service Provider
*Capital Weekly*

# Corporate

**JAN**

Most Convincing and Coherent Strategy - Hong Kong and Best Corporate Governance - Hong Kong
*Euromoney*

**FEB**

5 Years + Caring Company
*The Hong Kong Council of Social Service*

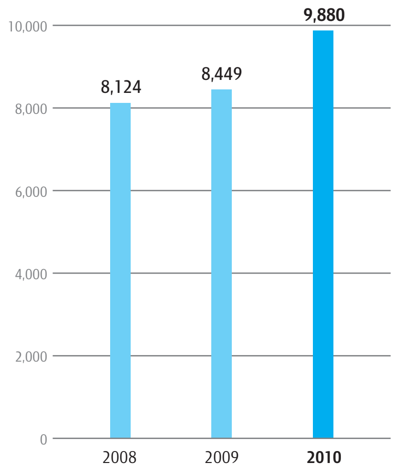
**APR**

Corporate Social Responsibility Awards
*Capital and Capital Weekly*

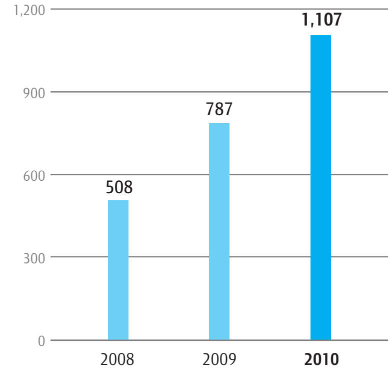
# Financial Highlights

(in HK$ millions)

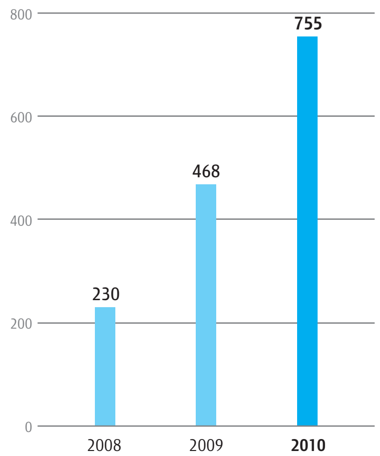
## CONSOLIDATED TURNOVER



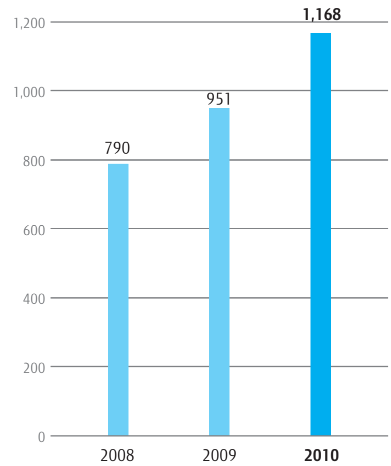

## OPERATING PROFIT



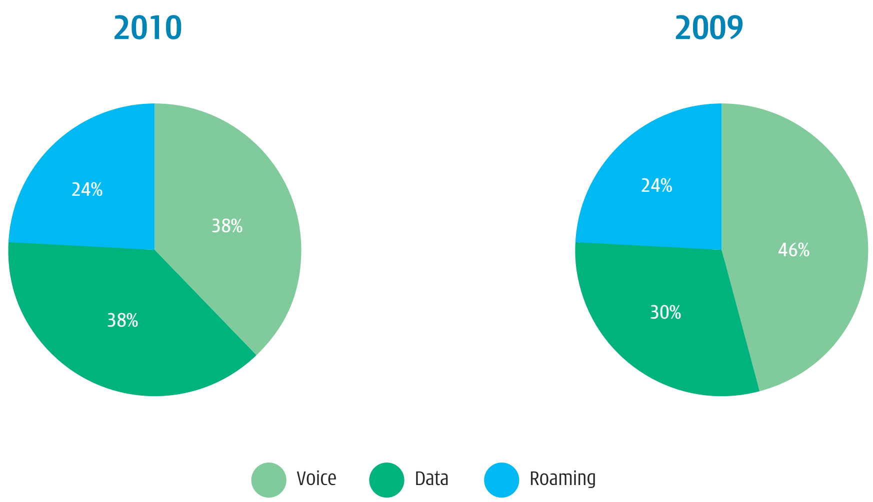

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY



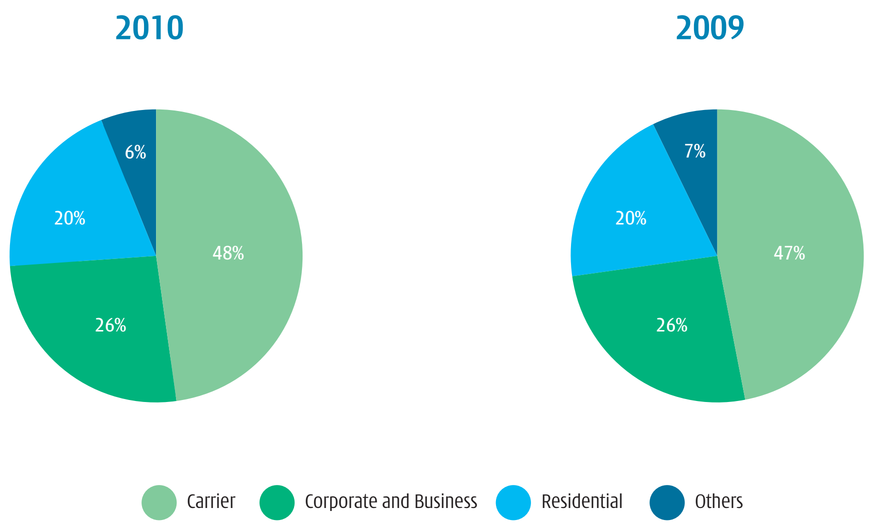

## FREE CASHFLOW



## MOBILE SERVICE REVENUE[1] MIX BY SEGMENTS




## FIXED-LINE REVENUE MIX BY SEGMENTS




1 Mobile service revenue excludes revenues generated from handset and accessory sales

# 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

# Operations Review

## Mobile Business

- **3.2 million customers** in Hong Kong and Macau
- **Over 40%** of 3G postpaid subscribers are **smartphone and dongle users**
- Invested **HK$507 million in network excellence** and overall service quality
- **Over 200 branded shops** and distribution sites


• **3** Hong Kong's "iPhone Night" was the talk of the town


• Promotion of iPhone 4 sales by **3** Hong Kong

The **3** brand continues to lead in Hong Kong – widely regarded as one of the world's most competitive mobile communications markets – and is poised to take command in the Macau market. Our progress is chiefly the result of **3**'s established image as the obvious choice among data-centric mobile users.

## MOBILE BUSINESS – HONG KONG AND MACAU

Year 2010 represented a period of economic recovery in Hong Kong and Macau, during which local markets saw an upturn in spending habits, more travelling and deeper mobile phone penetration. Particularly significant to our mobile business has been a rapidly-growing mobile data habit in Hong Kong and Macau, driven by the extremely popular iPhone, Android and other smartphone models.

Our high-profile mobile brands in Hong Kong and Macau continue to benefit from a reputation as an iPhone user's champion, after establishing a first-mover advantage in this high-potential market. We built on that commonly-held perception by launching a succession of innovative campaigns and value-added services.

## HONG KONG

### *Clear market leadership*

Efforts to position **3** as the market leader continued to pay off in 2010, thanks to a catalogue of innovative initiatives, the brand's image as Hong Kong's iPhone-user champion and a sharp focus on the high-end, data-hungry mobile community. All helped the **3** brand in Hong Kong and Macau to exceed the 3-million-subscriber mark to reach 3.20 million, of which our 3G subscribers jumped to 2.10 million.

Over 40% of our 3G postpaid subscription is made up of smartphone and data dongle users, with potential to further expand the data-driven customer base, especially in view of the growing smartphone trend and more new handheld models coming onto the market.

Leadership of Hong Kong's mobile communications market was strengthened in 2010 by a succession of compelling offers including launch of the iPhone 4 model.


• The 3ree Broadband brand integrates mobile, residential fixed-line and Wi-Fi services, leading the telecommunications industry into a new era of fixed-mobile convergence

## *Rebranding – 3ree Broadband*

A whole new vista of opportunity was opened up in 2010 by integrating our mobile and local fixed-line networks and making the same breed of lifestyle-enhancing services, and a wide range of attractive offers, available to both sets of users under the 3ree Broadband brand.

This integration – based on the strong optical-fibre capability in Hong Kong and supremacy throughout the high-end mobile community – has opened up access to residential fixed-line customers, thereby extending the customer geography for our powerful **3** brand, which is now setting new benchmarks in serving the everyday needs of data-centric users.

## *Spearheading the smartphone and handheld device trend*

A full range of handset and device offers were unleashed on the market in 2010 in order to serve a diversity of requirements. This had the effect of building on **3**'s first-mover advantage in the iPhone and smartphone market, which was established by being first in Asia to introduce the BlackBerry and first to introduce the iPhone 3G and iPhone 3GS in Hong Kong. In July 2010, **3** maintained the momentum of that first-mover advantage by launching the new iPhone 4, thereby triggering overwhelming market response and unprecedented media coverage.

Another first-in-market development was the warmly-welcomed data roaming day pass for 26 destinations including China and the United States of America (the US), by which subscribers are now able to enjoy unlimited data usage and hence a worry-free roaming experience. Data roaming is only part of our Be3ree smartphone benefits platform, which also provides unlimited local data, free Wi-Fi and a handset replacement plan to trendy data users.

In addition, Be3ree smartphone benefits include the 3Screen Annual Movie Pass, with which subscribers are able to watch any movie for free throughout selected cinemas on any Wednesday.


• **3** Hong Kong delivers a hassle-free roaming experience to travellers


• **3** Hong Kong formed an exclusive partnership with Kobo Inc. to bring a brand new eBook reading experience

Taking an early lead in catering to the mobile habits of high-yield data users has enabled us to form an intuitive understanding of this growing section of the market and gain maximum commercial advantage by devising innovative value-added services and boosting customer loyalty.

## *Winning data services, applications and content*

Being the first to launch data-centric tariff plans enables **3** to reinforce market leadership. We continued to spearhead development of the mobile data market, following launch of EasyPlus, Hong Kong's first intelligent billing mechanism that automatically channels customers into appropriate pricing bands, depending on usage levels. A particularly innovative initiative was to remove the barrier to going online by offering bundled plans with free unlimited data usage and free unlimited Wi-Fi service.

**3** was also first to enable fans to receive updates on their celebrity idols by subscribing to Weibo Express, which is fed with content from the SINA web service provider. In addition, 2010 saw the launch of the exclusive 3Book service, providing unlimited access to the largest mobile e-magazine, e-fiction and e-comics store and offering a fresh handset experience for avid readers — especially those iPhone, Android and tablet PC users. In December 2010, 3ree Broadband partnered with Kobo Inc. to make a wide selection of English-language eBooks available to customers in a sharp book-like reading format. This boosts our 3Book service, which is fully compatible with iPhone, iPad, Android and PC devices and will assist the growing trend in a new-age reading experience, whether at home or on the move.


• The **3** Concept Store in Central district where style meets technology

## *Extensive distribution channels*

An initiative to upgrade **3**'s high-street presence began in 2010 with launch of the futuristic **3** Concept Store in Hong Kong's Central district. Based on shopper-friendly simplicity, the over 1,000-square-feet store provides a one-stop service for all communications needs, while highlighting the new 3ree Broadband offer to the market.

The design of this new retail experience features high-definition, 42-inch LCD panels screening thematic animation and the latest 3ree Broadband news and special offers. Other outlets will be revamped gradually to promote broadband offers.

More than 200 branded shops and distribution sites are staffed by 1,000-plus sales personnel, while our "high street" presence is strengthened by linking with Hutchison Whampoa Group's retail chain stores such as Watsons and Fortress.

Created by our fixed-mobile integration initiative, the burgeoning 3ree Broadband brand has given rise to sales synergies such that the direct fixed-line sales team is able to promote bundled fixed-mobile offers.


• Over 200 branded shops and distribution sites deliver one-stop telecommunications services


• The Company appointed Huawei to commence a network enhancement project

## *Superior network developed by far-sighted planning*

Investment of HK$507 million in 2010 underscored our commitment to network excellence and overall service quality in a manner that has remained consistent over the years.

As part of that investment, a 3G infrastructure modernisation project was completed in 2010. The deployment of HSPA+ Dual Cell technology enables network-wide downlink speed up to 42Mbps.

In a far-sighted move to keep up with bandwidth demand generated by iPhone and smartphone usage, we continue to upgrade the **3** network by "re-farming" existing spectrum to widen and deepen coverage. We also commit to extending reach of our mobile broadband communications to address the growing demand of mobile data users through ongoing capacity expansion and coverage enhancement projects at traffic-heavy locations including MTR stations and local hotspots, which were planned and executed during 2010.

Rising data demand is also being addressed by extending coverage of Wi-Fi provision to take the data load off our 3G network. This is made possible by our co-operative arrangement with a pioneer in best-in-class broadband wireless connectivity that enriches users' Internet experience throughout the city via more than 3,000 hotspots. Wi-Fi Internet access enables users to stay connected in high-traffic locations such as shopping malls, restaurant outlets and fast-food chains in popular areas.

• Striving to expand mobile network coverage for **3** subscribers

In addition, Genius Brand Limited, a joint-venture formed between a subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (the Company) and Hong Kong Telecommunications (HKT) Limited continues to work on deploying next-generation Broadband Wireless Access (BWA) technologies — also known as LTE — after being awarded one of three 4G licences in 2009. This will enable the joint-venture to build an LTE network fit to deliver an even richer end-user experience after launch in 2011.

## MACAU

### *Poised to challenge leadership*

After 10 years in Macau, and three years competing in the local 3G arena, the **3** brand has grown to within striking distance of market share leadership. This was reinforced when **3** Macau capitalised on the launch of iPhone 4 by staging a star-studded party event that generated powerful media coverage — and saw a queue of eager buyers lining up at the island's retail outlet from midnight onwards.


• The **3**Shop in Macau provides professional sales and after-sales services via a strong retail network

### *Roaming makes full recovery*

In 2010, **3** Macau capitalised on record levels of roaming usage generated by a steadily-rising influx of business visitors and tourists, effectively lifting this important revenue stream out of the doldrums of the economic downturn.

This trend is expected to continue in 2011, with growing numbers of smartphone users placing even heavier demands on our roaming service.

### *New valued-added services*

High-end users were attracted by a number of new value-added services released in 2010. These included the KKBOX music offering, while the newly-launched one-card-2-number 3G service now enables Macau customers to reap the cost and automatic-selection benefits of using the **3** network while roaming in Hong Kong.


HGC

# Operations Review

## Fixed-line Business

- Invested **HK$613 million in network infrastructure**
- around **80%** of households in our homepass coverage enjoy broadband speeds from **100Mbps up to 1,000Mbps**
- Network reach extended to **Europe, the Middle East and Africa**
- **Winning** a major share of the **Local Carrier market**


• 3ree Broadband launches 1,000Mbps residential broadband service

## FIXED-LINE BUSINESS

During 2010, Hutchison Global Communications Limited (**HGC**) invested HK$613 million, representing more than 18% of fixed-line turnover, in our network infrastructure, demonstrating our strong commitment to network excellence.

Our fixed-line business generates growth and maintains a competitive position among both local and international fixed-line players, thanks to our strong optical-fibre capability, extensive global network reach and a pre-eminence in fixed-mobile integration (FMI).

**HGC** operates more than 1 million kilometres of optical-fibre cable cores and around 6,000 kilometres of linear ducting. We are now the only operator to provide a total of four terrestrial fibre connections to China in service at Man Kam To, Lo Wu, Lok Ma Chau and the Hong Kong-Shenzhen Western Corridor.


• 3ree Broadband brings customers to a new era of up to 1,000Mbps optical-fibre communications


• Our 100Mbps residential broadband service comes with 3Screen Annual Movie Pass

## CONSUMER MARKET

### *Continuing investment and high-speed offerings*

**HGC** operates Hong Kong's largest Fibre-to-the-Building (FTTB) network – after leapfrogging historical telecommunications copper technology in the 1990s – and now takes the ultimate connectivity offered by fibre all the way into homes. This will be followed by a move to take optical-fibre directly into commercial premises.

Around 70% of Hong Kong households currently falls within **HGC**'s broadband coverage. With the recent upgrade of our broadband network and rollout of Fibre-to-the-Home (FTTH), around 80% of the covered households are able to enjoy broadband speed of at least up to 100Mbps, this is in stark contrast to the average speed serving the domestic market.

Launch of our super-fast 1,000Mbps residential broadband service in August 2010 meant subscribers were then able to download high-definition movies in seconds. This served to differentiate ourselves from competitors as we also offer services of speeds ranging from 100Mbps, 200Mbps and 300Mbps through to 1,000Mbps.

### *Rebranding – 3ree Broadband*

Launched in July 2010, 3ree Broadband integrates residential fixed-line, mobile and Wi-Fi capabilities and provides enormous scope for bundling products, devising attractive pricing offers and transforming our customers' digital lifestyles with innovative services and entertainment content.

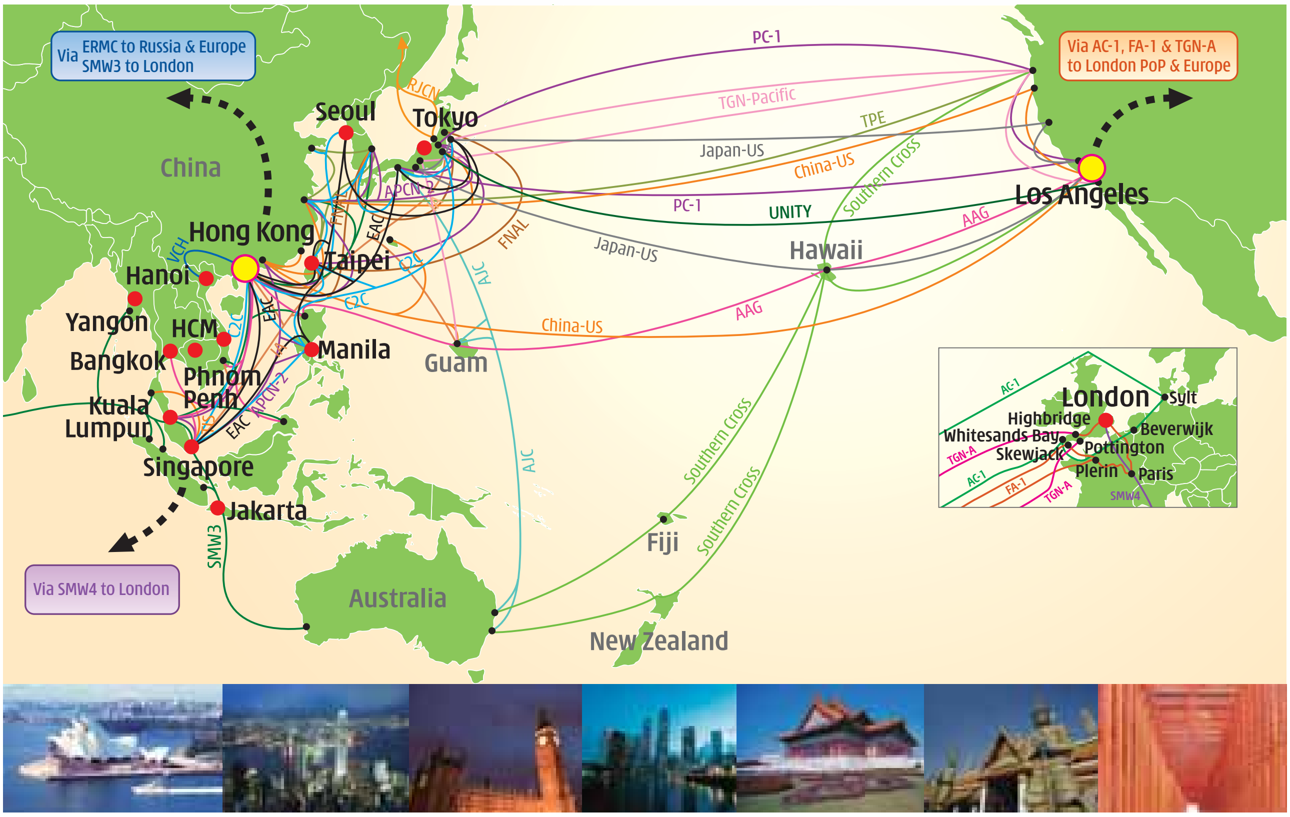
Bundling residential broadband with telephony services, along with **3** mobile and Wi-Fi offerings, now enables customers to use bundled services on either PC or mobile handsets.

### *Channel expansion through FMI*

The 3ree Broadband brand campaign highlighted the many customer benefits generated by our pre-eminence in FMI. This has been made possible by combining our strong optical-fibre capability with our supremacy in the high-end, data-centric mobile communications community.

Our synergy-loaded FMI capability also gave rise to the exclusive MATCH campaign, by which customers get a premium data service from both residential fixed-line and mobile services.

Looking ahead, our fixed-line business plans deeper penetration of the 100Mbps or higher-speed market, strengthened customer loyalty, enhanced satisfaction levels, a re-engineered sales approach to focus on our FMI proposition and more bundling of those value-added services holding high-revenue potential.




• HGC global network reach

## INTERNATIONAL BUSINESS MARKET

### *Attaining "carrier's choice" status among corporations and service providers*

Pursuit of a strategy to establish **HGC** as a globally-recognised telecommunications operator has resulted in "carrier's choice" status among telecommunications operators, Internet Service Providers and multinational corporations alike – at home and overseas. Services provided encompass voice and data, as well as fixed and mobile offerings.

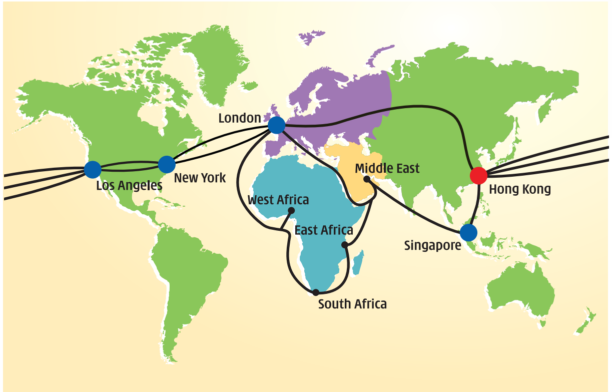
Our constantly-expanding network reaches into and between different continents via our existing infrastructure and co-operation with carriers around the world. We cover most Asian countries, the US, Canada and Africa, as well as Europe by branching out to various countries. Meeting the needs of private and public sector organisations, together with large corporations such as manufacturing companies, has taken us as far afield as India, Bangladesh, Sri Lanka, Egypt and Myanmar.

Efforts in 2010 resulted in serving a greater number of multinational corporations with offerings such as International Private Leased Circuit (IPLC), IP Virtual Private Network (IP-VPN), Virtual Private LAN Service (VPLS) and Global Ethernet Private Line (GEPL), plus IDD and international Internet service. **HGC** also launched a managed IP-VPN service with special features, such as a fully-managed CPE service, with a proactive 24/7 monitoring and technical support hotline, a global IPsec backup solution to provide business continuity and an outbound voice solution, as well as an Internet breakout feature over the same private IP-VPN network.

### *Further expansion around the world*

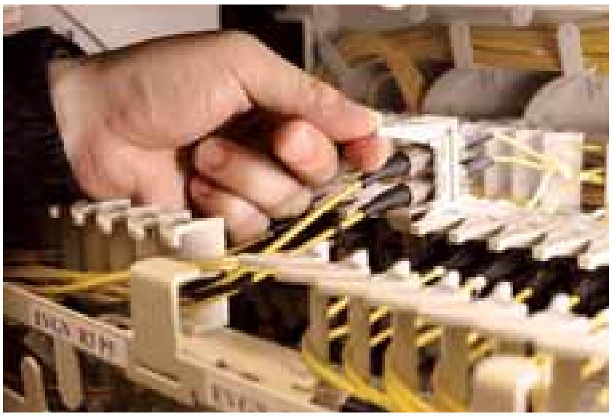
Extensive reach enables **HGC** to provide diversified telecommunications services to all customer types, with expansion continuing in both horizontal and vertical terms. From a horizontal perspective, we make full use of Hong Kong's status as a regional telecommunications hub in order to expand around the world. Vertically, we have been building **HGC**'s service portfolio and increasing value to customers.

In terms of horizontal expansion, our reach has been extended from the US west coast to New York on the east coast, thereby strengthening multiple connections into Central and South America, as well as Europe and Canada. In addition, our presence in London has been enhanced to improve network connectivity between Asia and Europe. This involves multi-gigabit capacity on Hong Kong westbound routes to complement existing eastbound routes and achieves a highly meshed global network architecture. This also branches into Europe, the Middle East and Africa. Business reach has been extended as far as Egypt and Kenya in Africa and India in Asia. Leveraging on our existing infrastructure, **HGC** has also established co-operative arrangements with regional and country-based carriers, with the aim of stretching reach and services into specific countries of interest.




• HGC global network reach extends to Europe, the Middle East and Africa

From a vertical expansion perspective, a highly-meshed network has been developed to provide full-spectrum data services, including IPLC, GEPL, IP-VPN, VPLS and IP transit. We are also able to offer disaster-recovery and business-continuity solutions delivered against stringent service level agreements. In terms of voice and switched services, various offerings available on the network include traditional voice switching and transit, plus an IDD package programme for fixed and mobile operators, as well as an international mobile data connectivity service.



## *Continuing growth in switched voice and high-bandwidth data traffic services*

### *Voice*

In addition to addressing continuous growth in voice requirements, we have been constantly expanding to interconnect with more and more carrier customers, with the ability to terminate voice traffic in high-value countries or destinations. **HGC** expanded interconnections to reach a total of more than 280 carriers, and has now established direct mobile connections with 110-plus operators throughout more than 60 countries. Furthermore, we run Common International Platform which serves and connects Hutchison Whampoa Limited's telecommunications subsidiaries around the world to generate commercial and performance-based benefits during day-to-day operations.

Our IDD package programme enables service providers to offer attractive monthly packages featuring limited and unlimited IDD service to specific market sectors. In 2010, our IDD Buffet solution enabled partner carriers' subscribers in Indonesia and Sri Lanka to enjoy unlimited IDD service to different destinations, in addition to Hong Kong, at fixed pricing for the first time ever.

### *Data*

Our wholesale data business continued to grow during 2010. We co-operated with telecommunications operators that interconnect their submarine cable capacities with our **HGC** network in Hong Kong and overseas to provide world-class connectivity solutions to corporations and wholesale carriers. Activity during 2010 included drawing up plans for extending service beyond Asia and into the US, as well as Europe, the Middle East and Africa.

The Company holds the chairmanship of the Conexus Mobile Alliance, which comprises 11 mobile operators in Asia throughout 13 member countries to address a market serving a total customer base of 310 million users. The alliance was formed to enhance the customer-roaming experience and develop international roaming services to meet increasing customer requirements.


• A dedicated management team leads the International Business Division

Investment in various submarine cable systems across Asian, transpacific and transatlantic regions enables the business to provide carrier-grade multiple-gigabit connectivity via SDH, as well as Ethernet and wavelength-based platforms, to many tier-one carriers. In addition, leading Internet Service Providers and carriers in the region are using **HGC**'s robust Internet backbone to meet rapidly-growing demand for Internet bandwidth in their own countries.

As well as serving the backbone needs of telecommunications carriers, the division has diversified by providing connectivity to meet the lower bandwidth but higher service level requirements of telecommunications carriers serving corporations with IPLC, IP-VPN and VPLS, plus international Internet solutions. Our global reach and number of international circuits we provide have increased as a result, with **HGC** now being regarded by many customers as a "solutions provider".

The one-stop-shop Hutch*Connect* platform, established in Hong Kong to connect all major data centres, international telecommunications carriers and cross-border connectivity system to China, continues to be a preferred choice of carrier-neutral capacity management solution. Four multi-service packages introduced during 2010 – Data*Connect*, Voice*Connect*, Hybrid*Connect* and Multi*Connect* – provide even better solutions to address diverse requirements that include data, voice and different layers of service such as Ethernet, MPLS and IP.


• HGC is committed to facilitating the exchange of ideas at industry seminars

## LOCAL CARRIER MARKET

### *100% optical-fibre infrastructure helps mobile operators satisfy the robust data demands of an upward smartphone trend*

Presiding over infrastructure comprising 100% optical-fibre has enabled us to win a major share of the market that provides high-speed Metro Ethernet leased lines to many of Hong Kong's mobile operators. Known as "backhaul", these networks carry land-based traffic at high speed between the Internet and mobile phone cell sites. A proliferation of iPhones, other smartphones and wireless devices in Hong Kong has placed huge demand on bandwidth for backhaul circuits serving mobile operators because of the massive volume of data being consumed by end users.

In addition, capacity in our extensive optical-fibre network is in demand among international carriers wanting to satisfy their local-loop needs in Hong Kong.

During 2010, our Ethernet backbone transmission capability continued to be developed as a way of strengthening our ability to serve mobile operators, following introduction of the next generation of mobile broadband technology – known as LTE or 4G – in 2011. In fact, we are now ready to provide Hong Kong's mobile service providers with Gigabit Ethernet leased lines to serve their cell sites.

Continuous investment in our network since inception has brought a sharp focus to bear on stability and excellence, winning widespread recognition among local carriers. This has resulted in a leading share of the market and an excellent position from which we continue to capture the explosive data-orientated demand forecast for the future.


• HGC and Microsoft Hong Kong deliver cloud computing power to enterprises in Hong Kong

## CORPORATE AND BUSINESS MARKET

### *Enabling businesses to reap the benefits of today's bandwidth – demanding applications*

We act as telecommunications partner to a growing number of medium-to-large-sized corporations, serving them with a full range of off-the-shelf or customised offerings that commonly involve broadband, local data, hosting, data centre and mobility services. We also manage the large-scale needs of the banking and finance and government sectors with solutions based on leading-edge technologies.

During 2010, mission-critical support for the corporate market was bolstered by enhancing **HGC**'s Dense Wavelength Division Multiplexing (DWDM) network and providing 1G-10G MetroLambda service, with capacity to offer speeds up to 40G. The technology behind MetroLambda enables multiple circuits to be carried by one fibre, removing reliance on a "spaghetti" of networks to connect data centres and offices, while cutting cost and boosting reliability.

### *Expanding high-speed broadband coverage to serve more members of the growing SME community*

Growth in the small-to-medium-sized enterprise (SME) market remained relatively subdued in the aftermath of the global recession. However, we have been planning ahead with the aim of upgrading broadband speed and expanding coverage to provide better service and serve more SMEs.

Efforts to drive our expansion plans have included a number of aggressive offers designed to increase the port utilisation ratio and achieve better return on investment. In addition, a strategy has been developed to achieve deeper penetration throughout major business buildings in Hong Kong.

Our sixth call centre was established at Foshan in the Guangdong Province of China in 2010. As well as enhancing customer loyalty, these call centres provide a dedicated account service to individual SMEs that maintains a healthy level of ARPU.

### *HGC serves the majority of Hong Kong schools*

We were the first Internet Service Provider to install a fibre network to provide primary schools, secondary schools and institutions of tertiary education with high-speed, symmetric broadband service – and have commanded the largest share of this market since 2003. As well as serving the majority of

• HGC strives to bring the most advanced telecommunications solutions to cater for corporate customers' diversified needs

• HGC enhances fixed-line network and facilities with unwavering effort

Hong Kong schools with broadband connectivity, we provide network-related services and products including managed security service and switches.

We have also been acting as commercial partner to a number of schools during the pilot stage of the Hong Kong Education Bureau's eLearning project and have provided support such as broadband service upgrades, Wi-Fi network design and infrastructure consultancy.

## *Enriching a portfolio of services for our data centre customers*

We have been serving the premium data centre needs of bluechip enterprises and multinational corporations, such as the banking and finance sector and we now run facilities in both Hong Kong Island and New Territories. Establishment of more data centre sites has been planned for 2011 in order to address major growth expected in this market, primarily as a result of rising technology investment throughout Greater China and other parts of Asia.

Our offer to the market currently includes basic co-location and facilities management services, plus a new cloud computing-enabled capability that will enrich our portfolio of managed services and operational outsourcing offerings. In December 2010, we signed a memorandum of understanding with Microsoft Hong Kong Limited to make the powerful benefits of cloud computing available to Hong Kong's SMEs, as well as organisations that characteristically lack IT resources, such as schools. Our move into cloud computing will enable us to offer the fullest range of data centre services, such as disaster recovery solutions, as well as other software applications from various technology partners.

# Operations Review

## Future Development

• **3** Hong Kong's Central Network Control Centre ensures the highest level of mobile network performance

The Group is extremely well positioned to play a leading role in serving the increasingly-sophisticated needs of both business and consumer markets, as a new era of data-heavy services in fixed and mobile domains dawns in Hong Kong. This largely thanks to a series of infrastructure upgrades and enhancements, as well as innovative applications of the latest technologies as they emerge. The upshot for our subscribers is an unrivalled customer experience based on our state-of-the-art integrated networks and a level of quality in all aspects of service that maximises end-user loyalty and reinforces customer retention.

### MOBILE

The sharp upturn in demand for data services is particularly prevalent throughout Hong Kong's mobile communications community, which is expected to expand, in line with ever-rising numbers of new handheld devices released onto the market.

We aim to establish more retail shops to manage growing demand for data from the mobile communications community. The design adopted will be a perfect match of simplicity and style to help spearhead the move into a new fibre-optic era. These shops offer true one-stop service, including subscription to our mobile and bundled tariff plans under the 3ree Broadband

• HGC operates world-class network infrastructure and facilities

brand as well as sales of handsets and handheld devices. All this provides customers with an eventful experience and a simple and convenient lifestyle.

Our command of the largest subscription base, in conjunction with the perception of **3** as the prime choice for iPhone, other smartphone and tablet device users – plus an ongoing succession of lifestyle and business-enhancing services – positions us well to reap the benefits of an explosion in data usage.

## FIXED-LINE

Leading in FTTB provision, **HGC** plans to take the extraordinary capabilities of optical-fibre all the way into commercial premises to serve connectivity and information needs with speeds up to 1,000Mbps.

**HGC**'s optical-fibre supremacy also enables us to meet the upwardly-spiraling requirements of mobile operators under pressure to deliver vast amounts of data to handheld devices, especially after the forthcoming LTE rollout.

In addition, drawing on our extensive network, we will continue to deliver diversified telecommunications solutions to our international customers on the back of growing demand for high-bandwidth data traffic services.

# 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.

# 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 of Hong Kong Limited (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 and Community


• The blood donation campaign is one of our many initiatives towards corporate social responsibility

## Compensation and Employee Development

As of 31 December 2010, the Group was staffed by a total of 1,816 employees and made salary payments, including directors' emoluments, that amounted to HK$646 million during the year ended 31 December 2010.

We believe the quality of our people is crucial to maintaining a leadership position in the market. With this in mind, we seek to attract and retain talented individuals committed to achieving the goals and objectives in our working environment that nurtures values such as fair play, respect and integrity. Compensation packages are competitive, and individuals are rewarded according to performance and an annually-reviewed framework of salary, working conditions, bonuses and incentive systems. Benefits include medical cover, provident funds, retirement plans, long-service awards and a share option scheme.

Heavy emphasis placed on career development translates into extensive and ongoing training according to needs. We also encourage employees to take part in work-life balance activities and community services. During 2010, these included employee outings, sports activities, volunteering and supporting charitable organisations.

## Community

In 2010, we continued to uphold our firm commitment to serving the community by organising charity programmes, supporting a vast range of social activities and we donated HK$0.3 million to charitable organisations. We have been awarded Caring Company accreditation by the Hong Kong Council of Social Service for eight consecutive years, in recognition of our relentless efforts as a good corporate citizen.

### *Charity programmes*

In a move to help the elderly maintain seamless communications with relatives, we initiated an Elderly Handset Donation Programme, in conjunction with the *Oriental Daily News*. Senior citizen-friendly mobile phones plus mobile service were donated to occupants at residential care homes for the elderly in 2010.

Throughout the year in 2010, we have supported social and charitable organisations in fundraising events, sports activities, health promotions and social welfare programmes – either in the form of cash or service sponsorship or provision of free publicity via Short Message Service (SMS) and bill inserts. Organisations that benefited include Children's Cancer Foundation, The

Community Chest of Hong Kong, Families of Spinal Muscular Atrophy Charitable Trust, Heep Hong Society, Hong Kong Red Cross, Médecins Sans Frontiéres (Hong Kong), the Security Bureau's Narcotics Division and more. Our staff members have also participated in blood donation sessions and voluntary community activities to help the needy.

## *Community projects*

**3** Hong Kong and Hutchison Global Communications Limited (**HGC**) were among the key sponsors of "Watsons 2010 FIVB World Grand Prix – Hong Kong" organised by the Volleyball Association of Hong Kong in August 2010. Making our mobile and fixed telecommunications services available enabled the organiser to deliver instant updates on game results.

In addition, **3** Hong Kong sponsored the "Visa go Hong Kong Super Shopper 2010" contest, organised by Hong Kong Tourism Board in October 2010 by providing all participants with smartphones and mobile service so they could receive shopping instructions and view Hong Kong-related shopping tips.

**HGC** also sponsored Team Green Walker in the Oxfam Trailwalker 2010 fundraising event in November 2010. All Oxfam Trailwalker participants were required to complete the 100km MacLehose Trail within 48 hours and our staff served food and refreshments at checkpoints along the walkway.

• Active participation in social services to help the children in need


• **3** donated senior citizen-friendly mobile phones and mobile services

## *Environmental protection*

**HGC** launched a large-scale "Go Paperless" campaign in May 2010, as part of our long-term environmental strategy to reduce paper consumption, in the interests of conserving natural resources. This was a significant step in transitioning more customers to receiving electronic billing information via email or SMS, with the facility to check details online. The campaign helped reduce the negative impact associated with paper bills and served to demonstrate our ongoing commitment to conducting business in an environmentally-sustainable and responsible manner.

In terms of office building management, we use Nanoflex reflectors for illumination which helps to reduce the number of lighting fixtures and related electricity needs. We also installed building management system software to control air-conditioning and lighting system in an effective manner to promote energy conservation. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, achieved more efficient use of resources and reduction of waste. We also took part in numerous environmental initiatives such as the "Earth Hour 2010" programme organised by the World Wide Fund for Nature Hong Kong.

# The Board and Management

## FOK Kin-ning, Canning

Chairman and Non-executive Director

FOK Kin-ning, Canning, aged 59, has been the Chairman and a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company since 11 May 2010. He is also the Chairman of the Remuneration Committee of the Company. He is an executive director and the group managing director of Hutchison Whampoa Limited ("HWL"), the chairman of Hutchison Harbour Ring Limited ("HHR"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPH") (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets Holdings Limited ("Power Assets", formerly known as Hongkong Electric Holdings Limited) and the co-chairman of Husky Energy Inc. ("Husky"). He is also the deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"). In addition, he is a non-executive director of Cheung Kong (Holdings) Limited ("CKH"), and a director of Hutchison International Limited ("HIL") and Ommaney Holdings Limited ("OHL"). The aforementioned three companies (namely CKH, HIL, OHL) and HWL are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

## LUI Dennis Pok Man

Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, aged 60, has been the Deputy Chairman and a Non-executive Director of the Company since 4 March 2009. He is a director of Hutchison Telecommunications Group Holdings Limited ("HTGHL"), a substantial shareholder of the Company within the meaning of Part XV of SFO, to head the operations of the Hutchison Asia Telecommunications Group presently located in Hong Kong, Vietnam, Indonesia and Sri Lanka, to oversee the telecommunications operations in Ireland and Austria and to generally assist in other telecommunications operations and related investments within the Hutchison Whampoa group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was the managing director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK", a subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in Hong Kong, China, Taiwan and Macau from 1996 to April 2000. He rejoined the Hutchison Whampoa group in May 2001. Prior to taking up the position with the group, he was the group managing director of HTI (1993) Holdings Limited overseeing the telecommunications operations and new business development of the Hutchison Whampoa group. He holds a Bachelor of Science degree.

## WONG King Fai, Peter

Executive Director and Chief Executive Officer

WONG King Fai, Peter, aged 62, has been an Executive Director and the Chief Executive Officer of the Company since 4 March 2009. He is currently, and has been since March 2004, an executive director of Hutchison Global Communications Holdings Limited (a subsidiary of the Company). He joined the Hutchison Whampoa group in 1996 as technical director of HTHK and was promoted to the position of fixed network director of HTHK in 1998 where he was responsible for the establishment of infrastructure, service and market development of its fixed network business. He was the chief executive officer of Hutchison Global Communications Limited ("HGC", a subsidiary of the Company) from 2000 to 2005, and is currently the chief executive officer of HTHK. Before joining HTHK, Mr Wong gained extensive telecommunications experience with Cable & Wireless Hongkong Telecom through various senior roles. He holds a Master's degree in Telecommunications from the University of Birmingham, the United Kingdom and is a Fellow of The Hong Kong Institution of Engineers.

## CHOW WOO Mo Fong, Susan

Non-executive Director

CHOW WOO Mo Fong, Susan, aged 57, has been a Director of the Company since 2007 and designated as a Non-executive Director of the Company since 4 March 2009. She is an executive director and the deputy group managing director of HWL, an executive director of CKI, HHR and Power Assets, a director of HTAL, a non-executive director of TOM Group Limited ("TOM Group") and an alternate director of HPH (as trustee-manager of Hutchison Port Holdings Trust). In addition, she is a director of HIL, OHL, HTGHL, Hutchison Telecommunications Investment Holdings Limited ("HTIHL") and Hutchison Telecommunications Holdings Limited ("HTHL"), all of which and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is a solicitor and holds a Bachelor's degree in Business Administration.

## Frank John SIXT

Non-executive Director

Frank John SIXT, aged 59, has been a Non-executive Director of the Company since 4 March 2009. He is an executive director and the group finance director of HWL, the non-executive chairman of TOM Group, an executive director of CKI and Power Assets, a non-executive director of CKH and HPH (as trustee-manager of Hutchison Port Holdings Trust), and a director of HTAL and Husky. In addition, he is a director of Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust, Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, HIL, OHL, HTGHL, HTIHL and HTHL, all of which and CKH and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

## LAI Kai Ming, Dominic

Non-executive Director

LAI Kai Ming, Dominic, aged 57, has been a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mr Frank John Sixt, a Non-executive Director of the Company since 11 May 2010. He is an executive director of HWL, the deputy chairman of HHR, and a director of HTAL. In addition, he is a director of HIL, which and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He has over 27 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

## CHEONG Ying Chew, Henry

Independent Non-executive Director

CHEONG Ying Chew, Henry, aged 63, has been an Independent Non-executive Director of the Company since 3 April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company since 8 March 2010. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of CKH, CKI, CNNC International Limited, Creative Energy Solutions Holdings Limited, Excel Technology International Holdings Limited, New World Department Store China Limited, SPG Land (Holdings) Limited, TOM Group and BTS Group Holdings Public Company Limited and an executive director and the deputy chairman of Worldsec Limited. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is a member of the Securities and Futures Appeals Tribunal in Hong Kong and a member of Advisory Committee of the Securities and Futures Commission. Mr Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

## LAN Hong Tsung, David

Independent Non-executive Director

LAN Hong Tsung, David, aged 70, has been an Independent Non-executive Director of the Company since 3 April 2009. He is a member of the Audit Committee and the Remuneration Committee of the Company. He is currently the chairman of David H T Lan Consultants Limited. He is also an independent non-executive director of CKI, HHR, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited. He is also a senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

## WONG Yick Ming, Rosanna

Independent Non-executive Director

WONG Yick Ming, Rosanna, aged 58, has been an Independent Non-executive Director of the Company since 3 April 2009. She is a member of the Audit Committee of the Company. She is currently a member of the National Committee of the Chinese People's Political Consultative Conference, and serves as a member of the Judicial Officers Recommendation Commission and Commission on Strategic Development, both of the Government of the Hong Kong Special Administrative Region. She is also a Court member of the Hong Kong University of Science and Technology. With The University of Hong Kong, she is an elected member of the Council and an ex-officio member of the Court. She is the executive director of The Hong Kong Federation of Youth Groups, a director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of CKH. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, she is the chairman of World Vision Hong Kong and a global advisor to Mars, Incorporated. She holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates from The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada.

## MA Lai Chee, Gerald

Alternate Director

MA Lai Chee, Gerald, aged 43, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company since 9 June 2009. He joined CKH in February 1996 and is currently director, corporate strategy unit and chief manager, corporate business development. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is also a non-executive director of ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust). He is also an alternate director of ARA Trust Management (Suntec) Limited (as manager of Suntec Real Estate Investment Trust), and ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited, as manager of Fortune Real Estate Investment Trust). He has over 21 years of experience in banking, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

## Edith SHIH

Company Secretary

Edith SHIH, aged 59, has been the Company Secretary of the Company since November 2007. Ms Shih is the head group general counsel and the company secretary of HWL. She is an executive director and the company secretary of HHR, a non-executive director and the company secretary of Hutchison China MediTech Limited and the deputy secretary of HPH (as trustee-manager of Hutchison Port Holdings Trust). In addition, she is a director of HIL as well as a director and the company secretary of various HWL group companies. HWL and HIL are substantial shareholders of the Company within the meaning of Part XV of the SFO. She holds a Bachelor of Science degree in Education, Master of Arts degrees and a Master of Education degree. She is a qualified solicitor in Hong Kong, England and Wales and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

## TAN Yuen Chun, Jennifer

Chief Financial Officer

TAN Yuen Chun, Jennifer, aged 47, has been the Chief Financial Officer of the Group since August 2005 and joined the Group in May 1996. Ms Tan has been the finance director of HTHK since 2000 and was appointed the Chief Financial Officer of HTHK and HGC in 2005. Before joining the Group, Ms Tan gained extensive financial management experience with various Fortune 500 multinational corporations. She is a qualified accountant and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom. She is member of several professional accounting associations, including the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms Tan has almost 15 years' experience in telecommunications.

## LUNG Pui Ying, Amy

Chief Operating Officer (Mobile)

LUNG Pui Ying, Amy, aged 51, has been the Chief Operating Officer (Mobile) of the Group since May 2007, after having joined the HWL group in July 2001 as director of operations of OHL. She then became consumer market commercial director of Hong Kong operations. Prior to joining the HWL group, Ms Lung held various management positions at a number of mobile communications operators in Hong Kong, dealing with local and international projects. She holds a Master's degree in Business Administration from Newport University. Ms Lung has more than 24 years' experience in telecommunications.

## CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

CHUNG Yiu Man, Daniel, aged 43, has been the Chief Technology Officer (Mobile) of the Group since joining in June 2008. Mr Chung is responsible for network engineering, operations and IT development aspects of mobile business. He holds a Master's degree in Business Administration and has more than 20 years' experience in telecommunications.

## HO Wai Ming

Chief Executive Officer (Macau)

HO Wai Ming, aged 57, has been the Chief Executive Officer (Macau) of the Group since April 2008 and joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 29 years' experience in telecommunications.

## KWOK Wing Pong, Andrew

International Business Director

KWOK Wing Pong, Andrew, aged 51, has been the International Business Director since joining in June 2002. Mr Kwok is responsible for the international business segment and global development of fixed network business. He also represents the Group and holds chairmanship in regional telecommunications alliance board. Mr Kwok has more than 30 years' experience in telecommunications.

## LEE Yat Lung, Andrew

Commercial Director, Wholesale and Business Market

LEE Yat Lung, Andrew, aged 42, has been the Commercial Director, Wholesale and Business Market since August 2005 and joined the Group in June 2002. Mr Lee is responsible for the wholesale, carrier and corporate segments of fixed network business. He holds a Master's degree in Business Administration and has more than 18 years' experience in telecommunications.

## CHIANG Yung Hon, Byron

Technology and Operations Director, Fixed Network

CHIANG Yung Hon, Byron, aged 45, has led the fixed network services and operations team since May 2009 and joined the Group in November 2003. Mr Chiang is responsible for network engineering, operations and product development aspects of fixed network business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 21 years' experience in telecommunications.

## MA Yuen Wah, Winnie

General Counsel, Legal and Regulatory

MA Yuen Wah, Winnie, aged 36, has led the legal and regulatory team since November 2010 and joined the HWL Group in March 2008. Ms Ma is responsible for legal and regulatory affairs. She holds a Postgraduate Certificate in Laws and a Bachelor of Laws degree and has more than 12 years' experience in legal affairs.

## NG May Yuk, Frances

General Manager, Corporate Communications

NG May Yuk, Frances, aged 50, has been the General Manager, Corporate Communications since re-joining in 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She has more than 26 years' experience in public relations, 15 years of which were spent serving the Group.

## WONG Chong Sang, Edward

General Manager, Human Resources

WONG Chong Sang, Edward, aged 48, has been the General Manager, Human Resources since December 2001 and joined the HWL Group in April 2001. Mr Wong is responsible for human resources and development. He holds a Bachelor's degree in Business Administration and has more than 21 years' experience human resources management.

# Changes in Information of Directors

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the changes in information of Directors of the Company subsequent to the date of the 2010 Interim Report are set out below:

| Name of Director | Details of Changes |
|---|---|
| Fok Kin-ning, Canning | Appointed as a director and chairman of Hutchison Port Holdings Management Pte. Limited ("HPH")* on 14 February 2011 and 23 February 2011 respectively and designated as non-executive director on 23 February 2011 |
| | 2009 amount of HK$72,904 was pro-rated to reflect past year appointment. 2010 amount of HK$90,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Lui Dennis Pok Man | 2009 amount of HK$58,109 was pro-rated to reflect past year appointment. 2010 amount of HK$70,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Wong King Fai, Peter | 2009 amount of HK$8,639,556 was pro-rated to reflect past year appointment. 2010 amount of HK$11,665,806 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Chow Woo Mo Fong, Susan | Appointed as alternate director to Fok Kin-ning, Canning, chairman and non-executive director of HPH, on 14 February 2011 |
| | 2009 amount of HK$58,109 was pro-rated to reflect past year appointment. 2010 amount of HK$70,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Frank John Sixt | Appointed as a director of HPH on 14 January 2011 and designated as non-executive director of HPH on 23 February 2011 |
| | 2009 amount of HK$58,109 was pro-rated to reflect past year appointment. 2010 amount of HK$70,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Lai Kai Ming, Dominic | 2009 amount of HK$58,109 was pro-rated to reflect past year appointment. 2010 amount of HK$70,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |

| Name of Director | Details of Changes |
|---|---|
| Cheong Ying Chew, Henry | Ceased to be a member of Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants in February 2011<br><br>2009 amount of HK$118,931 was pro-rated to reflect past year appointment. 2010 amount of HK$160,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Lan Hong Tsung, David | 2009 amount of HK$118,931 was pro-rated to reflect past year appointment. 2010 amount of HK$160,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |
| Wong Yick Ming, Rosanna | Appointed as chairman of World Vision Hong Kong<br><br>2009 amount of HK$104,136 was pro-rated to reflect past year appointment. 2010 amount of HK$140,000 reflected full year emolument. There is no change in the basis of determining the director's emoluments |

* *Hutchison Port Holdings Management Pte. Limited is the trustee-manager of Hutchison Port Holdings Trust which is listed on the Main Board of Singapore Exchange Securities Trading Limited on 18 March 2011*

# Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2010.

## Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 130 to 131.

## Group Profit

The consolidated income statement is set out on page 73 and shows the profit of the Group for the year ended 31 December 2010.

## Dividends

An interim dividend of 3.32 HK cents per share was paid to shareholders on 2 September 2010.

The Directors recommend the declaration of a final dividend at the rate of 6.83 HK cents per share, or HK$329 million in total, payable on 20 May 2011 to those persons registered as shareholders on 19 May 2011. The Register of Members will be closed from 13 May 2011 to 19 May 2011, both days inclusive.

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 23 to the consolidated financial statements.

## Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$0.3 million (2009: Nil).

## Property, Plant and Equipment

Particulars of the movements of property, plant and equipment are set out in Note 13 to the consolidated financial statements.

## Share Capital

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

## Directors

The Board of Directors of the Company (the "Board") as at 31 December 2010 comprised nine Directors: Mr Fok Kin-ning, Canning (Chairman and a Non-executive Director); Mr Lui Dennis Pok Man (Deputy Chairman and a Non-executive Director); Mr Wong King Fai, Peter (Executive Director); three Non-executive Directors, namely, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic (Mr Ma Lai Chee, Gerald is Alternate Director to Mr Lai Kai Ming, Dominic); and three Independent Non-executive Directors, namely, Mr Cheong Ying Chew, Henry, Mr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna.

Mr Cheong Ying Chew, Henry, an Independent Non-executive Director, was appointed as Alternate Director to Dr Wong Yick Ming, Rosanna on 8 March 2010. Mr Fok Kin-ning, Canning, Chairman and a Non-executive Director, was appointed as Alternate Director to Mrs Chow Woo Mo Fong, Susan, and Mr Lai Kai Ming, Dominic, a Non-executive Director, was appointed as Alternate Director to Mr Frank John Sixt, both on 11 May 2010.

In accordance with Article 84 of the Articles of Association of the Company, Mr Fok Kin-ning, Canning, Mr Lai Kai Ming, Dominic and Mr Cheong Ying Chew, Henry will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company received confirmation from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 36 to 38.

## Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

## Interest in Contracts

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Continuing Connected Transactions

During the year ended 31 December 2010, the Group undertook the following continuing connected transactions (the "Continuing Connected Transactions"):

### (i) Provision of data centre services to Hutchison Whampoa Limited ("HWL") and its subsidiaries (collectively, the "HWL Group")

Prior to the listing of the shares of the Company on the Stock Exchange on 8 May 2009 (the "Listing Date"), Hutchison GlobalCentre Limited ("Hutchison GlobalCentre", a subsidiary of the Company) entered into master service agreements of various dates with members of the HWL Group (including A.S. Watson & Company, Limited, Hutchison International Limited ("HIL") and Metro Broadcast Corporation Limited) which prescribe the framework terms upon which Hutchison GlobalCentre and the relevant members of the HWL Group may, from time to time, enter into separate service orders to provide data centre services to the HWL Group. Pursuant to the master service agreements, which are terminable at any time by either party giving no less than 30 days' prior written notice to the other, such data centre services include data centre facilities (such as power supply, telecommunications connectivity, air-conditioning, fire prevention and security systems), hardware and software management and co-location services. The relevant members of the HWL Group are required to pay Hutchison GlobalCentre monthly charges in advance for subscription and in arrears for usage of such data centre services. The amount of monthly charges and the initial term of duration for the provision of such data centre services, which are automatically renewable for successive additional terms unless either party terminates by notification, are separately determined and agreed between the relevant members of the HWL Group and Hutchison GlobalCentre in individual service orders, which are executed as and when such data centre services are required.

Each member of the HWL Group is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (ii) Roaming arrangements between the Group and NTT DoCoMo, Inc. ("DoCoMo") and its subsidiaries (collectively, the "DoCoMo Group")

Prior to the Listing Date, members of the Group entered into agreements of various dates with DoCoMo whereby customers of members of the Group and the DoCoMo Group respectively may roam on each other's telecommunication networks while travelling abroad. While each pair of roaming partners amongst the groups will settle, after set-off, the roaming charges each month in arrears depending on the aggregate volume of roaming services incurred by their customers on each other's networks, no set-off will be made between different pairs of roaming partners amongst the same groups. The provision of such services is terminable at any time by either party giving no less than six months' prior written notice to the other.

DoCoMo and its subsidiaries are connected persons of the Company by virtue of being either a substantial shareholder of certain subsidiaries of the Company or are associates of such substantial shareholder. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (iii) Provision of dealership services by the HWL Group

Prior to the Listing Date, A. S. Watson Group (HK) Limited ("Watson", a member of the HWL Group) and Hutchison 3G Services (HK) Limited ("H3GSHK", a subsidiary of the Company) entered into an agreement dated 27 May 2004 whereby Watson was appointed a non-exclusive dealer for H3GSHK to sell, at retail outlets operated by Fortress in Hong Kong, 3G handsets and/or telecommunications services provided by H3GSHK. This agreement, which commenced on 3 March 2004 was transferred by H3GSHK to Hutchison Telephone Company Limited ("HTCL", a subsidiary of the Company) with effect from 1 July 2005. On 2 April 2009, the parties agreed to extend the term of the foregoing agreement for a two-year period to expire on 31 December 2011 subject to automatic renewal for successive periods of three years each, unless terminated earlier by either party.

Watson is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (iv) Supply of promotional items by the HWL Group

Prior to the Listing Date, the Company and Watson entered into an agreement dated 12 February 2009 whereby members of the Group may purchase coupons from the relevant members of the HWL Group (including PARKnSHOP, Fortress and/or Watsons (each a division of Watson)), at face value with a reasonable discount for bulk purchase as and when required by the relevant members of the Group. This agreement is subject to an initial term of three years and thereafter automatically renewed for successive periods of three years each unless terminated earlier by either party. These cash coupons are purchased and utilised as part of the Group's marketing strategy for offering to certain newly joined and renewal customers of the mobile and fixed-line services of the Group.

Each member of the HWL Group is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (v) Provision of global procurement services by the HWL Group

Prior to the Listing Date, various members of the Group entered into 3G cost sharing agreements of various dates with members of the HWL Group pursuant to which members of the HWL Group and of the Group together participate in global procurement and development projects for the acquisition and development of information technology platforms and software solutions and applications, hardware, content and other services in connection with the roll-out and ongoing operation of the 3G business of the members of the Group. Under these 3G cost sharing agreements, the Group has the absolute discretion (but not obligation whether as to revenue, volume commitment or otherwise) and the HWL Group has an obligation to allow the Group, if it so wishes, to participate in any cost-sharing activities. Relevant members of the Group have agreed to bear an appropriate proportion of the total external and internal costs and expenses incurred in connection with such joint procurement activities. In connection with the performance by such members of the Group of some of the underlying contracts in relation to global procurement activities, certain members of the HWL Group have provided guarantees in favour of counterparties thereunder in return for a guarantee fee and a management fee payable to the HWL Group both set at normal commercial rates.

Each member of the HWL Group is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (vi) Procurement of HWL Group Supplies and Group Supplies between the HWL Group and the Group

Prior to the Listing Date, the Company and HIL entered into a master agreement dated 17 April 2009 (the "HWL Master Agreement") whereby HIL will procure relevant members of the HWL Group (which, for the purpose of the HWL Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by HIL and such other entities in which HIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of voting power at general meetings in such entities) to provide or acquire (as appropriate), and the Company will procure relevant members of the Group (which, for the purpose of the HWL Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by the Company and such other entities in which the Company is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of voting power at general meetings in such entities ("Company JCE(s)")) to acquire or provide (as appropriate), the following range of products and services of the HWL Group or of the Group and such other products or services as may be agreed from time to time (the "HWL Group Supplies" and the "Group Supplies", respectively) on a non-exclusive basis as and when reasonably requested by relevant members of the Group or of the HWL Group:

(a) the HWL Group Supplies include (i) intellectual property rights licensing; (ii) roaming services; (iii) bill collection services; (iv) telecommunications products (such as contents); (v) local and international fixed-line telecommunications services (including international direct dialing ("IDD") services and international private leased circuits); (vi) leasing and licensing of offices, building spaces, car parks and warehouses; (vii) distilled water, food and beverages, groceries; stationeries, office supplies; computer supplies; printing services; records management services; office relocation services; (viii) hotel services; travel and transportation services; (ix) IT-related services (including IT platforms development services, software solutions and applications development services and other professional services); (x) marketing, advertising and promotional services; and (xi) collaboration on the development of video and radio programmes; and

(b) the Group Supplies include (i) mobile telecommunications products (including mobile handsets, accessories and related products); (ii) mobile telecommunications services (including IDD and roaming services and other value-added services); (iii) telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services); (iv) roaming services; and (v) procurement of local and international fixed-line telecommunications services.

Each member of the HWL Group (which include entities controlled, directly or indirectly, as to more than 50% by HIL and such other entities in which HIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of the voting power at general meetings in such entities) is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (vii) Procurement of HTIL Group Supplies and Group Supplies between the Group and Hutchison Telecommunications International Limited ("HTIL") and its subsidiaries (collectively, the "HTIL Group")

Prior to the Listing Date, the Company and HTIL (the "HTIL Master Agreement") entered into a master agreement dated 17 April 2009 whereby HTIL will procure relevant members of the HTIL Group (which, for the purpose of the HTIL Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by HTIL and such other entities in which HTIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of voting power at general meetings in such entities) to provide or acquire (as appropriate), and the Company will procure relevant members of the Group (which, for the purpose of the HTIL Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by the Company and the Company's JCE(s)) to acquire or provide (as appropriate), the following range of products and services of the HTIL Group or of the Group and such other products or services as may be agreed from time to time (the "HTIL Group Supplies" and the "Group Supplies", respectively) on a non-exclusive basis as and when reasonably requested by relevant members of the Group or of the HTIL Group:

(a) the HTIL Group Supplies include (i) leasing and licensing of offices, building spaces, car parks and warehouses; (ii) roaming services; and (iii) general treasury management services; and

(b) the Group Supplies include (i) data centre services (including data centre facilities (such as power supply, telecommunications connectivity, air-conditioning, fire prevention and security systems), hardware and software management and co-location services); (ii) mobile telecommunications services (including local voice, IDD and roaming services and other value-added services); (iii) telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, Internet and web-hosting services); (iv) mobile telecommunications products (including handsets hardware and other accessories) and the related support; and (v) roaming services.

Each of HTIL and the members of the HTIL Group (which include entities controlled, directly or indirectly, as to more than 50% by HTIL and such other entities in which HTIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of the voting power at general meetings in such entities) is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## (viii) Procurement of CKH Group Supplies and Group Supplies between the Group and Cheung Kong (Holdings) Limited ("CKH") and its subsidiaries (collectively, the "CKH Group")

Prior to the Listing Date, the Company and CKH entered into a master agreement dated 17 April 2009 (the "CKH Master Agreement") whereby CKH will procure relevant members of the CKH Group (which, for the purpose of the CKH Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by CKH and such other entities in which CKH is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of voting power at general meetings in such entities), to provide or acquire (as appropriate), and the Company will procure relevant members of the Group (which, for the purpose of the CKH Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by the Company and the Company's JCE(s)) to acquire or provide (as appropriate), the following range of products and services of the CKH Group or of the Group and such other products or services as may be agreed from time to time (the "CKH Group Supplies" and the "Group Supplies", respectively) on a non-exclusive basis as and when reasonably requested by relevant members of the Group or of the CKH Group:

(a) the CKH Group Supplies means (i) procurement of local and international fixed-line IDD services; (ii) handsets and other incidental services; (iii) handsets replacement plan services; (iv) leasing and licensing of offices, building spaces, car parks and warehouses; and (v) business risks management services (including insurance brokerage) and joint marketing activities; and

(b) the Group Supplies means (i) mobile telecommunications services (including local voice, IDD and roaming services and other value-added services); (ii) marketing services and bill collection services (including those in relation to the handset replacement plan); and (iii) telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services).

Each of CKH and the members of the CKH Group (which include entities controlled, directly or indirectly, as to more than 50% by CKH and such other entities in which CKH is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of the voting power at general meetings in such entities) was a connected person of the Company by virtue of being an "associate" (as such term was defined until 2 June 2010 under the then Listing Rules) of a substantial shareholder of the Company. Accordingly, transactions entered into pursuant to the CKH Master Agreement prior to 3 June 2010 constituted continuing connected transactions for the Company under the Listing Rules.

### (ix) Supply of handsets and other devices by H3G Procurement Services S.à r.l. to the Group

Prior to the Listing Date, HTCL entered into a handset supply agreement dated 27 March 2007 with H3G Procurement Services S.à r.l. ("H3G Procurement", a subsidiary of the HWL Group) pursuant to which HTCL may elect to purchase handsets and other devices related to its 3G business. Any offer of handsets or other devices by H3G Procurement to HTCL are to be on substantially the same terms and conditions as the terms and conditions offered by the vendors to H3G Procurement, other than as to unit prices which may include an additional amount which is primarily attributable to the costs incurred by H3G Procurement in procuring and testing the handsets, and in product, technical and vendor management generally. HTCL is not obligated to purchase any handsets under the agreement with H3G Procurement. The initial term of the agreement is three years commencing from 1 January 2007 and thereafter automatically renewed for three successive periods of three years each unless terminated earlier by either party.

H3G Procurement is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the aforesaid transactions constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

## Grant of Waiver

On 17 April 2009, the Stock Exchange granted to the Company a conditional waiver from strict compliance with the announcement and/or independent shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules for the Continuing Connected Transactions based on the information provided in the Company's submission dated 6 April 2009 (as updated by a subsequent submission dated 16 April 2009 by the Company) and the listing document dated 20 April 2009 issued by the Company (the "Listing Document").

## Annual Review of Continuing Connected Transactions

The aggregate amounts attributable to the respective Continuing Connected Transactions for the year ended 31 December 2010 which are subject to the annual review requirements under the Listing Rules are as follows:

| Continuing Connected Transactions | Aggregate amount for year ended 31 December 2010 (HK$ millions) |
|---|---|
| (i) Provision of data centre services | 16 |
| (ii) Roaming arrangements between the Group and the DoCoMo Group | |
| (a) expenses chargeable to the Group | (a) Nil |
| (b) revenue from the DoCoMo Group | (b) 21 |
| (iii) Provision of dealership services by the HWL Group | 12 |
| (iv) Supply of promotional items by the HWL Group | 16 |

| Continuing Connected Transactions | | Aggregate amount for year ended 31 December 2010 (HK$ millions) |
|---|---|---|
| (v) | Provision of global procurement services by the HWL Group | 8 |
| (vi) | Procurement of products and services between the HWL Group and the Group under the HWL Master Agreement in the form of:<br>(a) acquisition from the HWL Group<br>(b) provision by the Group | <br><br>(a) 115<br>(b) 97 |
| (vii) | Procurement of products and services between the HTIL Group and the Group under the HTIL Master Agreement in the form of:<br>(a) acquisition from the HTIL Group<br>(b) provision by the Group | <br><br>(a) 1<br>(b) 2 |
| (viii) | Procurement of products and services between the CKH Group and the Group under the CKH Master Agreement in the form of:<br>(a) acquisition from the CKH Group<br>(b) provision by the Group<br><br>during the period from 1 January 2010 to 2 June 2010 when such transactions constituted continuing connected transactions for the Company under the Listing Rules prior to 3 June 2010. | <br><br>(a) 4<br>(b) 28 |
| (ix) | Supply of handsets and other devices by H3G Procurement | 0.2 |

All the Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the Board that the Continuing Connected Transactions (i) have received approval of the Board; (ii) are in accordance with the pricing policies of the Group if such transactions involved provision of goods and services by the Group; (iii) are entered into in accordance with the terms of the relevant agreements governing such transactions; and (iv) do not exceed the respective cap amounts as referred to in the Listing Document.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2010 is contained in Note 33 to the consolidated financial statements. Save and except for the transactions entered into with the CKH Group on or after 3 June 2010, the transactions summarised in paragraph (b) to such Note all fall under the definition of "continuing connected transactions" under the Listing Rules and none of the transactions summarised in paragraph (c) to such Note falls under the definition of either "connected transaction" or "continuing connected transaction" under the Listing Rules.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange and disclosed above, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2010.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules adopted by the Company (the "Model Code") were as follows:

### (I) Interests and short positions in the shares, underlying shares and debentures of the Company

***Long positions in the shares and underlying shares of the Company***

| Name of Director | Capacity | Nature of interests | Number of shares held | Number of underlying shares held in American Depositary Shares | Approximate % of shareholding |
|---|---|---|---|---|---|
| Fok Kin-ning, Canning | Interest of a controlled corporation | Corporate interest | 1,202,380 *(Note 1)* | - | 0.0250% |
| Lui Dennis Pok Man | Beneficial owner | Personal interest | 9,100,000 | - | 0.1890% |
| Wong King Fai, Peter | Beneficial owner | Personal interest | 2,666,667 | - | 0.0554% |
| Chow Woo Mo Fong, Susan | Beneficial owner | Personal interest | 250,000 | - | 0.0052% |
| Frank John Sixt | Beneficial owner | Personal interest | - | 255,000 *(Note 2)* | 0.0053% |

*Notes:*

1. *Such ordinary shares were held by a company which is equally controlled by Mr Fok Kin-ning, Canning and his spouse.*

2. *17,000 American Depositary Shares (each representing 15 ordinary shares) were held by Mr Frank John Sixt.*

## (II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

***Long positions in the shares, underlying shares and debentures of the associated corporations of the Company***

Mr Fok Kin-ning, Canning had, as at 31 December 2010, the following interests:

(i) corporate interests in 6,010,875 ordinary shares, representing approximately 0.141% of the then issued share capital, in HWL;

(ii) 5,100,000 ordinary shares, representing approximately 0.038% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;

(iii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.056% of the then issued share capital, in Hutchison Harbour Ring Limited; and

(iv) corporate interests in (a) a nominal amount of US$1,216,000 in the 6.50% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited; (b) a nominal amount of US$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and (c) a nominal amount of US$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited ("HWI(10)").

Mr Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mr Wong King Fai, Peter had, as at 31 December 2010, family interests in 22,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL held by his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2010, personal interests in 150,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in HWL.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2010, personal interests in (i) 200,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in HWL; (ii) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in HTAL; and (iii) a nominal amount of US$1,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10).

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2010, personal interests in 50,000 ordinary shares, representing approximately 0.001% of the then issued share capital, in HWL.

Mr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2010, personal interests in 20,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL.

Save as disclosed above, as at 31 December 2010, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2010, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### (I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

***Long positions in the shares of the Company***

| Name | Capacity | Number of shares held | Approximate % of shareholding |
|---|---|---|---|
| Hutchison Telecommunications Investment Holdings Limited ("HTIHL") | (i) Beneficial owner | 2,619,929,104 ) *(Note 1)* ) | |
| | (ii) Interest of a controlled corporation | 512,961,149 ) *(Note 1)* ) | 65.05% |
| Hutchison Telecommunications Group Holdings Limited ("HTGHL") | Interest of controlled corporations | 3,132,890,253 *(Note 1)* | 65.05% |
| Ommaney Holdings Limited ("OHL") | Interest of controlled corporations | 3,132,890,253 *(Note 1)* | 65.05% |
| HIL | Interest of controlled corporations | 3,132,890,253 *(Note 1)* | 65.05% |
| HWL | Interest of controlled corporations | 3,132,890,253 *(Note 1)* | 65.05% |
| CKH | Interest of controlled corporations | 3,184,982,840 *(Note 2)* | 66.13% |
| Li Ka-Shing Unity Trustee Company Limited ("TUT1") | Trustee | 3,184,982,840 *(Note 3)* | 66.13% |
| Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") | Trustee and beneficiary of a trust | 3,184,982,840 *(Note 4)* | 66.13% |
| Li Ka-Shing Unity Trustcorp Limited ("TDT2") | Trustee and beneficiary of a trust | 3,184,982,840 *(Note 4)* | 66.13% |
| Li Ka-shing ("Mr Li") | (i) Founder of discretionary trusts and interest of controlled corporations | 3,185,136,120 ) *(Note 5)* ) ) ) | |
| | (ii) Interest of controlled corporations | 389,653,499 ) *(Note 6)* ) | 74.23% |

| Name | Capacity | Number of shares held | Approximate % of shareholding |
|---|---|---|---|
| Mayspin Management Limited ("Mayspin") | Interest of controlled corporations | 389,653,499 *(Note 7)* | 8.09% |
| Yuda Limited ("Yuda") | Beneficial owner | 350,527,953 *(Note 8)* | 7.27% |

## (II) Interests and short positions of other persons in the shares and underlying shares of the Company

### *Long positions in the shares of the Company*

| Name | Capacity | Number of shares held | Approximate % of shareholding |
|---|---|---|---|
| T. Rowe Price Associates, Inc. and its affiliates | Investment manager | 288,631,000 | 5.99% |

*Notes:*

1. *HTIHL is a direct wholly-owned subsidiary of HTGHL, which in turn is a direct wholly-owned subsidiary of OHL, which in turn is a direct wholly-owned subsidiary of HIL, which in turn is a direct wholly-owned subsidiary of HWL. By virtue of the SFO, HWL, HIL, OHL and HTGHL were deemed to be interested in the 2,619,929,104 ordinary shares of the Company which HTIHL had direct interest and the 512,961,149 ordinary shares of the Company held by Hutchison Telecommunications Holdings Limited, a wholly-owned subsidiary of HTIHL.*

2. *Certain subsidiary companies of CKH together hold one-third or more of the issued share capital of HWL. By virtue of the above, CKH was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested as a substantial shareholder of the Company under the SFO. CKH was also interested in the share capital of the Company through certain wholly-owned subsidiary companies of CKH.*

3. *TUT1, as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("related companies"), hold more than one-third of the issued share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares in CKH, TUT1 as trustee of UT1 was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*

4. *Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 was taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*

5. *Mr Li is the settlor of each of DT1, DT2 and two discretionary trusts ("DT3" and "DT4") and may be regarded as a founder of each of DT1, DT2, DT3 and DT4 for the purpose of the SFO. Mr Li is also interested in one-third of the entire issued share capital of two companies owning the entire issued share capital of TUT1, TDT1, TDT2, Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"), Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3 and Li Ka-Shing Castle Trustcorp Limited as trustee of DT4 where appropriate. By virtue of the above and as a director of CKH, Mr Li was taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested and held by TUT3 as trustee of UT3 (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*

6. *Such ordinary shares were held by companies of which Mr Li is interested in the entire issued share capital.*

7. *Mayspin is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by the companies described in Note 6 above.*

8. *Yuda is a direct wholly-owned subsidiary of Mayspin, which in turn is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by one of the companies described in Note 6 above.*

Save as disclosed above and so far as is known to the Directors or Chief Executive of the Company, as at 31 December 2010, there was no other person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## Directors' Interests in Competing Business

During the year ended 31 December 2010, the following Directors of the Company had interests in the following business (apart from the Company's businesses) conducted through the company named below, its subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year ended 31 December 2010 required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

During the year, Mr Ma Lai Chee, Gerald, an alternate director of the Company, was a director of Beijing Net-Infinity Technology Development Company Limited, which operated internet data centre business.

As the Board is independent of the board of directors of the above entity, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above business.

During the year, Mr Fok Kin-ning, Canning, Mrs Chow Woo Mo Fong, Susan and Mr Frank John Sixt, all being Non-executive Directors, were directors of HWL and certain subsidiaries of HWL and HTIL which were engaged in telecommunications businesses, and also previously directors of HTIL (all resigned on 26 May 2010). Mr Lai Kai Ming, Dominic, a Non-executive Director, was a director of HWL and certain subsidiaries of HWL and HTIL. Mr Lui Dennis Pok Man, a Non-executive Director, was a director of certain subsidiaries of HWL and HTIL, and also previously a director of HTIL (resigned on 5 June 2010).

The Company entered into non-competition agreements with HWL and HTIL (the "HTIL-HTHKH Non-Competition Agreement") on 17 April 2009 respectively, whereby the parties thereto agreed, inter alia, to clearly delineate the respective geographical markets and businesses of each of the HWL Group, the HTIL Group and the Group within their respective territories for the purpose of implementing the non-competition restrictions. The exclusive territory of the Group comprised Hong Kong and Macau, the exclusive territory of the HWL Group comprised Australia, New Zealand, the United States of America, Canada, Argentina and Western Europe (other than in Italy, specifically, in respect of the PLDT MVNO Arrangement [(Note)]) and the exclusive territory of the HTIL Group comprised all the remaining countries of the world.

The HTIL-HTHKH Non-Competition Agreement ceased to be in effect upon the withdrawal of listing of the ordinary shares of HTIL on the Main Board of the Stock Exchange on 25 May 2010 and the delisting of the American depositary shares of HTIL on New York Stock Exchange, Inc. on 4 June 2010 (New York time). HTIL is currently an indirect wholly-owned subsidiary of HWL. As at the date of this report, the exclusive territory of the HWL Group (including the HTIL Group) comprises all the remaining countries of the world.

Save as disclosed above, as at the date of this report, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

*(Note)* *The co-operation agreement dated 12 March 2008 and made amongst, Hutchison Global Communications Limited, PLDT Global Corporation and PLDT Italy S.r.l. for the establishment of a Mobile Virtual Network Operator/reseller business for providing mobile telecommunications services in Italy.*

## Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 6 April 2009, was approved at the extraordinary general meeting of HWL on 21 May 2009.

The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for shares of HK$0.25 each in the share capital of the Company:

(a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any Executive Director but excluding any Non-executive Director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

(b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

(h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of share options under the Share Option Scheme.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

The maximum number of shares of the Company to be allotted and issued is as follows:

(a) The maximum number of shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.

(b) The total number of shares of the Company which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue, being 4,814,346,208 ordinary shares, as at the Listing Date (the "General Scheme Limit"). Based on the number of shares in issue of the Company on the Listing Date, the General Scheme Limit of the Share Option Scheme is 481,434,620 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 477,774,620, representing 9.92% of the existing issued share capital of the Company.

(c) Subject to sub-paragraph (a) above and without prejudice to sub-paragraph (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group previously granted under the Share Option Scheme and any other share option scheme of the Group) will not be counted.

(d) Subject to sub-paragraph (a) above and without prejudice to sub-paragraph (c) above, the Company may seek separate approval of its shareholders in general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) or, if applicable, the extended limit referred to in sub-paragraph (c) above to participants specifically identified by the Company before such approval is sought.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the share options under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit in any such 12-month period up to and including the date of such further grant shall be subject to the approval by the shareholders in a general meeting of the Company (a circular containing the information required by the Listing Rules to be despatched to the shareholders of the Company for that purpose) with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the share options to be granted (and share options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer of grant of the share option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company on the date of the offer of grant of the share options which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company for the five trading days immediately preceding the date of the offer of grant of the share options which must be a trading day; and (iii) the nominal value of share of the Company. A nominal consideration of HK$1.00 is payable on acceptance of the grant of a share option.

The Share Option Scheme will remain in force for a period of 10 years commencing from 21 May 2009, being the date on which the Share Option Scheme becomes unconditional and has a remaining term of approximately eight years as at the date of this report.

The following share options were granted and remain outstanding under the Share Option Scheme during the year ended 31 December 2010:

| Category of participants | Date of grant of share options (1) | Number of share options held at 1 January 2010 | Granted during 2010 | Exercised during 2010 | Lapsed/ cancelled during 2010 | Number of share options held at 31 December 2010 | Exercise period of share options | Exercise price of share options (2) HK$ | Price of share of the Company at the grant date of share options (3) HK$ | Price of share of the Company at the exercise date of share options (4) HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees in aggregate | 1.6.2009 | 4,750,000 | - | (1,410,000) | - | 3,340,000 | 1.6.2009 to 31.5.2019 (both dates inclusive) | 1.00 | 0.96 | 2.12 |
| Total | | 4,750,000 | - | (1,410,000) | - | 3,340,000 | | | | |

*Notes:*

1. *The share options were vested according to a schedule, namely, as to as close to one-third of the shares of the Company which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the Share Option Scheme) on such vesting date.*

2. *The exercise price of the share options is subject to adjustment in accordance with the provisions of the Share Option Scheme.*

3. *The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.*

4. *The stated price was the weighted average closing price of the shares of the Company immediately before the date(s) on which the share options were exercised.*

As at the date of this report, the Company had 1,090,000 share options outstanding under the Share Option Scheme, which represented approximately 0.02% of the shares of the Company in issue as at that date.

No share option was granted under the Share Option Scheme during the year ended 31 December 2010.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2010 was the Company or any of its subsidiaries or its holding company or a subsidiary of the Company's holding company a party to any arrangements whose objects are to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Sale or Redemption of Shares

During the year, neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company. In addition, the Company did not redeem any of its listed securities during the year.

## Major Customers and Suppliers

During the year, the percentage of turnover attributable to the five largest customers of the Group combined was less than 30% of the total turnover of the Group.

During the year, the percentages of purchases attributable to the major suppliers of the Group were as follows:

| | **Percentage of total purchases of the Group** |
|---|---|
| The largest supplier | 31% |
| Five largest suppliers combined | 48% |

As at 31 December 2010:

(a) Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company, held 46,762 shares in PCCW Limited, one of the five largest major suppliers of the Company;

(b) Mr Lan Hong Tsung, David, an Independent Non-executive Director of the Company, held 300,000 shares in PCCW Limited; and

(c) HWL, a substantial shareholder of the Company, held 36,726,857 shares in PCCW Limited.

Save as disclosed above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in the major suppliers noted above.

## Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, approximately 25.4% of the issued share capital of the Company was held by the public.

## Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

**Edith SHIH**
Company Secretary

Hong Kong, 21 March 2011

# Corporate Governance Report

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding interests of shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the year ended 31 December 2010. It has also adopted a number of recommended practices stated therein. The key corporate governance principles and practices of the Company are as follows:

## The Board

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board, led by the Chairman (Non-executive), Mr Fok Kin-ning, Canning, approves and monitors Group wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (the "Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

As at 31 December 2010, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer, three Non-executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out in The Board and Management Section on pages 36 to 38.

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements of the Listing Rules.

The role of the Chairman and the Deputy Chairman are separate from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, Mr Fok Kin-ning, Canning, assisted by the Deputy Chairman, Mr Lui Dennis Pok Man, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and contribute to the Board's functions. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the report.

The Chief Executive Officer, Mr Wong King Fai, Peter, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Chief Financial Officer, Ms Tan Yuen Chun, Jennifer and the executive management team of each core business division, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

The Board meets regularly, and at least four times a year with meeting dates scheduled at the beginning of the year. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis with respect to the activities and development in the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas. Furthermore, the Non-executive Directors (including the Independent Non-executive Directors) meet with the Chairman at least once a year without the presence of the Executive Director.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda together with supporting Board papers no less than three days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

The Board held four Board meetings in 2010 with 100% attendance.

| | **Name of Director** | **Attended/Eligible to attend** |
|---|---|---|
| Chairman and Non-executive Director | Fok Kin-ning, Canning | 4/4 |
| Deputy Chairman and Non-executive Director | Lui Dennis Pok Man | 4/4 |
| Executive Director | Wong King Fai, Peter<br>*(Chief Executive Officer)* | 4/4 |
| Non-executive Directors | Chow Woo Mo Fong, Susan | 4/4 |
| | Frank John Sixt | 4/4 |
| | Lai Kai Ming, Dominic | 4/4 |
| Independent Non-executive Directors | Cheong Ying Chew, Henry | 4/4 |
| | Lan Hong Tsung, David | 4/4 |
| | Wong Yick Ming, Rosanna | 4/4 |

In addition to regular Board meetings, the Chairman held two meetings with Non-executive Directors (including Independent Non-executive Directors) in 2010.

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next general meeting of the Company, or in the case of an additional appointment, until the next annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years. In addition, Non-executive Directors are appointed for an initial term ended 31 December 2010 and thereafter for automatic successive periods of 12 months, subject to possible re-election and renewal in accordance with the provisions of the Listing Rules and the Articles of Association of the Company.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

## Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions of the Group.

In response to specific enquiries made of them, all Directors confirmed that they have complied with the Model Code in their securities transactions throughout 2010.

## Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these committees adopted by the Board are published on the Company's website at www.hthkh.com. Other Board Committees are established by the Board as and when warranted to take charge of specific chores.

## Company Secretary

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors of comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. The minutes are available for inspection by any Director at any reasonable time and on reasonable notice.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of significance and interest and disseminate relevant reading reference to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

## Accountability and Audit

### Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and interim periods.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 71 and 72 which acknowledges the reporting responsibility of the Group's Auditor.

#### *Annual Report and Financial Statements*

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with the applicable accounting standards and disclosure requirements of the Hong Kong Companies Ordinance.

#### *Accounting Policies*

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

#### *Accounting Records*

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

#### *Safeguarding Assets*

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

#### *Going Concern*

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

## Audit Committee

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditor, review the Group's preliminary results, interim results, and interim and annual financial statements, monitor compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Internal Audit Department of the Group's holding company, engage independent legal and other advisers and perform investigations as it determines necessary.

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Cheong Ying Chew, Henry with Mr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna as members.

The Audit Committee held four meetings in 2010 with 100% attendance of its members.

| Name of Member | Attended/Eligible to attend |
|---|---|
| Cheong Ying Chew, Henry *(Chairman)* | 4/4 |
| Lan Hong Tsung, David | 4/4 |
| Wong Yick Ming, Rosanna | 4/4 |

During the year, the Audit Committee met with the Chief Financial Officer and other senior management of the Group to review the interim and final results, the interim report and annual report, and other financial, internal control and risk management matters of the Group. It considered and discussed the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards. It also met with the Group's external auditor, PricewaterhouseCoopers ("PwC"), to consider their reports on the scope and outcome of their independent review of the interim financial report and their annual audit of the consolidated financial statements. In addition, the Committee holds regular private meetings with external auditor, the Chief Financial Officer and internal auditor of the Group's holding company separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the internal auditor of the Group's holding company the work plan for their audits together with their resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of internal controls in the Group's business operations. In addition, it receives the report from the Company Secretary on the Group's compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

## External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a letter from the external auditor confirming their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of external auditor.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must or is best placed to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – include, for example, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist management and the internal auditor of the Group's holding company with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the remuneration to PwC is shown in Note 8 to the consolidated financial statements. During the year ended 31 December 2010, the fees to PwC, amounting to HK$12 million, were primarily for audit services. Non-audit services amounted to HK$1 million, or 8% of the total fees.

## Internal Control and Group Risk Management

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Director and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budgets, review by the Audit Committee of the ongoing work of the Internal Audit Department of the Group's holding company, as well as regular business reviews by the Executive Director and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

### Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Director.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Director as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, the Chief Financial Officer and finance managers of the business operations have monthly meetings to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the Group's Finance Department oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Chief Financial Officer has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Chief Financial Officer or Executive Director are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Internal Audit Department of the Group's holding company, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. The Internal Audit Department of the holding company is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Internal Audit Department of the Group's holding company and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

## Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2010 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and was satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

### Legal Compliance

The Legal Department of the Group has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, corporate secretarial and business unit personnel on the review and co-ordination process, and advising management of legal and commercial issues of concern. In addition, the Legal Department of the Group is responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. The Legal Department of the Group reports to the Group Legal Department of the Group's holding company on all material legal, regulatory and corporate secretarial matters and it determines and approves in conjunction with the Group Legal Department of the Group's holding company the engagement of external legal advisors, ensuring the requisite professional standards are maintained as well as most cost effective services are rendered. Further, the Group Legal Department of the Group's holding company organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for its legal counsels.

### Group Risk Management

The Chief Executive Officer and the Group Risk Management Department of the Group's holding company have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Group Risk Management Department of the Group's holding company, working with business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group wide risk reporting. Directors and officers liability insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

### Workplace Safety

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations. Health and safety considerations are incorporated into the design, operations and maintenance of the Group's premises. Employees are provided appropriate job skills and safety training and are educated with regard to their responsibilities for achieving the health and safety objectives of the Group. The Group also communicates with its employees on occupational health and safety issues.

## Remuneration of Directors and Senior Management

### Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman, Mr Fok Kin-ning, Canning with Messrs Cheong Ying Chew, Henry and Lan Hong Tsung, David, both Independent Non-executive Directors, as members. The Committee meets towards the end of each year for the determination of the remuneration package of Directors and senior management of the Group. In addition, the Committee meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy of the Group. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Directors and senior executives of the Group and determining their remuneration packages.

All members of the Remuneration Committee met in November 2010 to review background information on market data (including economic indicators and statistics) and 2011 Remuneration Review Guidelines of the Group, the Group's business activities and human resources issues, and headcount and staff costs. The Committee also reviewed and approved the proposed 2011 director's fees for the Executive Director, and the 2010 year end bonus and 2011 remuneration package of the Executive Director and senior management of the Company and made recommendation to the Board on the proposed 2011 directors' fees for Non-executive Directors. The Executive Director does not participate in the determination of his own remuneration.

## Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are to be determined in accordance with the performance of the Group and the individual's performance.

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The amounts paid to each Director for 2010 are as follows:

| Name of Director | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Inducement or compensation fees HK$ millions | Total emoluments HK$ millions |
|---|---|---|---|---|---|---|
| Fok Kin-ning, Canning(1)(4) | 0.09 | - | - | - | - | 0.09 |
| Lui Dennis Pok Man(1) | 0.07 | - | - | - | - | 0.07 |
| Wong King Fai, Peter | 0.07 | 3.36 | 8.00 | 0.24 | - | 11.67 |
| Chow Woo Mo Fong, Susan(1) | 0.07 | - | - | - | - | 0.07 |
| Frank John Sixt(1) | 0.07 | - | - | - | - | 0.07 |
| Lai Kai Ming, Dominic(1) | 0.07 | - | - | - | - | 0.07 |
| Cheong Ying Chew, Henry(2)(3)(4) | 0.16 | - | - | - | - | 0.16 |
| Lan Hong Tsung, David(2)(3)(4) | 0.16 | - | - | - | - | 0.16 |
| Wong Yick Ming, Rosanna(2)(3) | 0.14 | - | - | - | - | 0.14 |
| Total: | 0.90 | 3.36 | 8.00 | 0.24 | - | 12.50 |

*Notes:*

*(1) Non-executive Directors*
*(2) Independent Non-executive Directors*
*(3) Members of the Audit Committee*
*(4) Members of the Remuneration Committee*

# Code of Conduct

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery etc. The employees are required to report any non-compliance with the Code of Conduct to the management.

## Relationship with Shareholders and other Stakeholders

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Chief Executive Officer and Chief Financial Officer, and the Investor Relations Department, the Group responds to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information is available to shareholders through the Investor Relations page on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the principal place of business a written request for such general meetings together with the proposed agenda items. All resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Company's Hong Kong Share Registrar. The results of the poll are published on the websites of the Company and the Stock Exchange. Financial and other information on the Group is made available on the Company's website, which is regularly updated.

The latest shareholders' meeting of the Company was the 2010 Annual General Meeting (the "AGM"), which was held on 11 May 2010 at Harbour Grand Kowloon, Hung Hom, Kowloon, Hong Kong, and attended by a majority of the Directors including the Chairman of the Board, the Audit Committee and the Remuneration Committee. The Directors are requested and encouraged to attend shareholders' meetings. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 11 May 2010 are set out below:

| Resolutions proposed at the AGM | | Percentage of Votes |
|---|---|---|
| 1 | Adoption of the audited financial statements and the reports of Directors and the Auditor for the year ended 31 December 2009 | 99.99% |
| 2 | Declaration of a final dividend | 99.99% |
| 3(a) | Re-election of Mr Fok Kin-ning, Canning as a Director | 99.05% |
| 3(b) | Re-election of Mr Lui Dennis Pok Man as a Director | 99.15% |
| 3(c) | Re-election of Mr Wong King Fai, Peter as a Director | 99.62% |
| 3(d) | Re-election of Mrs Chow Woo Mo Fong, Susan as a Director | 99.05% |
| 3(e) | Re-election of Mr Frank John Sixt as a Director | 99.05% |
| 3(f) | Re-election of Mr Lai Kai Ming, Dominic as a Director | 99.15% |
| 3(g) | Re-election of Mr Cheong Ying Chew, Henry as a Director | 99.19% |
| 3(h) | Re-election of Mr Lan Hong Tsung, David as a Director | 99.68% |
| 3(i) | Re-election of Dr Wong Yick Ming, Rosanna as a Director | 99.71% |
| 3(j) | Authorisation of the Board of Directors to fix the Directors' remuneration | 99.98% |
| 4 | Appointment of the Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration | 99.85% |
| 5(1) | Granting of a general mandate to Directors to issue additional shares of the Company | 84.26% |
| 5(2) | Granting of a general mandate to Directors to repurchase the shares of the Company | 99.66% |
| 5(3) | Extension of the general mandate to Directors to issue additional shares of the Company | 84.39% |

All resolutions put to shareholders at the meeting were passed. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

Other corporate information is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2011 and public float capitalisation as at 31 December 2010.

Information concerning the Group and its business can be located from the Company's website for information of the other stakeholders.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Investor Relations Manager by mail or by e-mail to the Group at ir@hthkh.com.

## Corporate Social Responsibility

The Group has adopted a proactive approach to corporate social responsibility and undertakes a wide range of philanthropic efforts as well as community initiatives. Details of these initiatives are set out on pages 34 to 35.

By Order of the Board

**Edith SHIH**
Company Secretary

Hong Kong, 21 March 2011

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF
## HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 73 to 131, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2011

# Consolidated Income Statement

for the year ended 31 December 2010

| | Note | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|---|
| Turnover | 5 | **9,880** | 8,449 |
| Cost of inventories sold | | **(1,776)** | (756) |
| Staff costs | 7 | **(646)** | (644) |
| Depreciation and amortisation | | **(1,087)** | (1,288) |
| Other operating expenses | 8 | **(5,264)** | (4,974) |
| Operating profit | | **1,107** | 787 |
| Interest income | 9 | **5** | 4 |
| Interest and other finance costs | 9 | **(128)** | (184) |
| Share of results of jointly controlled entities | 18 | **(21)** | (16) |
| Profit before taxation | | **963** | 591 |
| Taxation | 10 | **(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 | 11 | **15.68** | 9.72 |
| - diluted | 11 | **15.67** | 9.72 |

Details of dividends payable to shareholders of the Company are set out in Note 12. The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

| | 2010<br>HK$ millions | 2009<br>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 | **914** | 573 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Company | **769** | 510 |
| Non-controlling interests | **145** | 63 |
| | **914** | 573 |

The accompanying notes are an integral part of these financial statements.

# 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 | 13 | 9,610 | 9,436 |
| Goodwill | 14 | 4,503 | 4,503 |
| Other intangible assets | 15 | 280 | 336 |
| Other non-current assets | 16 | 1,227 | 1,328 |
| Deferred tax assets | 17 | 368 | 368 |
| Investments in jointly controlled entities | 18 | 272 | 270 |
| Total non-current assets | | 16,260 | 16,241 |
| Current assets | | | |
| Cash and cash equivalents | 19 | 180 | 268 |
| Trade receivables and other current assets | 20 | 1,497 | 1,085 |
| Inventories | 21 | 239 | 160 |
| Total current assets | | 1,916 | 1,513 |
| Total assets | | 18,176 | 17,754 |
| CAPITAL AND RESERVES | | | |
| Share capital | 22 | 1,204 | 1,204 |
| Reserves | 23 | 9,002 | 8,689 |
| Total shareholders' funds | | 10,206 | 9,893 |
| Non-controlling interests | | (404) | (549) |
| Total equity | | 9,802 | 9,344 |

| | Note | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 17 | 190 | 134 |
| Borrowings | 24 | 3,566 | 4,358 |
| Other non-current liabilities | 25 | 546 | 595 |
| Total non-current liabilities | | 4,302 | 5,087 |
| Current liabilities | | | |
| Trade and other payables | 26 | 4,064 | 3,317 |
| Current income tax liabilities | | 8 | 6 |
| Total current liabilities | | 4,072 | 3,323 |
| Total liabilities | | 8,374 | 8,410 |
| Total equity and liabilities | | 18,176 | 17,754 |
| Net current liabilities | | (2,156) | (1,810) |
| Total assets less current liabilities | | 14,104 | 14,431 |

**LUI Dennis Pok Man**
Director

**WONG King Fai, Peter**
Director

The accompanying notes are an integral part of these financial statements.

# Statement of Financial Position

as at 31 December 2010

| | Note | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Investments in subsidiaries, at costs | 31 | 3,871 | 3,871 |
| Total non-current assets | | 3,871 | 3,871 |
| Current assets | | | |
| Receivables from subsidiaries | 33(c) | 9,097 | 8,896 |
| Other current assets | | 1 | 2 |
| Cash and cash equivalents | | 1 | 1 |
| Total current assets | | 9,099 | 8,899 |
| Total assets | | 12,970 | 12,770 |
| CAPITAL AND RESERVES | | | |
| Share capital | 22 | 1,204 | 1,204 |
| Reserves | 23 | 11,606 | 11,487 |
| Total equity | | 12,810 | 12,691 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other payables | | 3 | 2 |
| Payables to subsidiaries | 33(c) | 157 | 77 |
| Total current liabilities | | 160 | 79 |
| Total equity and liabilities | | 12,970 | 12,770 |
| Net current assets | | 8,939 | 8,820 |
| Total assets less current liabilities | | 12,810 | 12,691 |

**LUI Dennis Pok Man**
Director

**WONG King Fai, Peter**
Director

The accompanying notes are an integral part of these financial statements.

# 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 12) | **-** | **-** | **(457)** | **-** | **-** | **-** | **-** | **(457)** | **-** | **(457)** |
| Employee share option scheme | | | | | | | | | | |
| - proceeds from shares issued | **-** | **1** | **-** | **-** | **-** | **-** | **-** | **1** | **-** | **1** |
| **As at 31 December 2010** | **1,204** | **11,182** | **(2,172)** | **1** | **(27)** | **1** | **17** | **10,206** | **(404)** | **9,802** |
| 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 (Note 22(b)) | 1,204 | 11,214 | - | - | - | - | - | 12,418 | - | 12,418 |
| Share issuance costs | - | (33) | - | - | - | - | - | (33) | - | (33) |
| Dividend paid (Note 12) | - | - | (54) | - | - | - | - | (54) | - | (54) |
| 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 |

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 December 2010

| | Note | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations | 27(a) | 2,356 | 2,263 |
| Interest and other finance costs paid | | (55) | (101) |
| Tax paid | | (5) | (9) |
| Net cash generated from operating activities | | 2,296 | 2,153 |
| 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 | | (1,128) | (1,202) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares upon exercise of share options | 22 | 1 | - |
| Proceeds from borrowings | 27(b) | 770 | 9,462 |
| Repayment of loans | 27(b) | (1,570) | (10,330) |
| Share issuance costs | | - | (33) |
| Dividend paid to the Company's shareholders | 12 | (457) | (54) |
| Net cash used in financing activities | | (1,256) | (955) |
| 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 | | 180 | 268 |

The accompanying notes are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## 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 are presented in Hong Kong dollars ("HK$"), unless otherwise stated. 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.

The consolidated financial statements have been prepared under the historical cost convention. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

## 2 Summary of significant accounting policies (Continued)

### (d) Subsidiaries (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2(j)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (e) Non-controlling interests

Non-controlling interests at the end of reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, is presented in the consolidated statement of financial position separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the shareholders of the Company.

### (f) Jointly controlled entities

A jointly controlled entity is a contractual agreement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

A jointly controlled entity involves the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting.

## 2 Summary of significant accounting policies (Continued)

### (g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

### (h) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

#### *(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

# 2 Summary of significant accounting policies (Continued)

## (h) Foreign currency translation (Continued)

### *(iii) Group companies (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## (i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Property, plant and equipment are depreciated on a straight-line basis, at rates sufficient to write off their costs over their estimated useful lives.

| | |
|---|---|
| Buildings | 50 years |
| Telecommunications infrastructure and network equipment | 2 - 35 years |
| Motor vehicles | 4 years |
| Office furniture and equipment and computer equipment | 5 - 7 years |
| Leasehold improvements | Over the unexpired period of the lease or at annual rate of 15%, whichever is the shorter |

Subsequent costs on property, plant and equipment are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost, which includes borrowing costs incurred to finance the construction, and is proportionally attributed to the qualifying assets.

The assets' residual values and useful lives are reviewed, and adjusted if applicable, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(l)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating expenses" in the consolidated income statement.

## 2 Summary of significant accounting policies (Continued)

### (j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is reported in the consolidated statement of financial position as a separate asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The Group allocates goodwill to each of its business segments.

### (k) Other intangible assets

#### *(i) Telecommunications licences*

The Group owns the rights to use and operate specified spectrums over a certain period of time through annual minimum fees plus a variable portion depending on the future revenues from the services. Licence fees payments, the discounted value of the fixed annual fees to be paid over the licence period, and certain other direct costs incurred prior to the date the asset is ready for its intended use are capitalised. Capitalised licence fees are amortised from the date the asset is ready for its intended use until the expiration of the licence.

Interest is accreted on the fixed annual fees and charged to interest expense. Variable licence fees are recognised as period costs.

#### *(ii) Patent*

Acquired patent is stated at cost less accumulated amortisation and impairment losses. Patent with finite useful life is amortised from the date it is available for use and over its estimated useful life of 4 years.

### (l) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 Summary of significant accounting policies (Continued)

### (m) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

#### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the end of reporting period which are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

#### *(ii) Impairment of financial assets*

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Financial assets are impaired and impairment losses are incurred only if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. A provision for doubtful debts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of provision is determined based on historical data of payment statistics for aged receivable balances. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated income statement. Changes in the carrying amount of the provision account are recognised in the consolidated income statement.

### (n) Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks and all demand deposits placed with banks with original maturities of three months or less from the date of placement or acquisition.

## 2 Summary of significant accounting policies (Continued)

### (o) Inventories

Inventories consist of handsets and phone accessories and are valued using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts (Note 2(m)(ii)).

### (q) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets (Note 2(i)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## 2 Summary of significant accounting policies (Continued)

### (t) Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences (including tax losses) can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

## 2 Summary of significant accounting policies (Continued)

### (w) Employee benefits

#### *(i) Pension plans*

Pension plans are classified into defined benefit and defined contribution plans.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in the consolidated statement of comprehensive income.

Past-service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Group's contributions to the defined contribution plans are charged to the consolidated income statement in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

#### *(ii) Share-based payments*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

# 2 Summary of significant accounting policies (Continued)

## (w) Employee benefits (Continued)

### *(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably committed itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## (x) Revenue recognition

The Group recognises revenue on the following bases:

(i) Sales of services are recognised in the accounting period in which the services are rendered.

(ii) Sales of hardware are recognised upon delivery to customers.

(iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

## (y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

# 3 Financial risk management

## (a) Financial risk factors

The Group is exposed to market risk (from changes in interest rates and currency exchange rates), credit risk and liquidity risk. Interest rate risk exists with respect to the Group's financial assets and liabilities bearing interest at floating rates. Interest rate risk also exists with respect to the fair value of fixed rate financial assets and liabilities. Exchange rate risk exists with respect to the Group's financial assets and liabilities denominated in a currency that is not the entity's functional currency. No instruments are held by the Group for speculative purposes.

# 3 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

### *(i) Foreign currency exposure*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with the surplus funds placed with banks as deposits, trade receivables and trade payables denominated in United States dollars ("US$") and Euro ("EURO"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The table below summarises the foreign exchange exposure on the net monetary position of the above assets and liabilities, expressed in the Group's presentation currency of HK$.

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| US$ | **398** | 309 |
| EURO | **39** | 36 |
| Total net exposure: net assets | **437** | 345 |

As at 31 December, a 10% strengthening/weakening of the currencies of the above assets and liabilities against HK$ would have increased/decreased post-tax profit for the year by the amounts as shown below. This analysis assumes that all other variables remain constant.

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| US$ | **33** | 26 |
| EURO | **3** | 3 |
| | **36** | 29 |

There is no foreign currency transaction risk that would affect equity directly. The 10% movement represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual reporting period.

# 3 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

### *(ii) Interest rate exposure*

The Group's main interest risk exposures relate to its borrowings and investments of surplus funds placed with banks as deposits. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt and interest rate exposure of investments of surplus funds by placing such balances with various maturities and interest rate terms.

As at 31 December, the carrying amount of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| Borrowings at floating rates (Note 24) | **(3,566)** | (4,358) |
| Cash at banks and short-term bank deposits | **133** | 235 |
| Loan to a jointly controlled entity (Note 18) | **270** | 264 |
| | **(3,163)** | (3,859) |

The interest rate profile of the Group's borrowings is disclosed in Note 24. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2010 and 2009 would have decreased by approximately HK$26 million and HK$32 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash at banks and bank deposits and interest bearing loan to a jointly controlled entity; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting date and had been applied to the exposure to interest rate risk for the above financial assets and liabilities in existence at that date. The 100 basis point movement represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period.

# 3 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

### *(iii) Credit risk*

Credit risk is managed on a group basis. The Group's credit risk arises from counter party and investment risks in respect of our surplus funds as well as credit exposures to trade and other receivables. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

For counter party and investment risks in respect of our surplus fund, the Group manages these risks by placing deposits with credit worthy financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's or Moody's. Any deviation from this policy is to be approved by senior management.

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 utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. Sales of telecommunications services and products to customers are primarily made in cash or through major credit cards. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not have significant exposure to any individual debtor.

The Group considers its maximum exposure to credit risk at the reporting period is the carrying value of each class of financial assets as follows:

| | **2010**<br>**HK$ millions** | 2009<br>HK$ millions |
|---|---|---|
| Cash at banks and short-term bank deposits (Note 19) | **180** | 268 |
| Trade and other receivables (Note 20) | **1,308** | 916 |
| | **1,488** | 1,184 |

# 3 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

### *(iv) Liquidity risk*

Prudent liquidity risk management, including maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, is adopted. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines and sufficient cash for operating and investing activities.

The following table details the contractual maturities at reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

| | Carrying amount HK$ millions | Contractual liabilities HK$ millions | Non-contractual liabilities HK$ millions | Contractual undiscounted cash flow HK$ millions | Within 1 year HK$ millions | After 1 year but within 2 years HK$ millions | After 2 years but within 5 years HK$ millions | After 5 years HK$ millions |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2010 | | | | | | | | |
| Borrowings (Note 24) | 3,566 | 3,566 | - | 3,580 | - | 3,580 | - | - |
| Trade payables (Note 26) | 383 | 383 | - | 383 | 383 | - | - | - |
| Other payables, accruals and deferred revenue (Note 26) | 3,591 | 735 | 2,856 | 735 | 735 | - | - | - |
| Licence fees liabilities (Notes 25 and 26) | 504 | 504 | - | 755 | 101 | 110 | 393 | 151 |
| | 8,044 | 5,188 | 2,856 | 5,453 | 1,219 | 3,690 | 393 | 151 |

| | Carrying amount HK$ millions | Contractual liabilities HK$ millions | Non-contractual liabilities HK$ millions | Contractual undiscounted cash flow HK$ millions | Within 1 year HK$ millions | After 1 year but within 2 years HK$ millions | After 2 years but within 5 years HK$ millions | After 5 years HK$ millions |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2009 | | | | | | | | |
| Borrowings (Note 24) | 4,358 | 4,358 | - | 4,380 | - | - | 4,380 | - |
| Trade payables (Note 26) | 320 | 320 | - | 320 | 320 | - | - | - |
| Other payables, accruals and deferred revenue (Note 26) | 2,916 | 637 | 2,279 | 637 | 637 | - | - | - |
| Licence fees liabilities (Notes 25 and 26) | 531 | 531 | - | 846 | 91 | 101 | 362 | 292 |
| | 8,125 | 5,846 | 2,279 | 6,183 | 1,048 | 101 | 4,742 | 292 |

## 3 Financial risk management (Continued)

### (b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk. The Group's overall strategy remains unchanged from 2009.

The Group defines capital as total equity attributable to shareholders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

### (c) Fair value estimation

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) 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.

# 4 Critical accounting estimates and judgements (Continued)

## (a) Critical accounting estimates and assumptions (Continued)

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

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.

# 4 Critical accounting estimates and judgements (Continued)

## (a) Critical accounting estimates and assumptions (Continued)

### (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 the 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 services provided and hardware sold.

## (b) Critical judgements in applying the Group's accounting policies

*Deferred taxation*

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carryforwards. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2010, the Group has recognised deferred tax assets of approximately HK$368 million (2009: HK$368 million).

# 5 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**<br>**HK$ millions** | 2009<br>HK$ millions |
|---|---|---|
| Mobile telecommunications services | **5,147** | 4,772 |
| Fixed-line telecommunications services | **2,941** | 2,875 |
| Telecommunications products | **1,792** | 802 |
| | **9,880** | 8,449 |

## 6 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 HK$ millions** | **Fixed-line HK$ millions** | **Others HK$ millions** | **Elimination HK$ millions** | **Total 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) | **792** | **422** | **(107)** | **-** | **1,107** |
| Total assets | **7,403** | **11,133** | **12,970** | **(13,330)** | **18,176** |
| Total liabilities | **(11,945)** | **(5,728)** | **(160)** | **9,459** | **(8,374)** |
| Capital expenditures incurred during the year (including property, plant and equipment) | **507** | **613** | **-** | **(1)** | **1,119** |

| | 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) | 483 | 398 | (93) | (1) | 787 |
| Total assets | 6,990 | 11,097 | 12,770 | (13,103) | 17,754 |
| Total liabilities | (12,151) | (5,409) | (79) | 9,229 | (8,410) |
| Capital expenditures incurred during the year (including property, plant and equipment) | 413 | 623 | - | (1) | 1,035 |

## 6 Segment information (Continued)

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).

## 7 Staff costs

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Wages and salaries | 620 | 611 |
| Termination benefits | 1 | 2 |
| Pension costs | | |
| - defined benefit plans (Note 30(a)) | 16 | 20 |
| - defined contribution plans | 9 | 10 |
| Equity settled share-based payments | - | 1 |
| | 646 | 644 |

### (a) Directors' emoluments

| | 2010 | | | | |
|---|---|---|---|---|---|
| Name of directors | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Total HK$ millions |
| Fok Kin-ning, Canning | 0.09 | - | - | - | 0.09 |
| Lui Dennis Pok Man | 0.07 | - | - | - | 0.07 |
| Wong King Fai, Peter | 0.07 | 3.36 | 8.00 | 0.24 | 11.67 |
| Chow Woo Mo Fong, Susan | 0.07 | - | - | - | 0.07 |
| Frank John Sixt | 0.07 | - | - | - | 0.07 |
| Lai Kai Ming, Dominic | 0.07 | - | - | - | 0.07 |
| Cheong Ying Chew, Henry | 0.16 | - | - | - | 0.16 |
| Lan Hong Tsung, David | 0.16 | - | - | - | 0.16 |
| Wong Yick Ming, Rosanna | 0.14 | - | - | - | 0.14 |
| | 0.90 | 3.36 | 8.00 | 0.24 | 12.50 |

# 7 Staff costs (Continued)

## (a) Directors' emoluments (Continued)

| | 2009 | | | | |
|---|---|---|---|---|---|
| Name of directors | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Total HK$ millions |
| Fok Kin-ning, Canning (Note i) | 0.07 | – | – | – | 0.07 |
| Lui Dennis Pok Man (Note i) | 0.06 | – | – | – | 0.06 |
| Wong King Fai, Peter (Note i) | 0.06 | 2.74 | 5.64 | 0.20 | 8.64 |
| Chow Woo Mo Fong, Susan | 0.06 | – | – | – | 0.06 |
| Frank John Sixt (Note i) | 0.06 | – | – | – | 0.06 |
| Lai Kai Ming, Dominic (Note i) | 0.06 | – | – | – | 0.06 |
| Cheong Ying Chew, Henry (Note ii) | 0.12 | – | – | – | 0.12 |
| Lan Hong Tsung, David (Note ii) | 0.12 | – | – | – | 0.12 |
| Wong Yick Ming, Rosanna (Note ii) | 0.10 | – | – | – | 0.10 |
| Chan Ting Yu (Note iii) | – | – | – | – | – |
| Robin Sng Cheng Khoong (Note iii) | – | – | – | – | – |
| Edmond Wai Leung Ho (Note iii) | – | – | – | – | – |
| Richard Waichi Chan (Note iii) | – | – | – | – | – |
| | 0.71 | 2.74 | 5.64 | 0.20 | 9.29 |

Notes:

(i) Fok Kin-ning, Canning, Lui Dennis Pok Man, Wong King Fai, Peter, Frank John Sixt and Lai Kai Ming, Dominic were appointed as directors of the Company on 4 March 2009.

(ii) Cheong Ying Chew, Henry, Lan Hong Tsung, David and Wong Yick Ming, Rosanna were appointed as independent non-executive directors of the Company on 3 April 2009.

(iii) Chan Ting Yu, Robin Sng Cheng Khoong, Edmond Wai Leung Ho and Richard Waichi Chan resigned as directors of the Company on 4 March 2009.

No emoluments were paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2010 (2009: Nil).

# 7 Staff costs (Continued)

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest are as follows:

| | 2010 Number of individual | 2009 Number of individual |
|---|---|---|
| Director of the Company | 1 | 1 |
| Senior management | 4 | 4 |

The aggregate remuneration paid to these highest paid individuals, is as follows:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Basic salaries, allowances and benefits-in-kind | 11 | 11 |
| Bonuses | 14 | 13 |
| Provident fund contributions | 1 | 1 |
| | 26 | 25 |

The emoluments of the above mentioned individuals with the highest emoluments fall within the following bands:

| | 2010 Number of individual | 2009 Number of Individual |
|---|---|---|
| HK$2,500,001 – HK$3,000,000 | 1 | – |
| HK$3,000,001 – HK$3,500,000 | 1 | 3 |
| HK$3,500,001 – HK$4,000,000 | 2 | – |
| HK$4,000,001 – HK$4,500,000 | - | 1 |
| HK$10,000,001 – HK$10,500,000 | - | 1 |
| HK$11,500,001 – HK$12,000,000 | 1 | – |

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2010 (2009: Nil).

## 8 Other operating expenses

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Cost of services provided | 3,190 | 3,535 |
| General administrative and distribution costs | 969 | 327 |
| Operating leases in respect of | | |
| – buildings | 418 | 410 |
| – hire of plant and machinery | 596 | 585 |
| Loss on disposals of property, plant and equipment | 9 | 18 |
| Auditor's remuneration | 11 | 11 |
| Provision for doubtful debts | 71 | 88 |
| Total | 5,264 | 4,974 |

## 9 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 | (123) | (180) |

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.

## 10 Taxation

| | 2010 Current taxation HK$ millions | 2010 Deferred taxation HK$ millions | 2010 Total HK$ millions | 2009 Current taxation HK$ millions | 2009 Deferred taxation HK$ millions | 2009 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. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Profit before taxation | 963 | 591 |
| Tax calculated at domestic rates | 145 | 82 |
| Income not subject to taxation | - | (12) |
| Expenses not deductible for taxation purposes | 2 | 12 |
| Temporary differences not recognised | 1 | 2 |
| Utilisation of previously unrecognised tax losses | (86) | (59) |
| Utilisation of previously unrecognised temporary differences | - | (1) |
| Over provision in prior years | - | (30) |
| Tax losses not recognised | 1 | 67 |
| Total taxation charge | 63 | 61 |

## 11 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.

## 12 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 |
| | **489** | 351 |

## 13 Property, plant and equipment

The movements of property, plant and equipment for the years ended 31 December 2010 and 2009 are as follows:

| | Buildings HK$ millions | Telecom-munications infrastructure and network equipment HK$ millions | Other assets HK$ millions | Construction in progress HK$ millions | Total HK$ millions |
|---|---|---|---|---|---|
| Cost | | | | | |
| As at 1 January 2009 | 67 | 17,996 | 2,693 | 395 | 21,151 |
| Additions | – | 606 | 68 | 361 | 1,035 |
| Disposals | – | (2,248) | (18) | – | (2,266) |
| Transfer between categories | – | 178 | 47 | (225) | – |
| As at 31 December 2009 | 67 | 16,532 | 2,790 | 531 | 19,920 |
| Accumulated depreciation and impairment losses | | | | | |
| As at 1 January 2009 | 18 | 9,159 | 2,417 | – | 11,594 |
| Charge for the year | 2 | 994 | 139 | – | 1,135 |
| Disposals | – | (2,228) | (17) | – | (2,245) |
| As at 31 December 2009 | 20 | 7,925 | 2,539 | – | 10,484 |
| Net book value | | | | | |
| As at 31 December 2009 | 47 | 8,607 | 251 | 531 | 9,436 |

## 13 Property, plant and equipment (Continued)

| | Buildings HK$ millions | Telecom-munications infrastructure and network equipment HK$ millions | Other assets HK$ millions | Construction in progress HK$ millions | Total HK$ millions |
|---|---|---|---|---|---|
| Cost | | | | | |
| As at 1 January 2010 | 67 | 16,532 | 2,790 | 531 | 19,920 |
| Additions | - | 526 | 89 | 504 | 1,119 |
| Disposals | - | (366) | (63) | - | (429) |
| Transfer between categories | - | 244 | 74 | (318) | - |
| As at 31 December 2010 | 67 | 16,936 | 2,890 | 717 | 20,610 |
| Accumulated depreciation and impairment losses | | | | | |
| As at 1 January 2010 | 20 | 7,925 | 2,539 | - | 10,484 |
| Charge for the year | 2 | 785 | 144 | - | 931 |
| Disposals | - | (354) | (61) | - | (415) |
| As at 31 December 2010 | 22 | 8,356 | 2,622 | - | 11,000 |
| Net book value | | | | | |
| As at 31 December 2010 | 45 | 8,580 | 268 | 717 | 9,610 |

The carrying values of all property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Other assets include motor vehicles, office furniture and equipment, computer equipment and leasehold improvements.

Additions of telecommunications infrastructure and network equipment included interest of HK$1 million (2009: Nil) capitalised at a weighted average borrowing rate of 1.2% per annum (2009: Nil).

## 14 Goodwill

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Gross carrying amount and net book value at beginning and end of year | 4,503 | 4,503 |
| Accumulated impairment losses at beginning and end of year | - | - |

### Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Mobile business | 2,155 | 2,155 |
| Fixed-line business | 2,348 | 2,348 |
| | 4,503 | 4,503 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period to 2015.

Key assumptions used for value-in-use calculations are:

(i) Budgeted earnings before interest, taxation, depreciation and amortisation ("EBITDA") has been based on past performance of the Group's respective CGUs and its expectation for the market development. Management considers EBITDA a proxy for operating cash flow.

(ii) A long-term growth rate into perpetuity is not used to extrapolate cash flows beyond the budget period. Instead, management uses EBITDA multiples to determine the terminal value of the Group's respective CGUs.

(iii) The discount rate applied to cash flows of the Group's respective CGUs is based on pre-tax discount rate and reflects the specific risks relating to the relevant segment. The pre-tax discount rate applied in the value-in-use calculation is as follows:

| | 2010 | 2009 |
|---|---|---|
| Mobile business | 4.0% | 7.1% |
| Fixed-line business | 6.6% | 7.5% |

The discount rate is adjusted to reflect the risk profile equivalent to those that the Group expects to derive from the assets.

In accordance with the Group's accounting policy on asset impairment (Note 2(l)), the carrying values of goodwill were tested for impairment as at 31 December 2010 (2009: Same). Note 4(a)(iii) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2010 indicated no impairment charge was necessary (2009: Same).

## 15 Other intangible assets

| | Telecom-munications licences HK$ millions | Patent HK$ millions | Total HK$ millions |
|---|---|---|---|
| As at 1 January 2009 | | | |
| Cost | 616 | 12 | 628 |
| Accumulated amortisation | (240) | (3) | (243) |
| Net book value | 376 | 9 | 385 |
| Year ended 31 December 2009 | | | |
| Opening net book value | 376 | 9 | 385 |
| Amortisation for the year | (48) | (1) | (49) |
| Closing net book value | 328 | 8 | 336 |
| As at 31 December 2009 | | | |
| Cost | 616 | 12 | 628 |
| Accumulated amortisation | (288) | (4) | (292) |
| Net book value | 328 | 8 | 336 |
| Year ended 31 December 2010 | | | |
| Opening net book value | **328** | **8** | **336** |
| Amortisation for the year | **(48)** | **(8)** | **(56)** |
| Closing net book value | **280** | **-** | **280** |
| As at 31 December 2010 | | | |
| Cost | **616** | **12** | **628** |
| Accumulated amortisation | **(336)** | **(12)** | **(348)** |
| Net book value | **280** | **-** | **280** |

## 16 Other non-current assets

| | Note | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|---|
| Prepayments | (a) | **1,185** | 1,286 |
| Non-current deposits | (b) | **42** | 42 |
| | | **1,227** | 1,328 |

Notes:

(a) The carrying values of prepayments approximate their fair values at the reporting date.

(b) Non-current deposits are carried at amortised cost, which approximate their fair values at the reporting date.

## 17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Deferred tax assets | **368** | 368 |
| Deferred tax liabilities | **(190)** | (134) |
| Net deferred tax assets | **178** | 234 |

## 17 Deferred tax assets and liabilities (Continued)

The gross movement of the deferred tax (liabilities)/assets is as follows:

| | Accelerated depreciation allowance HK$ millions | Tax losses HK$ millions | Total HK$ millions |
|---|---|---|---|
| As at 1 January 2009 | (1,007) | 1,295 | 288 |
| Net credit/(charge) for the year (Note 10) | 51 | (105) | (54) |
| As at 31 December 2009 | (956) | 1,190 | 234 |
| As at 1 January 2010 | **(956)** | **1,190** | **234** |
| Net charge for the year (Note 10) | **(11)** | **(45)** | **(56)** |
| As at 31 December 2010 | **(967)** | **1,145** | **178** |

The potential deferred tax assets which have not been recognised in the consolidated financial statements are as follows:

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| Arising from unused tax losses | **569** | 655 |
| Arising from depreciation allowances | **3** | 2 |
| | **572** | 657 |

The utilisation of unused tax losses depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

As at 31 December 2010, subject to the agreement by tax authorities, out of the total unrecognised tax losses of approximately HK$3,445 million (2009: HK$3,960 million) carried forward, an amount of approximately HK$3,444 million (2009: HK$3,958 million) can be carried forward indefinitely. The remaining amount of approximately HK$1 million (2009: HK$2 million) will expire within six years (2009: seven years).

## 18 Investments in jointly controlled entities

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| As at 1 January | 270 | 88 |
| Loans to jointly controlled entities | 23 | 198 |
| Share of loss | (21) | (16) |
| As at 31 December | 272 | 270 |

The loans to the jointly controlled entities are unsecured, have no fixed terms of repayment and non-interest bearing except for a loan of HK$270 million (2009: HK$264 million) which bears interest at HIBOR plus 3% per annum (2009: Same).

Particulars of the jointly controlled entities are summarised as follows:

| Name | Place of incorporation | Principal activities | Interest held |
|---|---|---|---|
| Genius Brand Limited | Hong Kong | Telecommunications business in Hong Kong | 50% |
| PLDT Italy S.r.l. | Italy | Telecommunications business in Italy | 50% |

The Group's share of the results of its jointly controlled entities, all of which are unlisted, and their aggregate assets and liabilities, are as follows:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| **Assets** | | |
| Non-current assets | 283 | 276 |
| Current assets | 2 | 9 |
| | 285 | 285 |
| **Liabilities** | | |
| Non-current liabilities | (278) | (8) |
| Current liabilities | (8) | (278) |
| | (286) | (286) |
| Net liabilities | (1) | (1) |
| Income | 7 | 18 |
| Expenses | (28) | (34) |
| Net loss | (21) | (16) |
| Proportionate interest in jointly controlled entities' capital commitments | - | 1 |

## 18 Investments in jointly controlled entities (Continued)

As at 31 December 2010, there are no contingent liabilities related to the Group's interest in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves (2009: Nil).

As at 31 December 2010, certain shares of a jointly controlled entity owned by the Group were pledged as security in favour of another partner of the jointly controlled entity under a cross share pledge arrangement.

## 19 Cash and cash equivalents

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| Cash at banks and in hand | **65** | 40 |
| Short-term bank deposits | **115** | 228 |
| | **180** | 268 |

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.

## 20 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) | **1,202** | 811 |
| Other receivables | (b) | **106** | 105 |
| Prepayments and deposits | (b) | **189** | 169 |
| | | **1,497** | 1,085 |

## 20 Trade receivables and other current assets (Continued)

### (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 |
| | 1,202 | 811 |

The carrying values of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

As at 31 December 2010, trade receivables of approximately HK$658 million (2009: HK$522 million) were past due but not provided for. These relate to a number of independent customers that have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| The ageing analysis of trade receivables which are past due but not provided for is as follows: | | |
| Past due 1 - 30 days | 379 | 300 |
| Past due 31 - 60 days | 105 | 92 |
| Past due 61 - 90 days | 63 | 49 |
| Past due over 90 days | 111 | 81 |
| | 658 | 522 |

As at 31 December 2010, provision for doubtful debts of approximately HK$197 million (2009: HK$185 million) was recognised for trade receivables of approximately HK$662 million (2009: HK$473 million) which were individually assessed for impairment and management assessed that only a portion of these receivables was expected to be recovered. The Group does not hold any collateral over these balances.

## 20 Trade receivables and other current assets (Continued)

### (a) Trade receivables, net of provision (Continued)

Movement of provision for doubtful debts of trade receivables is as follows:

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Beginning of year | **185** | 165 |
| Increase in provision recognised in the consolidated income statement | **195** | 208 |
| Amounts recovered in respect of brought forward balance | **(124)** | (120) |
| Write-off during the year | **(59)** | (68) |
| End of year | **197** | 185 |

The creation and release of provision for doubtful debts have been included in "Other operating expenses" in the consolidated income statement (Note 8). Amount charged to the provision account is generally written off when the recoverability is remote.

### (b) Other receivables, prepayments and deposits

The carrying values of other receivables approximate their fair values. Other receivables, prepayments and deposits do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

## 21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2010, the amount of inventories carried at net realisable value was approximately HK$2 million (2009: HK$3 million).

## 22 Share capital

### (a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (2009: Same).

### (b) Issued share capital of the Company

| | Ordinary share of US$1 each | | Ordinary share of HK$0.25 each | |
|---|---|---|---|---|
| | Number of shares | Issued and fully paid HK$ millions | Number of shares | Issued and fully paid HK$ millions |
| As at 1 January 2009 | 1 | - | - | - |
| Issued during the year | - | - | 4,814,346,208 | 1,204 |
| Repurchased and cancelled during the year | (1) | - | - | - |
| As at 31 December 2009 | - | - | 4,814,346,208 | 1,204 |
| As at 1 January 2010 | **-** | **-** | **4,814,346,208** | **1,204** |
| Issuance of shares arising from exercise of employee share options (Note 22(c)) | **-** | **-** | **1,410,000** | **-** |
| As at 31 December 2010 | **-** | **-** | **4,815,756,208** | **1,204** |

## 22 Share capital (Continued)

### (c) Share options of the Company

The Company's share option scheme was approved on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to directors, non-executive directors or employees of the Group.

The movements in the number of share options outstanding and their related weighted average exercise price are as follows:

| | Weighted average exercise price per share HK$ | Number of share options granted |
|---|---|---|
| As at 1 January 2009 | – | – |
| Granted | 1 | 4,750,000 |
| As at 31 December 2009 | 1 | 4,750,000 |
| As at 1 January 2010 | **1** | **4,750,000** |
| Exercised | **1** | **(1,410,000)** |
| As at 31 December 2010 | **1** | **3,340,000** |

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). The fair value of share options determined using the Black-Scholes model was approximately HK$0.27 each. The significant inputs into the model were an expected volatility of 49%, an expected dividend yield of 5.9%, an expected option life up to 6 years and an annual risk-free interest rate of 1.65%. Share options exercised in 2010 resulted in 1,410,000 ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1 each. The related weighted average share price at the date of exercise was HK$2.13 per share.

As at 31 December 2010, 3,340,000 (2009: 3,166,666) share options were exercisable.

## 23 Reserves

### Group

| | 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 |
|---|---|---|---|---|---|---|---|
| As at 1 January 2009 | - | (2,884) | 1 | (83) | - | 17 | (2,949) |
| Profit for the year | - | 468 | - | - | - | - | 468 |
| Actuarial gains of defined benefit plans | - | - | - | 42 | - | - | 42 |
| Issue of shares (Note 22(b)) | 11,214 | - | - | - | - | - | 11,214 |
| Share issuance costs | (33) | - | - | - | - | - | (33) |
| Dividend paid (Note 12) | - | (54) | - | - | - | - | (54) |
| Employee share option scheme | | | | | | | |
| - value of services provided | - | - | - | - | 1 | - | 1 |
| As at 31 December 2009 | 11,181 | (2,470) | 1 | (41) | 1 | 17 | 8,689 |
| As at 1 January 2010 | 11,181 | (2,470) | 1 | (41) | 1 | 17 | 8,689 |
| Profit for the year | - | 755 | - | - | - | - | 755 |
| Actuarial gains of defined benefit plans | - | - | - | 14 | - | - | 14 |
| Dividend paid (Note 12) | - | (457) | - | - | - | - | (457) |
| Employee share option scheme | | | | | | | |
| - proceeds from shares issued | 1 | - | - | - | - | - | 1 |
| As at 31 December 2010 | 11,182 | (2,172) | 1 | (27) | 1 | 17 | 9,002 |

The accumulated losses of the Group include accumulated losses of approximately HK$48 million (2009: HK$27 million) incurred by jointly controlled entities.

## 23 Reserves (Continued)

### Company

| | Share premium HK$ millions | Retained earnings HK$ millions | Employee share-based compensation reserve HK$ millions | Total HK$ millions |
|---|---|---|---|---|
| As at 1 January 2009 | - | - | - | - |
| Profit for the year | - | 359 | - | 359 |
| Issue of shares (Note 22(b)) | 11,214 | - | - | 11,214 |
| Share issuance costs | (33) | - | - | (33) |
| Dividend paid (Note 12) | - | (54) | - | (54) |
| Employee share option scheme | | | | |
| - value of services provided | - | - | 1 | 1 |
| As at 31 December 2009 | 11,181 | 305 | 1 | 11,487 |
| As at 1 January 2010 | **11,181** | **305** | **1** | **11,487** |
| Profit for the year | **-** | **575** | **-** | **575** |
| Dividend paid (Note 12) | **-** | **(457)** | **-** | **(457)** |
| Employee share option scheme | | | | |
| - proceeds from shares issued | **1** | **-** | **-** | **1** |
| As at 31 December 2010 | **11,182** | **423** | **1** | **11,606** |

As at 31 December 2010, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$11,606 million (2009: HK$11,487 million).

## 24 Borrowings

The Group's borrowings, including interest rates and maturities, are summarised as follows:

| | Maturity date | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|---|
| Unsecured bank loans | | | |
| Repayable after 1 year, but within 2 years | 2012 | 3,566 | - |
| Repayable after 2 years, but within 5 years | 2012 | - | 4,358 |
| | | 3,566 | 4,358 |

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2010 and 2009 approximate to their fair values. The fair values of the Group's total borrowings as at 31 December 2010 are based on cash flows discounted using the effective interest rates of the Group's total borrowings per annum of 1.4% (2009: 1.1%).

As at 31 December 2010 and 2009, none of the Group's borrowings were secured.

## 25 Other non-current liabilities

| | Note | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|---|
| Non-current licence fees liabilities | (a) | 414 | 450 |
| Pension obligations (Note 30(a)) | | 27 | 43 |
| Accrued expenses | | 105 | 102 |
| | | 546 | 595 |

## 25 Other non-current liabilities (Continued)

### (a) Licence fees liabilities

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Licence fees liabilities-minimal annual fees payments: | | |
| Not later than 1 year | 101 | 91 |
| After 1 year, but within 5 years | 503 | 463 |
| After 5 years | 151 | 292 |
| | 755 | 846 |
| Future finance charges on licence fees liabilities | (251) | (315) |
| Present value of licence fees liabilities | 504 | 531 |
| The present value of licence fees liabilities is as follows: | | |
| Current portion of licence fees liabilities (Note 26) | 90 | 81 |
| Non-current licence fees liabilities: | | |
| After 1 year, but within 5 years | 337 | 310 |
| After 5 years | 77 | 140 |
| | 414 | 450 |
| Total licence fees liabilities | 504 | 531 |

## 26 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 (Note 25) | | **90** | 81 |
| | | **4,064** | 3,317 |

### (a) Trade payables

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| 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 |
| | **383** | 320 |

## 27 Notes to consolidated statement of cash flows

### (a) Cash generated from operations

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before taxation | 963 | 591 |
| Adjustments for: | | |
| – Interest income (Note 9) | (5) | (4) |
| – Interest and other finance costs (Note 9) | 128 | 184 |
| – Depreciation and amortisation | 1,087 | 1,288 |
| – Loss on disposals of property, plant and equipment (Note 8) | 9 | 18 |
| – Share of results of jointly controlled entities (Note 18) | 21 | 16 |
| Changes in working capital | | |
| – Increase in trade receivables and other assets | (403) | (27) |
| – (Increase)/decrease in inventories | (79) | 21 |
| – Increase in trade and other payables | 637 | 171 |
| – Retirement benefits obligations | (2) | 5 |
| Cash generated from operations | 2,356 | 2,263 |

### (b) Analysis of changes in financing during the year

| | Borrowings HK$ millions | Non-controlling interests HK$ millions |
|---|---|---|
| As at 1 January 2009 | 5,220 | 612 |
| New loans | 9,462 | - |
| Repayment of loans | (10,330) | - |
| Non-controlling interests in results for the year | - | (62) |
| Amortisation of loan facility fee | 6 | - |
| Actuarial gains of defined benefit plans | - | (1) |
| As at 31 December 2009 | 4,358 | 549 |
| As at 1 January 2010 | 4,358 | 549 |
| New loans | 770 | - |
| Repayment of loans | (1,570) | - |
| Non-controlling interests in results for the year | - | (145) |
| Amortisation of loan facility fee | 8 | - |
| As at 31 December 2010 | 3,566 | 404 |

## 28 Contingent liabilities

As at 31 December, the Group had contingent liabilities in respect of the following:

| | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|
| Performance guarantees | 692 | 637 |
| Financial guarantees | 12 | 16 |
| | 704 | 653 |

## 29 Commitments

Outstanding commitments of the Group not provided for in the consolidated financial statements are as follows:

### (a) Capital commitments

| | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|
| Property, plant and equipment | | |
| Contracted but not provided for | 647 | 673 |
| Authorised but not contracted for | 741 | 635 |
| | 1,388 | 1,308 |
| Investment in a jointly controlled entity | | |
| Contracted but not provided for | - | 6 |

### (b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Buildings | | Other assets | |
|---|---|---|---|---|
| | 2010<br>HK$ millions | 2009<br>HK$ millions | 2010<br>HK$ millions | 2009<br>HK$ millions |
| Not later than one year | 279 | 286 | 139 | 148 |
| Later than one year but not later than five years | 140 | 133 | 54 | 72 |
| Later than five years | - | 1 | - | - |
| | 419 | 420 | 193 | 220 |

## 29 Commitments (Continued)

### (c) Acquisition of telecommunications licence for third generation mobile services

In October 2001, a subsidiary of the Company was issued a 3G licence in the 1900-2170 MHz radio spectrum for Hong Kong ("Licence") for a duration of 15 years. For the first five years of the term of the Licence, fixed annual licence fees were payable. Beginning from the sixth year of the Licence, variable licence fees payable amount to 5% of network turnover (as defined in the Licence) in respect of the relevant year; or the Appropriate Fee (as defined in the Licence) in respect of the relevant year whichever is greater. The net present value of the Appropriate Fee has already been recorded as licence fees liabilities.

## 30 Employee retirement benefits

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

### (a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2010, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2009: Same).

The amounts recognised in the consolidated statement of financial position are as follows:

| | **2010 HK$ millions** | 2009 HK$ millions |
|---|---|---|
| Pension obligations (Note 25) | **27** | 43 |

The principal actuarial assumptions used for accounting purposes are as follows:

| | **2010** | 2009 |
|---|---|---|
| Discount rate applied to defined benefit plan obligations | **2.20% - 2.80%** | 2.20% - 2.30% |
| Expected return on plan assets | **7.00%** | 7.00% |
| Future salary increases | **3.00%** | 1.50% - 3.00% |
| Interest credited on plan accounts | **5.00% - 6.00%** | 5.00% - 6.00% |

## 30 Employee retirement benefits (Continued)

### (a) Defined benefit plans (Continued)

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| The amount recognised in the consolidated income statement: | | |
| Current service cost | 24 | 26 |
| Interest cost | 5 | 3 |
| Expected return on plan assets | (13) | (9) |
| Total, included in staff costs (Note 7) | 16 | 20 |
| The amount recognised in the consolidated statement of financial position: | | |
| Present value of funded plans' obligations | (232) | (221) |
| Less: Fair value of plan assets | 205 | 178 |
| Liability recognised in the consolidated statement of financial position | (27) | (43) |

# 30 Employee retirement benefits (Continued)

## (a) Defined benefit plans (Continued)

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| **Changes in present value of the defined benefit obligations** | | |
| Beginning of year | **221** | 218 |
| Current service cost net of employee contributions | **24** | 26 |
| Actual employee contributions | **1** | 1 |
| Interest cost | **5** | 3 |
| Actuarial gains on obligations | **(10)** | (20) |
| Actual benefits paid | **(10)** | (7) |
| Net transfer in liabilities | **1** | – |
| End of year | **232** | 221 |
| **Changes in the fair value of the plan assets** | | |
| Beginning of year | **178** | 137 |
| Expected return on plan assets | **13** | 9 |
| Actuarial gains on plan assets | **4** | 23 |
| Contribution by employer | **18** | 15 |
| Contribution by employees | **1** | 1 |
| Actual benefits paid | **(10)** | (7) |
| Net transfer in assets | **1** | – |
| End of year | **205** | 178 |
| **The analysis of the fair value of plan assets at end of year is as follows:** | | |
| Equity instruments | **63%** | 63% |
| Debt instruments | **21%** | 22% |
| Other assets | **16%** | 15% |
| | **100%** | 100% |

Expected contributions to defined benefit plans for the year ending 31 December 2011 are approximately HK$23 million.

## 30 Employee retirement benefits (Continued)

### (a) Defined benefit plans (Continued)

| | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|
| **The experience adjustments are as follows:** | | |
| Fair value of plan assets | **205** | 178 |
| Present value of defined benefit obligations | **(232)** | (221) |
| Deficit | **(27)** | (43) |
| Experience adjustments on plan assets | **4** | 22 |
| Percentage of plan assets (%) | **2** | 12 |
| Experience adjustments on plan obligations | **-** | 1 |
| Percentage of plan obligations (%) | **-** | - |

The actual return on plan assets during the year ended 31 December 2010 was a gain of HK$17 million (2009: gain of HK$32 million).

The accumulated actuarial losses recognised in the statement of comprehensive income as at 31 December 2010 was approximately HK$32 million (2009: losses of HK$46 million).

Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the surplus/deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2009 reported a funding level of 99.8% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited (formerly known as Watson Wyatt Hong Kong Limited). The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2010, the plan was fully funded for the funding of vested benefits in accordance with the ORSO funding requirements.

## 30 Employee retirement benefits (Continued)

### (b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$2 million (2009: HK$4 million) were utilised during the year leaving HK$0.2 million (2009: HK$0.1 million) available at the year end to reduce future contributions.

## 31 Investments in subsidiaries

The Company's investments in subsidiaries represent investments in unlisted shares, stated at cost, of Hutchison Global Communications Investment Holding Limited and Hutchison Telecommunications (HK) Holdings Limited.

Particulars of principal subsidiaries are set out on pages 130 to 131.

## 32 Ultimate holding company

As at 31 December 2010, the Company was owned as to approximately 65% by Hutchison Whampoa Limited ("HWL") with the remaining shares being widely held. The directors regarded HWL as the Company's ultimate holding company.

## 33 Related party transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals.

*Related Party Group:*

(1) HWL Group - HWL together with its direct and indirect subsidiaries, excluding Hutchison Telecommunications International Limited ("HTIL") Group

(2) HTIL Group - HTIL together with its direct and indirect subsidiaries

(3) Other shareholders of the Group or HWL Group:

- (a) CKH Group - Cheung Kong (Holdings) Limited together with its direct and indirect subsidiaries
- (b) DoCoMo Group - NTT DoCoMo, Inc. together with its direct and indirect subsidiaries

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Save as disclosed elsewhere in the consolidated financial statements, transactions between the Group and other related parties during the year are summarised below.

## 33 Related party transactions (Continued)

### (a) Key management personnel remuneration

No transaction has been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 7.

### (b) Transactions with related parties

| | 2010<br>HK$ millions | 2009<br>HK$ millions |
|---|---|---|
| Continuing transactions | | |
| HWL Group | | |
| Provision of mobile telecommunications services | 23 | 34 |
| Provision of fixed-line telecommunications services | 93 | 95 |
| Sale of telecommunications products | - | 1 |
| Purchase of telecommunications products, net of rebates | - | 4 |
| Purchase of telecommunications services | (7) | (8) |
| Rental expenses on lease arrangements | (68) | (62) |
| Dealership service expenses | (12) | (30) |
| Billing collection service expenses | (14) | (14) |
| Purchase of office supplies | (9) | (8) |
| Purchase of air tickets and hotel accommodation | (4) | (2) |
| Advertising and promotion expenses | (28) | (22) |
| Global procurement service arrangement expenses | (8) | (14) |
| Purchase of property, plant and equipment | (1) | (16) |
| Sharing of services arrangement | (35) | (21) |
| HTIL Group | | |
| Provision of mobile telecommunications services | - | 1 |
| Provision of fixed-line telecommunications services | 2 | 1 |
| Sale of telecommunications products | - | 33 |
| Purchase of telecommunications services | (1) | (2) |
| Treasury management service fee | - | (5) |
| CKH Group | | |
| Provision of mobile telecommunications services | 1 | 1 |
| Provision of fixed-line telecommunications services | 53 | 57 |
| Provision of marketing services | 2 | - |
| Rental expenses on lease arrangements | (5) | (5) |
| Purchase of telecommunications services | (2) | (3) |
| Purchase of business risks management services | (6) | (7) |
| Purchase of property, plant and equipment | (1) | - |
| Sharing of services arrangement | (4) | - |
| DoCoMo Group | | |
| Provision of mobile telecommunications services | 21 | 19 |

## 33 Related party transactions (Continued)

### (b) Transactions with related parties (Continued)

| | 2010 HK$ millions | 2009 HK$ millions |
|---|---|---|
| Discontinued transactions | | |
| HTIL Group | | |
| Sharing of services arrangement | - | (18) |

In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

### (c) Balances with subsidiaries

The receivables and payables with subsidiaries are unsecured, interest free and repayable on demand.

## 34 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.

# List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2010 are as follows:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital/paid-up capital | Direct interest held | Indirect interest held |
|---|---|---|---|---|---|
| Hutchison Global Communications Investment Holding Limited | The British Virgin Islands (the "BVI"), limited liability company | Investment holding | 320 ordinary shares of US$1 each | 100% | - |
| Hutchison Telecommunications (HK) Holdings Limited | The BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100% | - |
| Hutchison Global Communications Limited | Hong Kong, limited liability company | Fixed-line telecommunications business in Hong Kong | 2 ordinary shares of HK$10 each | - | 100% |
| Hutchison GlobalCentre Limited | Hong Kong, limited liability company | Data centre services in Hong Kong | 2 ordinary shares of HK$1 each | - | 100% |
| Hutchison Global Communications (Malaysia) Sdn. Bhd. | Malaysia, limited liability company | Telecommunications business and support services in Malaysia | 2 ordinary shares of RM1 each | - | 100% |
| Hutchison Global Communications Pte Limited | Singapore, limited liability company | Telecommunications business and support services in Singapore | 2 ordinary shares of SG$1 each | - | 100% |
| Hutchison Global Communications (Taiwan) Limited | Taiwan, limited liability company | Telecommunications business and support services in Taiwan | 100,000 ordinary shares of NTD10 each | - | 100% |
| Hutchison Global Communications (UK) Limited | The United Kingdom, limited liability company | Telecommunications business and support services in the United Kingdom | 2 ordinary shares of GBP1 each | - | 100% |
| Hutchison Global Communications (US) Limited | The United States of America, limited liability company | Telecommunications business and support services in the United States of America | 3,000 ordinary shares of US$0.01 each | - | 100% |

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital/paid-up capital | Direct interest held | Indirect interest held |
|---|---|---|---|---|---|
| Hutchison MultiMedia Services Limited | Hong Kong, limited liability company | Internet services in Hong Kong | 2 ordinary shares of HK$10 each | – | 100% |
| Hutchison Telecommunications (Hong Kong) Limited | Hong Kong, limited liability company | Management and treasury services in Hong Kong | 2 ordinary shares of HK$10 each | – | 100% |
| Hutchison Telecommunications Information Technology (Shenzhen) Limited | The People's Republic of China (the "PRC"), limited liability company | Information technology services in the PRC | HK$10,000,000 | – | 100% |
| Hutchison Telecommunication Services Limited | Hong Kong, limited liability company | Telecommunications retail operations in Hong Kong | 2 ordinary shares of HK$10 each | – | 100% |
| Hutchison Telephone Company Limited | Hong Kong, limited liability company | Mobile telecommunications business in Hong Kong | 125,812 ordinary shares of HK$10 each | – | 75.9% |
| Hutchison Telephone (Macau) Company Limited | Macau, limited liability company | Mobile telecommunications business in Macau | MOP10,000,000 | – | 75.9% |

# Financial Summary

| | 2010 HK$ millions | 2009 HK$ millions | 2008 HK$ millions | 2007 HK$ millions | 2006 HK$ millions |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Turnover | **9,880** | 8,449 | 8,124 | 7,249 | 6,607 |
| Profit for the year | **900** | 530 | 218 | 164 | 170 |
| Non-controlling interests | **(145)** | (62) | 12 | 16 | 72 |
| Net profit attributable to shareholders of the Company | **755** | 468 | 230 | 180 | 242 |
| **ASSETS** | | | | | |
| Total non-current assets | **16,260** | 16,241 | 16,278 | 16,187 | 17,055 |
| Cash and cash equivalents | **180** | 268 | 272 | 275 | 361 |
| Other current assets | **1,736** | 1,245 | 1,318 | 1,657 | 2,458 |
| Total assets | **18,176** | 17,754 | 17,868 | 18,119 | 19,874 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | **1,204** | 1,204 | - | - | - |
| Reserves | **9,002** | 8,689 | (2,949) | (3,083) | (3,294) |
| Total shareholders' fund | **10,206** | 9,893 | (2,949) | (3,083) | (3,294) |
| Non-controlling interests | **(404)** | (549) | (612) | (719) | (704) |
| Total equity | **9,802** | 9,344 | (3,561) | (3,802) | (3,998) |
| **LIABILITIES** | | | | | |
| Long-term borrowings | **3,566** | 4,358 | - | - | 10,280 |
| Other non-current liabilities | **736** | 729 | 721 | 577 | 588 |
| Payables to related companies | **-** | - | 12,418 | 13,743 | 10,370 |
| Current liabilities | **4,072** | 3,323 | 8,290 | 7,601 | 2,634 |
| Total liabilities | **8,374** | 8,410 | 21,429 | 21,921 | 23,872 |
| Total equity and liabilities | **18,176** | 17,754 | 17,868 | 18,119 | 19,874 |

Note:

Details of the basis of preparation of the consolidated financial statements were set out in Note 2 to the consolidated financial statements.

# Information for Shareholders

## Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its American Depositary Shares (ADSs) are eligible for trading in the United States of America only in the over-the-counter market.

## Stock Code

215

## Public Float Capitalisation

As at 31 December 2010:
Approximately HK$2,909 million (representing approximately 25.4% of the issued share capital of the Company)

## Financial Calendar

| | |
|---|---|
| Payment of 2010 Interim Dividend: | 2 September 2010 |
| 2010 Final Results Announcement: | 21 March 2011 |
| Closure of Register of Members: | 13 May 2011 to 19 May 2011 |
| Annual General Meeting: | 19 May 2011 |
| Payment of 2010 Final Dividend: | 20 May 2011 |
| 2011 Interim Results Announcement: | August 2011 |

## Registered Office

Scotia Centre, 4th Floor, P.O. Box 2804, George Town,
Grand Cayman KY1-1112, Cayman Islands

## Head Office and Principal Place of Business

22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong
Telephone: +852 2128 1188
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## Principal Executive Office in Hong Kong

19th Floor, Hutchison Telecom Tower, 99 Cheung Fai Road,
Tsing Yi, Hong Kong
Telephone: +852 2128 2828
Facsimile: +852 2128 3388

## Cayman Islands Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street, P.O. Box 609,
Grand Cayman KY1-1107, Cayman Islands
Telephone: +1 345 949 7055
Facsimile: +1 345 949 7004

## Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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## ADS Depositary

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From outside US: +1 781 575 4555
Facsimile: +1 201 324 3284
Email: citibank@shareholders-online.com

## Investor Information

Corporate press releases, financial reports and other investor information are available online at the website of the Company.

## Investor Relations Contact

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www.hthkh.com

## Cautionary Statements

This annual report contains forward-looking statements. Statements that are not historical facts, including those about the beliefs and expectations of the Company, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Company has no obligation to update any of them publicly with respect to any new information or future events. Forward-looking statements involve inherent risks, uncertainties and assumptions. The Company cautions that if these risks or uncertainties ever materialise or the assumptions prove incorrect, or if a number of important factors occur or do not occur, the actual results of the Company may differ materially from those expressed or implied in any forward-looking statements.

Hutchison Telecom
Hong Kong Holdings

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