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Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Consolidated turnover grew 36% to HK$13,407 million driven by strong growth in smartphone sales and data communications.
- Turnover of mobile business was HK$10,406 million, of which service revenue amounted to HK$5,467 million. EBITDA was HK$1,712 million.
- Turnover of fixed-line business was HK$3,403 million and EBITDA was HK$1,016 million.
- Profit attributable to shareholders of the Company increased by 35% to HK$1,020 million.
- Earnings per share rose 35% to 21.17 HK cents.
- Final dividend per share recommended at 10.70 HK cents, a growth of 57%.

CHAIRMAN'S STATEMENT

I am pleased to present the financial results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2011. We achieved another year of success from the continued growth of our mobile business driven by unprecedented market demand for smartphones and increased data usage.

Results

Our continued strategy and focus to meet customer demand, value enhancement and prudent cost management enabled us to achieve another year of sustained growth. Turnover increased by 36% from HK$9,880 million in 2010 to HK$13,407 million in 2011, driven by increased sales of smartphones. EBITDA grew by 19% from HK$2,194 million in 2010 to HK$2,611 million in 2011. Operating profit increased by 29% from HK$1,107 million in 2010 to HK$1,432 million in 2011. Profit for the year rose from HK$900 million in 2010 to HK$1,261 million in 2011 and after accounting for the 24.1% non-controlling interests in our mobile business, profit attributable to shareholders of the Company increased from HK$755 million in 2010 to HK$1,020 million in 2011, representing a growth of 35%. Basic earnings per share in 2011 was 21.17 HK cents, compared to 15.68 HK cents in 2010.

Dividends

The board of directors (the "Board") recommends the payment of a final dividend of 10.70 HK cents (2010: 6.83 HK cents) per share for 2011, or HK$516 million (2010: HK$329 million) in total, payable on Wednesday, 6 June 2012 following approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Monday, 28 May 2012, being the record date for determining shareholders' entitlement to the proposed final dividend. Together with the interim dividend of 5.16 HK cents per share, this brings the full year dividend to 15.86 HK cents per share. Total full year dividend represents 75% of profit attributable to shareholders for the year, which is in line with the dividend policy of the Company, and represents a 56% increase compared to that in 2010.

Business Review

Mobile business – Hong Kong and Macau

Turnover from our mobile business increased by 50% to HK$10,406 million in 2011, as a result of robust sales of smartphones as the mobile market is dominated by the continued popularity and penetration of smartphones. EBITDA and operating profit increased to HK$1,712 million and HK$1,184 million respectively in 2011, showing a strong growth of 38% and 49% over 2010, respectively.

As at the end of 2011, our total customer base in Hong Kong and Macau stood at 3.51 million (2010: 3.20 million), reflecting an annual growth of 10%, of which our postpaid customers amounted to 2.00 million. Our 3G customer base grew at a faster rate and closed the year at 2.61 million customers in Hong Kong and Macau, an increase of 27% compared to 2010. We see increasing smart device penetration rate in our Hong Kong and Macau 3G postpaid customer base, which rose from 40% in 2010 to 53% in 2011. Our mobile postpaid ARPU grew from HK$220 in 2010 to HK$244 in 2011 from upward migration to smartphones and increased data usage driven by the popularity of applications and value-added services that we offered to our customers.

In 2011, we stepped up our efforts to provide customers with convenient and comprehensive sales services with an enhanced retail presence, greater number of user workshops as well as the launch of a 24-hour online store and instant chat online support service.

We also continued to invest in our network capacity. During 2011, we acquired a block of radio spectrum in the 900MHz band. Capital expenditures, including radio spectrum, increased from HK$507 million in 2010 to HK$2,151 million in 2011. In February 2012, we successfully acquired a block of 30MHz TDD-LTE spectrum in the 2.3GHz band at a consideration of HK$150 million. As a result, we now have the largest amount of available radio spectrum bandwidth for provision of mobile services in Hong Kong. This is crucial to our future growth as we expect the take-up of smartphones and data usage will continue to increase and at the same time reflects our dedication to providing a superior network experience.

Fixed-line business

Turnover from our fixed-line business in 2011 was HK$3,403 million, a 4% increase as compared to 2010, with continued service revenue growth in our carrier business offset by a decline in the service revenue from our residential market segment due to intense price competition in particular in the voice sector. EBITDA and operating profit of HK$1,016 million and HK$364 million for 2011 are 5% and 14% lower than those in 2010 respectively mainly due to above-mentioned intense price competition in the residential market and a non-recurring HK$44 million write-off of submarine cables located at the Hong Kong-Zhuhai-Macau Bridge site.

Despite 2011 being a challenging year, the business continued to grow. Our carrier business, including provision of services to other mobile network operators in Hong Kong, continued to expand its coverage as those mobile network operators expanded their network capacity. In another development, our international and IDD businesses continued to grow as we expand our overseas coverage and interconnections with operators worldwide via our comprehensive network. Our corporate business, which provides customers with a fully integrated offering including virtual private network services, continued to grow in line with our enlarged market share and customer base and increased offerings from the deployment of cutting-edge technologies.

The residential market segment, with a relatively small revenue share in our fixed-line business, experienced intense price competition in 2011. We expect this segment to remain very competitive. Nevertheless, our business is well-positioned to capture future opportunities leveraging our extensive fibre infrastructure. Our latest 3Home Broadband service offering provides customers with broadband speeds up to 1Gbps, coupled with attractive and exclusive value-added services at a very competitive price highlights our determination to broaden our presence in this market.

Outlook

The outlook for our mobile business is very encouraging as the market sees a greater smartphone penetration and growth in data usage, which translate to revenue growth and business opportunities. In response to growing number of smartphone users and accelerating data usage, we have undertaken various initiatives to cope with increasing network capacity and coverage demand as well as to provide our customers with innovative and attractive product offerings. We have made good progress on re-farming the 900MHz band spectrum for 3G services, which is expected to be completed in 2012. This, coupled with the launch of the Long Term Evolution service when more related mobile devices become available in the market, will undoubtedly enrich our portfolio and provide further business growth opportunities. Our alliance with Vodafone will open up more business opportunities in the corporate market, and also benefit our customers with an expanded international roaming offering.

Our fixed-line business will benefit from increasing data usage from our carrier, corporate and residential customers and increasing demand for new data centric services like mobile backhaul network and cloud computing services. We have been appointed by Hong Kong Exchanges and Clearing Limited, as one of the only three accredited vendors to provide Securities and Derivatives Network (SDNet/2) service, which will allow us to serve the needs of a greater number of corporate customers.

We are in a strategically-advantageous position to capitalise on the data era. Our unique strength, which lies in our fixed-mobile integrated capabilities, along with best-in-class mobile networks supported by an extensive fibre infrastructure will enable us to provide a greater range of competitively priced and attractive service offerings to our customers and for us to grow our businesses.

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

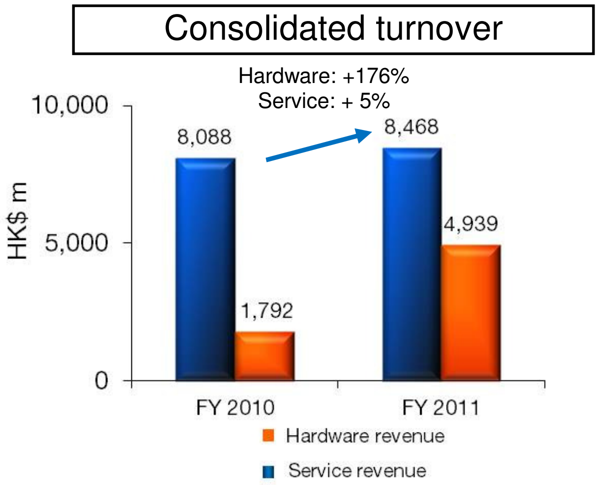
FOK Kin Ning, Canning
Chairman

Hong Kong, 20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

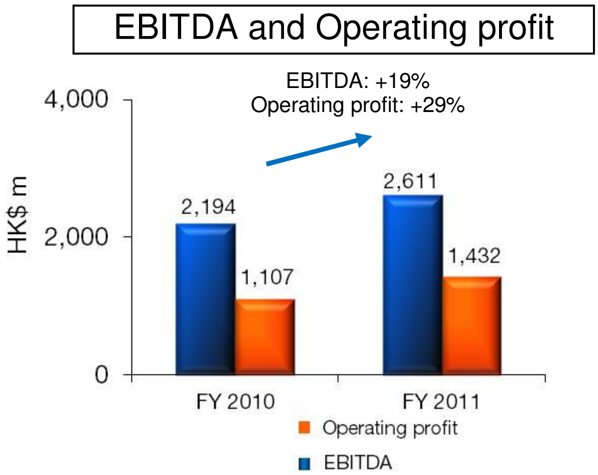
Turnover of the Group increased by 36% from HK$9,880 million in 2010 to HK$13,407 million in 2011. Service revenue grew from HK$8,088 million in 2010 to HK$8,468 million in 2011. Hardware revenue, fueled by growing demand for smart devices, increased from HK$1,792 million in 2010 to HK$4,939 million in 2011.



Total operating expenses, including cost of inventories sold, increased from HK$8,773 million in 2010 to HK$11,975 million in 2011, in line with turnover growth.

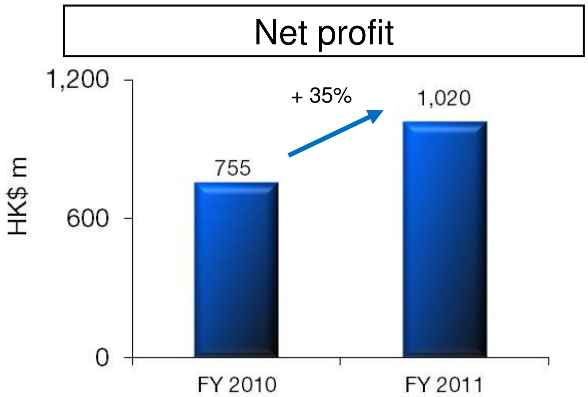
EBITDA rose by 19%, from HK$2,194 million in 2010 to HK$2,611 million in 2011 while operating profit grew from HK$1,107 million in 2010 to HK$1,432 million in 2011, reflecting an increase of 29%.

The gearing ratio, calculated by dividing net debt by total equity, remained stable at 35%. Interest and other finance costs decreased from HK$128 million in 2010 to HK$124 million in 2011.



Share of losses of jointly-controlled entities dropped from HK$21 million in 2010 to HK$4 million in 2011. Taxation for the year decreased from HK$63 million in 2010 to HK$49 million in 2011.

Overall, the Group recorded a 35% growth in net profit attributable to shareholders of the Company from HK$755 million in 2010 to HK$1,020 million in 2011.

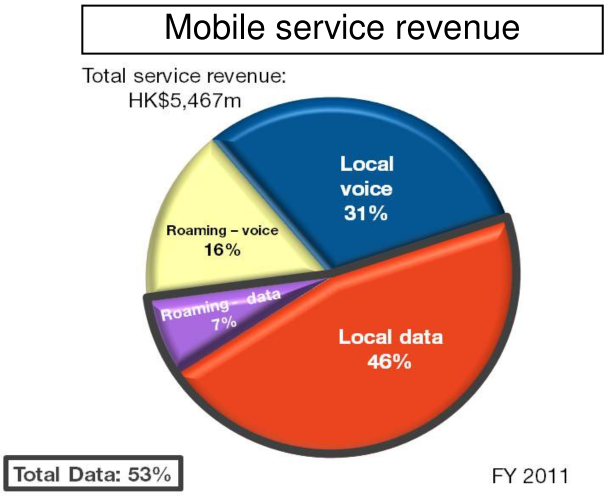


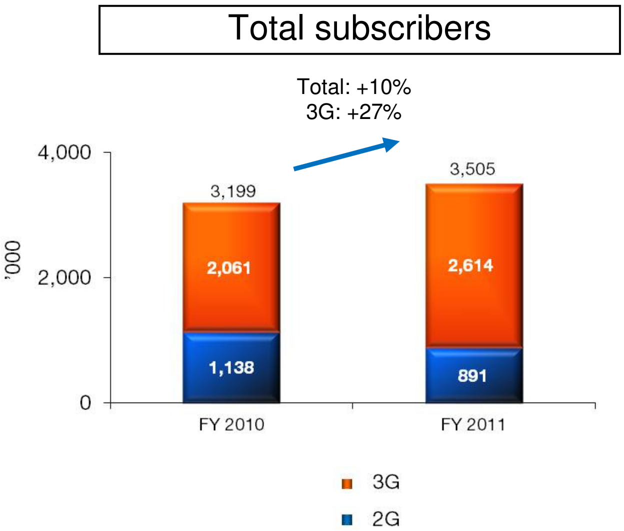
Business Review

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

Mobile business in Hong Kong and Macau

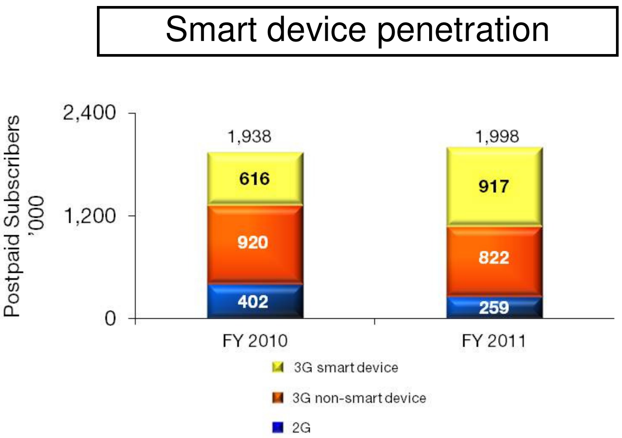
Year 2011 saw a record growth in our mobile telecommunications business which accounted for over 70% of consolidated turnover. Turnover for our mobile operations increased by 50% from HK$6,950 million in 2010 to HK$10,406 million in 2011, driven by growing popularity of smart devices. Service revenue increased from HK$5,158 million in 2010 to HK$5,467 million in 2011. Demand for data service was robust, local and roaming data revenue in aggregate accounted for 53% of mobile service revenue.

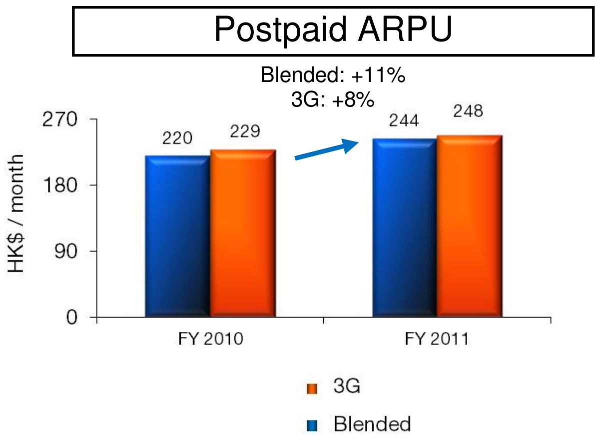




Our subscriber base continued to expand, and as of 31 December 2011, we commanded a total Hong Kong and Macau customer base of 3.51 million of which 3G customers accounted for approximately 75%, indicating a growing proportion of high-yield subscribers. Compared to 2010, 3G customers increased by 0.55 million to 2.61 million, reflecting a growth of 27%. The total number of Hong Kong and Macau postpaid customers was 2.00 million in 2011.

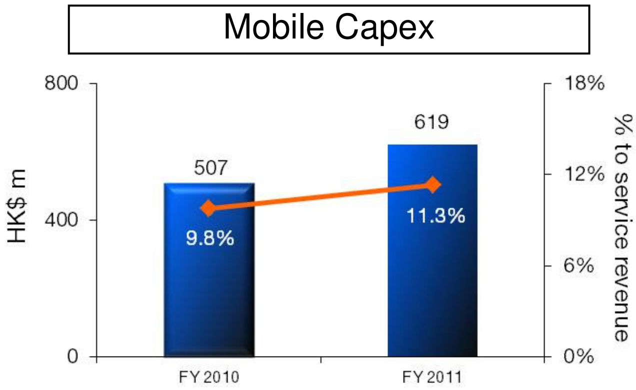
Our wide selection of mobile data offerings and competitive tariff packages drove customer demand for bandwidth, while widespread popularity of smart devices, such as smartphones and tablet models, provided an extra uplift of smart device ownership. Our 3G postpaid customers using smart devices recorded a substantial growth of 49% while penetration rate in our 3G postpaid customer base climbed from 40% in 2010 to 53% in 2011, reflecting our continuous effort on internal upward migration. Increased availability of smart devices added further boost to ARPU growth. Our blended postpaid ARPU increased from HK$220 in 2010 to HK$244 in 2011 with 3G ARPU rising from HK$229 in 2010 to HK$248 in 2011.





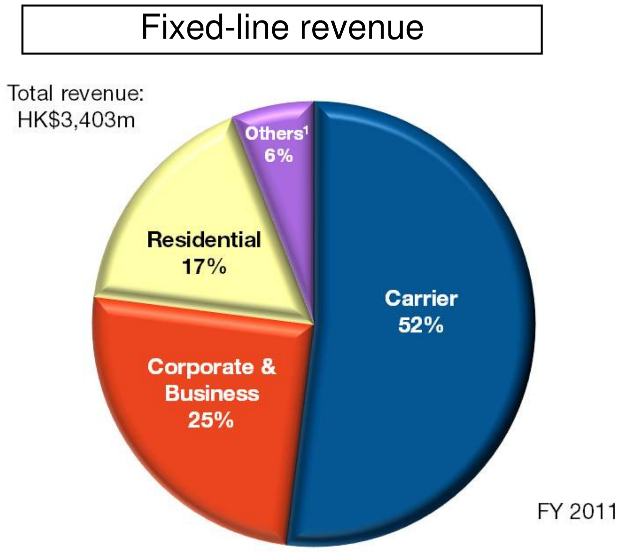
EBITDA increased by 38% from HK$1,238 million in 2010 to HK$1,712 million in 2011, mainly as a result of turnover growth benefiting from strong telecommunications hardware sales and demand for data services, as well as carefully-executed cost-planning initiatives. Operating profit increased by 49% from HK$792 million in 2010 to HK$1,184 million in 2011.

Capital expenditures increased to HK$619 million in 2011 while capital expenditures to service revenue reached 11.3% in 2011.



Fixed-line business

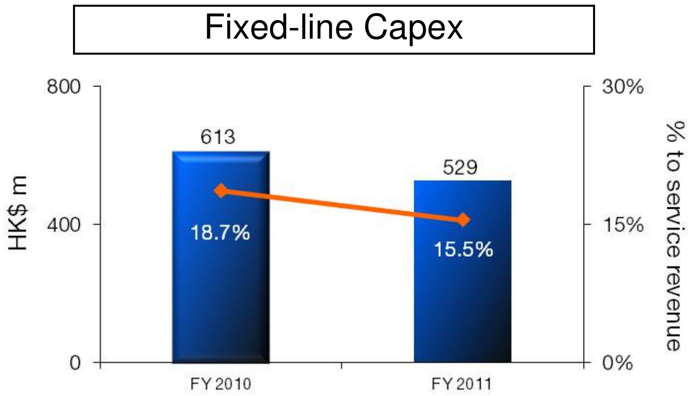
Turnover increased by 4% from HK$3,286 million in 2010 to HK$3,403 million in 2011. Revenue from the carrier market showed an increase of 12% from HK$1,588 million in 2010 to HK$1,781 million in 2011. Revenue from the corporate and business market was maintained at the same level as last year, with a slight increase from HK$838 million in 2010 to HK$840 million in 2011. Revenue from the residential market amounted to HK$583 million in 2011, compared to HK$642 million in 2010 due to intense price competition in the residential market. Overall steady growth was sustained, driven by our strong presence in the carrier market, in which we enjoyed increasing IDD and data revenue, while providing high-speed and reliable network services to high-yield corporate customers.



[1] *Others include revenue from interconnection charges and data centres*

EBITDA was HK$1,016 million in 2011 compared to HK$1,064 million in 2010 following keen competition in the residential voice market, which was partially offset by growth in carrier and corporate markets. Operating profit in 2011 was HK$364 million, compared to HK$422 million in 2010, a decline of HK$58 million. This decline was due to the EBITDA decline mentioned above as well as a non-recurring loss of HK$44 million from write-off of submarine cables located at the Hong Kong-Zhuhai-Macau Bridge construction site.

Capital expenditures were HK$529 million in 2011 while capital expenditures to revenue in 2011 reduced to 15.5%.



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$ millions	2010 HK$ millions
Turnover	3	13,407	9,880
Cost of inventories sold		(4,663)	(1,776)
Staff costs		(646)	(646)
Depreciation and amortisation		(1,179)	(1,087)
Other operating expenses		(5,487)	(5,264)
Operating profit		1,432	1,107
Interest income	5	6	5
Interest and other finance costs	5	(124)	(128)
Share of results of jointly controlled entities		(4)	(21)
Profit before taxation		1,310	963
Taxation	6	(49)	(63)
Profit for the year		1,261	900
Attributable to:			
Shareholders of the Company		1,020	755
Non-controlling interests		241	145
		1,261	900
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	7	21.17	15.68
- diluted	7	21.17	15.67

Details of interim dividend paid and final dividend payable to shareholders of the Company are set out in Note 8.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$ millions	2010 HK$ millions
Profit for the year	1,261	900
Other comprehensive income recognised directly in equity		
Actuarial (losses)/gains of defined benefit plans	(65)	14
Currency translation differences	(1)	-
Total comprehensive income for the year, net of tax	1,195	914
Total comprehensive income attributable to:		
Shareholders of the Company	954	769
Non-controlling interests	241	145
	1,195	914

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 HK$ millions	2010 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,690	9,610
Goodwill		4,503	4,503
Other intangible assets		1,718	280
Other non-current assets		1,207	1,227
Deferred tax assets		368	368
Investments in jointly controlled entities		332	272
Total non-current assets		17,818	16,260
Current assets			
Cash and cash equivalents	9	182	180
Trade receivables and other current assets	10	1,787	1,497
Inventories		299	239
Total current assets		2,268	1,916
Current liabilities			
Trade and other payables	11	4,615	4,064
Borrowings		3,853	-
Current income tax liabilities		10	8
Total current liabilities		8,478	4,072
Net current liabilities		(6,210)	(2,156)
Total assets less current liabilities		11,608	14,104
Non-current liabilities			
Deferred tax liabilities		231	190
Borrowings		-	3,566
Other non-current liabilities		964	546
Total non-current liabilities		1,195	4,302
Net assets		10,413	9,802
CAPITAL AND RESERVES			
Share capital		1,205	1,204
Reserves		9,379	9,002
Total shareholders' funds		10,584	10,206
Non-controlling interests		(171)	(404)
Total equity		10,413	9,802

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	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 2011	1,204	11,182	(2,172)	1	(27)	1	17	10,206	(404)	9,802
Profit for the year	-	-	1,020	-	-	-	-	1,020	241	1,261
Other comprehensive income										
Actuarial losses of defined benefit plans	-	-	-	-	(65)	-	-	(65)	-	(65)
Currency translation differences	-	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income	-	-	1,020	(1)	(65)	-	-	954	241	1,195
Dividend paid (Note 8)	-	-	(578)	-	-	-	-	(578)	-	(578)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(8)	(8)
Employee share option scheme										
- proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
As at 31 December 2011	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

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

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$ millions	2010 HK$ millions
Cash flows from operating activities			
Cash generated from operations		2,652	2,356
Interest and other finance costs paid		(56)	(55)
Tax paid		(6)	(5)
Net cash generated from operating activities		2,590	2,296
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,141)	(1,117)
Additions to other non-current assets		(61)	(6)
Additions to other intangible assets		(1,077)	-
Proceeds from disposals of property, plant and equipment		53	5
Payment relating to investments in jointly controlled entities		(66)	(10)
Net cash used in investing activities		(2,292)	(1,128)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		2	1
Proceeds from borrowings		2,170	770
Repayment of loans		(1,890)	(1,570)
Dividend paid to the Company's shareholders	8	(578)	(457)
Net cash used in financing activities		(296)	(1,256)
Increase/(decrease) in cash and cash equivalents		2	(88)
Cash and cash equivalents at beginning of year		180	268
Cash and cash equivalents at end of year	9	182	180

NOTES

1 General information

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

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

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and whose American Depositary Shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements have been approved for issuance by the Board of Directors on 20 March 2012.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

As at 31 December 2011, the current liabilities of the Group exceeded its current assets by approximately HK$6,210 million. Included in the current liabilities were non-refundable customer prepayments of HK$969 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services, and a revolving and term loan of HK$3,853 million, which will expire on 3 December 2012. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the refinancing of the revolving and term credit facility. Subsequent to year end, the Group has obtained a short-term bridge loan facility of HK$500 million and has received various refinancing offers from a number of financial institutions and is in the process of considering and evaluating these offers in the best interests of its shareholders. Management expects to complete the refinancing arrangement before the expiry of the existing revolving and term loan facility. 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) Revised standards, amendments and interpretations adopted by the Group

During the year, the Group has adopted the following revised standards, amendments and interpretations which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2011:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IAS 24 (Revised)	Related Party Disclosures

In addition, the Group has early adopted amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets" which is effective for annual periods beginning on or after 1 January 2012. The adoption of these revised standards, amendments and interpretations has no material effect on the Group's results and financial position for 2011 and prior years.

(c) New/revised standards and amendments 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 and amendments to existing standards have been issued but are not effective for the year ended 31 December 2011:

IAS 1 (Amendment) (2)	Presentation of Financial Statements
IAS 19 (Amendment) (3)	Employee Benefits
IAS 27 (Revised 2011) (3)	Separate Financial Statements
IAS 28 (Revised 2011) (3)	Associates and Joint Ventures
IAS 32 (Amendment) (4)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
IFRS 7 (Amendment) (1)	Disclosures - Transfers of Financial Assets
IFRS 7 (Amendment) (3)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 9 (5)	Financial Instruments
IFRS 7 and IFRS 9 (Amendments) (5)	Mandatory Effective Date and Transition Disclosures
IFRS 10 (3)	Consolidated Financial Statements
IFRS 11 (3)	Joint Arrangements
IFRS 12 (3)	Disclosure of Interests in Other Entities
IFRS 13 (3)	Fair Value Measurements

(1) Effective for annual periods beginning on or after 1 July 2011
(2) Effective for annual periods beginning on or after 1 July 2012
(3) Effective for annual periods beginning on or after 1 January 2013
(4) Effective for annual periods beginning on or after 1 January 2014
(5) Effective for annual periods beginning on or after 1 January 2015

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

(d) Critical accounting estimates and assumptions

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

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

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2011, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$8,737 million (2010: HK$8,580 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.

(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 to the operation of the Group. The results of the impairment test undertaken as at 31 December 2011 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware. The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing the fair values of both of these elements by considering, among others, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair values of the elements as a result of changes in market conditions.

3 Turnover

Turnover comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	2011 HK$ millions	2010 HK$ millions
Mobile telecommunications services	5,464	5,147
Fixed-line telecommunications services	3,004	2,941
Telecommunications hardware	4,939	1,792
	13,407	9,880

4 Segment information

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

	As at and for the year ended 31 December 2011				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	10,406	3,403	-	(402)	13,407
Operating costs	(8,694)	(2,387)	(117)	402	(10,796)
Depreciation and amortisation	(528)	(652)	-	1	(1,179)
Operating profit/(loss)	1,184	364	(117)	1	1,432
Total assets before investments in jointly controlled entities	9,038	10,949	13,097	(13,330)	19,754
Investments in jointly controlled entities	313	19	-	-	332
Total assets	9,351	10,968	13,097	(13,330)	20,086
Total liabilities	(12,981)	(5,995)	(157)	9,460	(9,673)
Other information:					
Additions to property, plant and equipment	619	529	-	-	1,148
Additions to other intangible assets	1,532	-	-	-	1,532

4 Segment information (Continued)

	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 before investments in jointly controlled entities	7,134	11,130	12,970	(13,330)	17,904
Investments in jointly controlled entities	269	3	-	-	272
Total assets	7,403	11,133	12,970	(13,330)	18,176
Total liabilities	(11,945)	(5,728)	(160)	9,459	(8,374)
Other information:					
Additions to property, plant and equipment	507	613	-	(1)	1,119

The total revenue from external customers in Hong Kong for the year ended 31 December 2011 amounted to approximately HK$12,723 million (2010: HK$9,373 million) and the total revenue from external customers in Macau for the year ended 31 December 2011 amounted to approximately HK$684 million (2010: HK$507 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2011 amounted to approximately HK$17,119 million (2010: HK$15,668 million) and the total of these non-current assets located in Macau as at 31 December 2011 amounted to approximately HK$331 million (2010: HK$224 million).

5 Interest and other finance costs, net

	2011 HK$ millions	2010 HK$ millions
Interest income:		
Interest income from jointly controlled entities	6	5
Interest and other finance costs:		
Bank loans repayable within 5 years	(47)	(46)
Notional non-cash interest accretion (Note)	(67)	(66)
Guarantee and other finance fees	(16)	(17)
	(130)	(129)
Less: Amounts capitalised on qualifying assets	6	1
	(124)	(128)
Interest and other finance costs, net	(118)	(123)

Note: Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the consolidated statement of financial position such as licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

6 Taxation

	2011			2010		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	41	41	-	56	56
Outside Hong Kong	8	-	8	7	-	7
	8	41	49	7	56	63

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided for at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

7 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$1,020 million (2010: HK$755 million) and on the weighted average number of 4,817,603,057 (2010: 4,814,670,893) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2011 is calculated by adjusting the weighted average number of 4,817,603,057 (2010: 4,814,670,893) ordinary shares in issue with the weighted average number of 940,132 (2010: 1,993,823) ordinary shares deemed to be issued assuming the exercise of the share options.

8 Dividends

	2011 HK$ millions	2010 HK$ millions
Interim, paid of 5.16 HK cents per share (2010: 3.32 HK cents per share)	249	160
Final, proposed of 10.70 HK cents per share (2010: 6.83 HK cents per share)	516	329
	765	489

9 Cash and cash equivalents

	2011 HK$ millions	2010 HK$ millions
Cash at banks and in hand	109	65
Short-term bank deposits	73	115
	182	180

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.41% per annum (2010: 0.01% to 0.34%). These deposits have an average maturity of 1 to 14 days (2010: 1 to 7 days).

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

10 Trade receivables and other current assets

	Note	2011 HK$ millions	2010 HK$ millions
Trade receivables		1,626	1,399
Less: Provision for doubtful debts		(189)	(197)
Trade receivables, net of provision	(a)	1,437	1,202
Other receivables		130	106
Prepayments and deposits		220	189
		1,787	1,497

(a) Trade receivables, net of provision

	2011 HK$ millions	2010 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	916	677
31 - 60 days	209	200
61 - 90 days	106	103
Over 90 days	206	222
	1,437	1,202

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

11 Trade and other payables

	Note	2011 HK$ millions	2010 HK$ millions
Trade payables	(a)	462	383
Other payables and accruals		3,026	2,490
Deferred revenue		969	1,101
Current portion of licence fees liabilities		158	90
		4,615	4,064

(a) Trade payables

	2011 HK$ millions	2010 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	188	123
31 - 60 days	56	41
61 - 90 days	39	37
Over 90 days	179	182
	462	383

12 Subsequent event

On 6 February 2012, Hutchison Telephone Company Limited, a subsidiary of the Company, successfully bid for a block of 30MHz spectrum in the 2.3GHz band for the provision of mobile telecommunications services in Hong Kong for 15 years. A spectrum utilisation fee of HK$150 million was paid in cash. A performance bond in the amount of HK$150 million was also provided to the Office of the Telecommunications Authority of Hong Kong.

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

Treasury Management

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. The treasury function of the Group operates as a centralised service for managing group funding needs and monitoring 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. It is the policy of the Group not to enter into derivative transactions or 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 US dollars and Euro.

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 risks. 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. During the year ended 31 December 2011, an additional 2,250,000 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 2011, the Group recorded share capital of HK$1,205 million and total equity of HK$10,413 million.

The cash and cash equivalents amounted to HK$182 million as at 31 December 2011 (2010: HK$180 million), 63% of which were denominated in Hong Kong dollars, 10% in US dollars with remaining in various other currencies. As at 31 December 2011, the Group had bank borrowings of HK$3,853 million (2010: HK$3,566 million) which were denominated in Hong Kong dollars and repayable in late 2012. Subsequent to year end, the Group has obtained a short-term bridge loan facility of HK$500 million and has received various refinancing offers from a number of financial institutions and is in the process of considering and evaluating these offers in the best interests of its shareholders. The gearing ratio, calculated by dividing net debt by total equity, was 35% as at 31 December 2011 (2010: 35%).

Cash Flows

The Group maintains a healthy financial position, benefiting from steady growth in operating cash flows. During the year ended 31 December 2011, net cash generated from operating activities and used in investing activities of the Group amounted to HK$2,590 million (2010: HK$2,296 million) and HK$2,292 million (2010: HK$1,128 million) respectively. Major net outflows of funds during 2011 included payments for the additions to property, plant and equipment, spectrum utilisation fee for a block of radio spectrum acquired and dividends.

Charges on Group Assets

As at 31 December 2011, 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 ended 31 December 2011 was HK$1,148 million, compared to HK$1,119 million in 2010, reflecting our continued investment in network upgrade and expansion to support business growth.

Acquisition of Radio Spectrum

During the year ended 31 December 2011, the Group acquired a block of radio spectrum in the 900MHz band with a cost of HK$1,080 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 31 December 2011, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$810 million (2010: HK$704 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 spectrum licence obligations.

Capital Commitments

As at 31 December 2011, the Group had total capital commitments of property, plant and equipment, radio spectrum and investments in jointly controlled entities amounting to HK$2,204 million (2010: HK$1,388 million).

Staff

As at 31 December 2011, the Group employed 1,791 full-time staff members. Staff costs during the year ended 31 December 2011, including directors' emoluments, totalled HK$646 million (2010: HK$646 million).

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

Corporate Social Responsibility

The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen our relationship with the community. Operating as a sound corporate citizen via sponsorship and supporting socially-responsible projects at company level, we are committed to bringing positive impact to the general welfare of the community.

Review of Accounts

The consolidated financial statements of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 17 May 2012 to Tuesday, 22 May 2012, both days inclusive for the purpose of determining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting.

In order to be eligible to attend and vote at the 2012 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 16 May 2012.

Record date for Proposed Final Dividend

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend will be Monday, 28 May 2012.

In order to qualify for the entitlement to the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 28 May 2012.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

Compliance with the Code on Corporate Governance Practices

The Company is committed to achieving and maintaining the highest standards of corporate governance. The Company was fully compliant with all code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of Directors. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the year ended 31 December 2011.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday, 22 May 2012. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

Amendments to the Articles of Association

The Board proposes to make certain amendments to the Articles of Association of the Company to (a) provide flexibility in adjournment of general meetings; (b) streamline the procedure for shareholders' nomination of Directors; and (c) remove the 5% exemption for voting on a board resolution by a Director in which he has an interest, in line with recent changes in the Listing Rules. A circular containing details of the proposed changes will be sent to the shareholders together with the 2011 Annual Report.

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

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning
(also Alternate to Mrs CHOW WOO Mo Fong, Susan)

Deputy Chairman and Non-executive Director:
Mr LUI Dennis Pok Man

Executive Director:
Mr WONG King Fai, Peter

Non-executive Directors:
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
(also Alternate to Mr Frank John SIXT)
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr WONG Yick Ming, Rosanna)
Mr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna